EXPLORATORY RESEARCH ON BRANDING CANADIAN WOOD PRODUCTS IN CHINA

by

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ABSTRACT

This research focuses on understanding China's market background, the changing Chinese consumer, and exploring the role of branding information on certain members of the Chinese wood products industry. This information could help Canadian wood products firms increase exports to the Chinese market by the judicious use of branding strategies. The specific objectives of this exploratory research are to: identify the branding awareness of some Chinese wood products users; determine which branding variables are important to these wood products users in terms of purchase decisions; and explore the sources of information on brands for these wood products users. A written survey was developed to collect primary data from wood products users in China. A total of 85 respondents (~50% of all Chinese attendees) attending the China Wood Markets Export & Import Conference held in Dalian city, Liaoning province from October 26th to 29th, 2004 completed the survey.

Results of the survey indicate that performance/quality was the most important core value of brands wood for products. Competitive pricing, after-sales service and effective promotion, were viewed as three other important factors in terms of the relative importance in brands for wood products. Therefore, these values should form the core of the brand developed by Canadian wood products firms to improve opportunities in China's competitive market.

A successful brand would ensure consistent quality recognition and help a firm survive and grow in increasingly global competitive markets. Canadian wood products firms should be aware of the importance of branding their own products in China and develop, maintain and enhance their brands. Further research in China could determine specific aspects of a branding strategy. Firms should have a long-term commitment to the Chinese market since Chinese wood products users
consider after-sales service as one of the top benefits for wood products brands. Branding could help ensure high enough volumes to provide some economies of scale to reduce costs resulting from providing such services. Chinese wood products users prefer to obtain brand information through TV and Internet promotions and these media should be effective conduits for Canadian wood companies wanting to brand in China.
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1 INTRODUCTION

China is increasingly important in today's economy due to its rapid economic growth. Its GDP has maintained an annual growth rate of more than 8% over the past two decades and, in 2004, China's per capita GDP reached USD 1,087 (NBSC, 2004). Adjusted for exchange rates and differing price structures, this is equivalent to USD 4,058 Purchasing Power Parity (PPP). China's rapid economic growth and its growing consumer markets, combined with the growing output of its factories, have put new demands on the world's supplies of resource commodities. Today, the growing Chinese market plays an increasingly important role in the global economy.

It is well-known that Canada depends heavily on export markets for its economic prosperity and social well-being. Expanding into global markets means that Canada's economy will become stronger, more vibrant, and less dependent on traditional markets, particularly that of the US. With a population of 1.3 billion and a rapidly growing economy, China offers business opportunities that Canada is well-positioned to take full advantage of them.

Due to the National Housing Reform Program initiated in 1998 and growing production exports of manufactured wood, China has had strong increases in demand for wood materials for construction and remanufacturing. A Gallup study showed that average Chinese household incomes in 2004 (14,700 RMB) were nearly 2.5 times greater than those in 1994 (5,960 RMB) (Gallup, 2005). Fueled by this growth in Chinese household income, there have been impressive increases in home construction. The trend in China is thus towards an increase in the consumption of wood products, as long as growth continues. But how can wood products from

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1 In economics, PPP is a method used to calculate an alternative exchange rate between the currencies of two countries. PPP measures how much a currency can buy in terms of an international measure (usually dollars), since goods and services have different prices in some countries than in others (Wikipedia, 2005).

2 1 US$≈8 RMB, 14,700RMB≈1,838 US$, 5,960RMB≈745 US$. 
Canada gain effective entry into local supply chains? How can Canadian wood products firms succeed in the race to meet the needs of this increasingly large market?

The purpose of this research is to provide information that could help Canadian wood products firms increase exports to the Chinese market by the judicious use of branding strategies. While there have many studies on the Chinese market for wood products, such as *Brand Warriors China: Creating Sustainable Brand Capital* by Gilmore and Dumont (2004), and *Consumers Focus Group Report* by Forestry Innovation Investment Ltd. (2004), few have addressed branding information among Chinese buyers of wood products. In order to obtain branding information on the Chinese wood products industry, this project collected branding information directly from Chinese wood products users. The specific objectives of this exploratory research include:

- Identifying the branding awareness of selected Chinese wood products users;
- Determining which branding variables are important to these Chinese wood products users in terms of purchase decisions;
- Exploring the sources of information on brands for these Chinese wood products users; and
- Understanding these Chinese wood products users' positive and negative impressions of Canada.

In order to better understand branding strategies, it is useful to review the development and growth of branding in China as its market economy has grown. Chapter 2 provides a summary of the historical evolution of brands, branding theories, industrial and commodity products branding, and global branding. Chapter 3 focuses on branding in China, describing the country's general economic situation, followed by China's traditional culture, consumer structure and regional differences. The focus then shifts to consumer perceptions of brands in China, the evolution of branding in China, and Chinese consumers' current attitudes towards brands. It also examines the
sources from which Chinese consumers get brand information. Industrial consumers are also discussed as a lead-in to the objectives of this research. The research methodology used in this study is presented in Chapter 4, while the results are in Chapter 5. Chapter 6 is a discussion of the results, Chapter 7 presents the conclusions and Chapter 8 provides the limitations and future study.
2  BRANDING THEORY

The brand has traveled a long way, from the mark of a local product to a global corporate representative. The brand has been the brainchild of our era of mass communication (Macrae, 1991). The concept of the brand has been deeply embedded into consumers' purchasing behaviour and, indeed, brands help to set the directions for people's lifestyles worldwide. Meanwhile, in the increasingly competitive business environment, companies in each industry have been trying to take advantage of branding to maintain customer loyalty, win intense competitive battles, and explore emerging markets.

From the literature, it is clear that branding is an evolution from a traditional view of creating an awareness of a product to a contemporary view of how companies using branding to create competitive advantage. This section first examines the historical evolution of brands, then discusses the conceptual fundamentals of brands, reviews branding development in the industrial arena, and finally, explores the trend of global branding.

2.1  Historical evolution of brand

The literature on the history of branding is relatively limited. Chernatony and McDonald (1998) offered the relevant background in Creating Powerful Brands in Consumer, Service and Industrial Markets. They noted that brand was used in Greek and Roman times, where it only served as a name or logo of certain products; the purpose of the brand was to tell the buyers the name of the product. Even so, "the brand logo as a shorthand device signaling the brand's capability was born" (Chernatony and McDonald 1998, p28).

Chernatony and McDonald indicated that, "in the Middle Ages, craftsmen with
specialist skills began to stamp their marks on their goods and trademarks. Distinguishing between different suppliers became more common. In those early days, branding gradually became a guarantee of the source of the product, and ultimately its use as a form of legal protection against copying grew” (p28).

“The next landmark in the evolution of brands was associated with the growth of cattle farming in the New World of North America. Cattle owners wanted to make it clear to the other interested parties which animal they owned. By using a red hot iron, with a uniquely shaped end, they left a clear imprint on the skin of each of their animals” (p28). At this point, the use of a brand as a differentiating device had come into being.

In the next several centuries, retailers and wholesalers dominated consuming markets. Since they would sell various products from different producers, they did not pay attention to the uniqueness of brands. Meanwhile, manufacturers were separated from consumers and merely played a role in providing products. As technologies improved, manufacturers’ production increased. By the end of 19th century, manufacturers had gained a dominating role in the market economy due to the Industrial Revolution. This changing balance of power marked another milestone in the evolution of the brand. As brand owners, manufacturers “were concerned with using their brands as legal registrations of their unique characteristics” (p30-31). Thus, “whilst the differentiating aspect of the brand was initially regarded as the key issue, this soon grew to encompass legal protection and functional communication” (p31). “With more sophisticated buyers and marketers, brands also acquired an emotional dimension that reflected buyers’ moods, personalities and the messages they wished to convey to others” (p31).

Finally, Chernatony and McDonald described the features of branding at the end of 20th century, summarized by an eight-category typology of the brand as a sign of
ownership, a differentiating device, a functional device, a symbolic device, a risk reducer, a shorthand device, a legal device, and a strategic device. The authors' summary reflects the contemporary concept of the brand.

2.2 Branding theories

As an outcome of its evolution, the brand has encompassed multi-dimensioned concepts. This subsection examines the fundamentals of the brand.

2.2.1 Definition of brand

What is a brand? A brand was defined by the Oxford English Dictionary (1996 edition) as marking “indelibly as proof of ownership, as a sign of quality, or for any other purpose”. Here, the dictionary emphasized the brand’s initial functions: identity and quality. Briggs (2001) indicated that a brand was not just a name, a striking logo and a catchy slogan. It was a distinctive identity that differentiated a relevant enduring and credible promise of value and established a reputation for the product. Briggs’ opinion expanded the meaning of a brand to a set of promises. Chernatony and McDonald (1998) considered the brand to be a symbol that signifies the core values of exclusivity, performance, quality and technical innovation; from the role in marketing, “the brand is result of a coherent marketing approach, which uses all elements of the marketing mix” (p20). They defined a successful brand as “an identifiable product, service, person or place, augmented in such a way that a buyer or user perceives relevant, unique added values which match their needs most closely. Furthermore, its success results from being able to sustain these added values in the face of competition” (p20).

2.2.2 Benefits of branding

A successful brand can deliver many benefits. First, a widely recognized and accepted brand can create consumer loyalty. Consumers will believe that they are buying a
product with a name that stands for a commitment to excellent quality, sustained credibility and possibly global recognition. In this regard, loyalty drives repeat business (Scott, 2000). Scott emphasized that if, in every additional year, a company could keep a consumer loyal to its brand, the future profits derived from that customer would be considerably higher. In this way, a company gains a virtuous chain through its brand:

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Loyal buyers

Steady returns

Better products or services
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Second, brand-based price premiums allow for higher margins. Consumers often evaluate brands in terms of both functional (rational) and symbolic (emotional) aspects. With more sophisticated marketing and more experienced consumers, brands succeed not only by conveying differentiation, but also by being associated with added values (Chernatony and McDonald, 1998). Therefore, a well-known brand not only meets rational demands through its guaranteed quality, but also satisfies consumers' status needs within their peer group. Considering this point, more value has been put into the product, which in turn can generate a higher profit margin. This is also the reason why, although some prices of famous brands are higher than those of commodity products, consumers are still willing to choose the former.

Third, strong brands lend immediate credibility to new product introductions (Scott, 2000). A well-known brand offers the consumer a means of minimizing the need for information search and evaluation; it reduces perceived risk and gives consumers more confidence. Chernatony and McDonald (1998) pointed out that as people generally have limited memory capabilities, successful brands are used as shorthand
devices by consumers to recall sufficient information to make a decision. Therefore, a well-established brand can provide instant credibility for a new product, which is particularly important in global branding.

Fourth, brand uniqueness can emulate competitors in intense marketing competition. A successful brand means consistent high quality, innovative production processes, unparalleled customer service, and so on. This program will take time and money. Chernatony and McDonald (1998) indicated that, provided a given brand projected its original position, it is seldom cost-effective for another brand to try challenging it head-on. This would sustain a brand’s leading position and provide more advantages in the face of sharp competition.

Finally, brand strength is a lever for attracting the best employees and keeping satisfied employees. Scott (2000) mentioned that companies having strong brands and loyal customers tend to have employees who take pride in their jobs and feel good about themselves. In this way, most employees are motivated by the esteem in which their company is held. This is an important factor for a company’s human resources.

2.2.3 Brand equity
From its definition, it is clear that a brand can have an impact on profits. Therefore, the brand has been treated as valuable equity for a company. Most researchers agree that brand equity can be described as the value a brand name adds to a product (Hem and Iversen, 2003). “Customer-based brand equity is defined as the differential effect that consumer knowledge about a brand has on the customer's response to marketing activity” (Keller, 1999). Schmitt and Pan (1994) regard “brand equity as a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers".
Keller (1999) investigated the important steps in managing brand equity for the long run, which included reinforcing brands, maintaining brand consistency, protecting sources of brand equity, fortifying versus leveraging, fine-tuning the supporting marketing program, revitalizing brands, and balancing new and old target markets. Additionally, Hem and Iversen (2003) examined the factors in brand equity. One result was that brand loyalty was an important construct for brand equity and also an important determinant of brand extension evaluations.

2.2.4 Brand portfolios
As the market is becoming more diversified, a single brand strategy is thought to be too simple to meet marketing needs. To resolve this problem, Sylvie (1999) completed research on brand portfolios. In his study, he indicated that it was more important to understand how to manage the bundle of brand identities in a firm’s portfolio than how to manage “a brand”. Not only did most products carry two or more brand names, but also leading firms mix and match the branding approaches they used. After conducting theoretical and empirical analyses, Sylvie came to the conclusion that companies could use brand-dominant strategies to differentiate their products and position them for diverse target markets. The effective results for brand-dominant and corporate-dominant branding demonstrated that firms adhering to these strategies could gain known benefits. The purpose of managing brand portfolios was to maximize brand knowledge and minimize brand confusion.

The main contribution of Sylvie’s study (1999) “is the development of the emergent framework that views branding strategies as three forces: the efficiency of standardization, the individuality of differentiation, and the synergy of symbiosis”. Corporate branding allows a company to promote all of its products when advertising any single one. However, corporate branding sometimes could cause conflicts of consumers’ various interests. To avoid it, furtive brands could an extreme way of by dissociating brands from one another and from the parent company. Therefore,
branding strategies need to be harmonious and standardized to cover brand bundles. Meanwhile, although dual and endorsed brands are similar in many ways, they have different roles. Individual features are necessary, but need to match each other. Finally, the way to synergize the parent brand and the branch brands is the process of brand portfolio management, which will be topics of further research.

2.2.5 Branding steps
How to build a powerful brand depends on the individual circumstance of each company. Successful branding cases, however, provide some useful experience for reference. Prophet (2001) proposed five steps to build a strong consumer brand: 1) clearly articulate the brand’s identity; 2) establish a customer value proposition and use it to guide each company department; 3) define the optimal customer experience; 4) cultivate relationships with customers; and 5) work to strengthen the brand over time. Another case study on the branding process introduced the cycles of corporate branding. Schultz and Hatch (2003) indicated that the first cycle is stating the direction for the brand; the second, linking vision to culture and corporate image; the third, involving internal and external stakeholders; the fourth, integrating behind the brand.

2.2.6 Brand design
The previous sections addressed the theoretical fundamentals of brand. Brand design is one of the more practical aspects of brands. It is a complicated process based on products, target markets, tradition, cultures, and other factors. Although such empirical work is not the emphasis of this paper, it is useful to review two papers that present scientific methods in the consideration of brand design. Lowrey and Shrum (2003) used statistical methodology to demonstrate the relation between brand-name linguistic characteristics and brand-name memory. Klink (2003), in his study of the relationship between brand name and brand mark, concluded that the long-term marketing success of a brand was contingent upon the proper selection and
operationalization of brand meaning prior to market entry.

### 2.3 Industrial and commodity products branding

The above research does not distinguish between consumer and industrial branding. The conceptual analysis of generic branding, though, has offered industrial branding researchers an extensive background into the nuances of branding that can be applied in the industrial sector.

A number of empirical studies have been conducted in recent years that have expanded the body of knowledge on this subject. McQuiston (2003) explored the literature on industrial branding in the business to business (B2B) arena. He noted that one of the first attempts to examine industrial branding was the survey by Saunders and Watt (1979) on industrial fibres. Another early study on industrial market brands was the research of Sinclair and Seward (1988) on branding in the paperboard industry, which operated on the general premise that branding was less effective for industrial products than for consumer products (McQuiston 2003, p346). However, from their conclusions, industrial product still need to brand. The reasons included identifying and differentiating the products, demonstrating the specialty for the products, and maintaining loyal customers. Their results, furthermore, showed that industrial firms had realized the importance and the benefits of branding, which could be valuable to gaining marketing success (McQuiston 2003, p346).

Along with the development of branding content, some research has attempted to examine the brand equity of industrial products. Hutton (1997) defined brand equity in industrial markets as buyers' willingness to pay a price premium for a particular brand, recommend the brand to peers, and give special consideration to another product with the same company brand name. In a study of electronic products in
industry, Gordon et al. (1993) found that brand equity was strongly present in B2B markets.

One important finding, in industrial branding, concerns the role of intermediaries. In the B2B market, intermediaries play important and obvious roles. Sinclair and Seward (1988) found that many manufacturers ignored the importance of intermediaries; they didn’t realize how to educate intermediaries and end-users about their brands. Meanwhile, as the middlemen, intermediaries didn’t emphasize the importance of branding compared to the manufacturers (McQuiston 2003). In the B2B branding loyalty to a certain brand included the firm and its products, and the distribution channel members as well. When promoting an industrial brand, one should ensure that the intermediaries understand and communicate this value to the end-users (McQuiston 2003).

Another area of consideration is the multidimensional construct of industrial brand value. Today’s business environment is more competitive. In the commodity products market, it is negative to be viewed as pure price-based commodities. To avoid it, industrial products marketers have to do more things to differentiate their products. It is necessary to realize that industrial products branding is a multidimensional construct. The impacts encompass, not only customers’ impression of the physical product, but also the supply chains including logistics, customer support, after sale service and corporate image (McQuiston 2003). According to McQuiston (2003), brand value has four integral components: product performance, distribution performance, support services performance, and company performance. Additionally, since loyalty in commodity products industry is often more towards the entire company’s overall reputation, the company’s standing in the industry is also considered as a part of the brand (McQuiston 2003).

The literature on industrial branding clearly indicates that branding is alive and well in
industrial products and, when accomplished strategically, can serve as a source of viable competitive advantage for industrial firms (McQuiston, 2003). An industrial brand represents a multidimensional promise, and compared to consumer branding, the functions of intermediaries and logistics are emphasized.

Some studies have employed statistical methodologies to analyze the effectiveness of industrial branding. Goldschmidt (2004) tested the potential benefits of brands in horticultural products (i.e. oranges). His study analyzed consumers’ choices between generic and brand name products and showed that consumers who are willing to pay for better quality are those who perceive brands as more important. Statistical models were used by Richter (2002) to examine the branding power in electricity retail markets. Janiszewski (2004) used a survey to evaluate the influence of generic advertising on brand preferences and demonstrated that generic advertising increased the consumer's sensitivity to changes in price. Israelsen (2003) developed a model that could examine the incentives for funding brand advertisements.

### 2.4 Global branding

Today, with advancing globalization, the brand has been extended across complex national, geographic, linguistic and cultural barriers. As a consequence, the content of a brand has developed further. This subsection examines the literature from a global perspective.

A classic article that first connected globalization and marketing is Levitt’s *The Globalization of Markets*, published in Harvard Business Review in 1983. As an initial presentation of globalization, Levitt discriminated between the multinational and the global corporation: the former adjusted its products and practice to each region, resulting in higher relative costs, while the latter operated with resolute constancy everywhere, with lower relative costs. Levitt wrote, “Gone are accustomed
differences in national or regional preference. Gone are the days when a company could sell last year's models -- or lesser versions of advanced products -- in the less developed world. And gone are the days when prices, margins, and profits abroad were generally higher than at home” (Hudson, 1988). Levitt's view that the global business trend had pushed markets toward global commonality was not widely accepted by the marketing academics of his time, although within the next decade and a half, his prediction would prove to be more realistic.

A typical definition of a global brand would be one “that is marketed under the same name in multiple countries with similar and centrally-coordinated marketing strategies and marketing program elements” (Johansson and Ronkainen, 2004). This is a simple but clear description of the concept of global branding. Of course, the eight functions of the brand (see section 2.1) summarized by Chernatony and McDonald (2000) are operating in a global brand. However, the scope and scale of the market has extended to the global world.

Can every brand become global? The answer is No. “Our brand should be global”, implies that there must be some set of consumers in every country or market that has a common set of beliefs and motivations that the brand will target (Barron and Hollingshead, 2004). The brand owning firm must evaluate its brand. Asher (2001) offered the following approach: first identify the brand proposition, which might or might not coincide with the product characteristics, and second, develop a meaningful visual representation of this proposition. Next, determine which elements were key to the imagery, which ones were most likely to provide global recognition and which ones need to be tailored to local conditions. Briggs (2001) repositioned brands in the global environment by several ways such as investigating the macroeconomic environment, determining the factors driving the market, evaluating the brands and the competitors' performances, comparing the competitive changes, and then developing new branding strategies.
Within the literature on global branding, there exist some contradictions, such as advantages versus challenges, globalization versus localization, and branding for developed countries versus branding for developing countries. While each set seems to be contradictory, nonetheless, they rely on each other. These sets form the trade-offs in global branding. The remainder of this section will discuss these sets.

2.4.1 Advantages versus challenges

Besides the advantages of ordinary brands noted above (section 2.2.2), a global brand can increase the benefits through a wider scope and larger market. Although local brands are still dominant in most markets, when familiarity levels are similar, global brands enjoy higher levels of esteem (Steinberg and Klein, 2003). To understand why some consumers prefer global brands to local brands, Johansson and Ronkainen (2004) demonstrated scientifically how perceived global branding created brand value in today's multinational marketplace. Analogous studies on global branding include Maxwell's (2001) effect model of an expanded brand in global consumption, and Nakamoto and Nelson's (2003) study on the shielding effects of brand image.

The greatest challenge for global branding is whether a brand's image will carry over effectively to other markets. Consumers' behaviour may have converged, but some markets continue to have their own idiosyncrasies that can prove fatal to globalization efforts (Steinberg and Klein, 2003). Local tradition and culture play very important roles and balancing globalization and localization is a critical task for brand managers. These factors are explored in the next subsection.

Yu (2003) pointed out another interesting phenomenon concerning "ethnocentric consumers": those who eschew global products. The number and characteristics vary by nation and depend on the particular product/market. This is more common in European countries. The author indicated that high quality products could mitigate
these ethnocentric attitudes.

2.4.2 Globalization versus localization

The issue of the brand in an era of globalization is not whether to globalize or to localize, but how much of each to do. Stout (1997) introduced three stages of acknowledging the global brand. In Stage One, we were all different: based on individual market needs. In Stage Two, we were all the same: all humans share the same basic needs and concerns. In Stage Three, we were all the same with a lot of differences, including history, education, tradition, superstitions, languages, palates preferences and lifestyles. Here, we can see a pendulum swing between globalization and localization. Quelch (2003) indicated that Levitt's relentless homogenization began to face a period of stalling with the start of the new millennium. Local brands found new (and returning) customers as global brands saturated their markets. Local brands also started to win back customers as their quality improved. In addition, a growing resentment of perceived American cultural imperialism led to a backlash against US brands. In Asher's opinion (2001), many years ago brands marketed in different parts of the world would often have completely different visual appearances in each of those markets. Then, in the early 1980s, the marketing mantra became one-brand/one look, and local differences were minimized. Currently, global consistency is still the watchword, but its meaning could vary in order to accommodate local peculiarities and/or regulations.

Understanding cultural nuances is important and can help a company avoid unfortunate mishaps. According to local culture, a minor change can adapt a global brand to a local business environment. Quelch (2003), in his new "think local, act local" marketing strategy, suggested listening more closely to local business partners about how to adapt product attributes and advertising messages to better meet local tastes. Similarly, Gadiesh and Pean (2003), in Think Globally, Market Locally, pointed out that consumer-products companies increasingly found their brands under attack
because of their home countries' foreign policies. What could firms do? Firms could localize in several ways. One way was by building partnerships with local firms that had solid reputations in their local communities, and using them to develop strong relationships with local governments. The next step was to produce locally, brand locally. At the same time, getting involved with local communities could effectively reduce risk. Companies could also bring genuine value, especially in developing countries, by transferring technical skills and training employees. Finally, and perhaps most importantly, multinationals could communicate directly to the local populace (Gadiesh and Pean, 2003).

Another aspect of global versus local concerns the cooperation between the central organization and its local representatives. Barron and Hollingshead (2004) found that central marketing tried to establish a set of guidelines for global consistency in brand execution, while the individual country organizations countered that local markets were unique. A process different from the top-down one was needed. Each country organization needed to bring to the table data on its own market and sit down together to talk about their markets in order to jointly develop a set of hypotheses. The goal was to replace the model in which each country organization relied on its own assumed knowledge of local consumers with one in which the entire organization used the same view of the global consumer but based on regional field input.

There are different challenges for balancing globalization and localization based on product category. Certain categories, such as automobiles and computers, are deemed more global in terms of the similarity of consumer performances. Other categories, such as food and drink, are more multi-domestic and require a local presence (Johansson and Ronkainen, 2004).

It is important not to assume that an image can be globally extended if one has not yet achieved a consistent brand image in major local markets (Steinberg and Klein, 1998).
Depending on the individual product and target market, global branding strategies should be diversified to meet the various requirements from different categories.

2.4.3 Developed versus developing countries

Because of the differences in economic power between developed and developing countries, the former dominate branding in the global market. Coming from developed countries, the authors of most of studies address companies from developed regions. Meanwhile, some developing countries have been trying to enter the global market. As an example, Gao, Woetzel and Wu (2003) cited Chinese brands’ exploratory experience. They found challenges for brands from developing countries. Consumers in developed countries preferred the brands they knew, and sales and profit levels in developed countries could not justify the large costs of R&D and marketing. More specifically, the Chinese had no overseas distribution channels or service networks, little promotion or advertising savvy, and limited pricing skills.

At the same time, Gao, Woetzel and Wu (2003) provided two business models for working the channels. One was the step-by-step approach, in which products exported from China penetrated the market through independent distributors serving discount channels. The other one was buying an established brand in a local market and moving its production to China to benefit from lower labour costs, while taking advantage of valuable assets—brands, customer bases, technology, or channels (Gao, Woetzel and Wu, 2003).

2.5 Summary

The above discussion provides the history and theories of branding. Little, however, has been done to research branding in China, a newly emerging economy. One book *Brand Warriors China: Creating Sustainable Brand Capita*, by Gilmore and Dumont (2004), discussed some successful branding cases in the Chinese market. Based on
interviews with CEOs and key decision makers in China, Gilmore and Dumont discussed how sustainable brand capital was only achieved if brand equity was aligned with human capital and commitment; how the counterfeiters' legacy was challenging the definition of a true brand experience; how Chinese brands were increasingly looking outside their frontiers, etc. There has not, though, been any published scientific literature on industrial wood products branding in China.
WOOD PRODUCTS MARKET AND BRANDING IN CHINA

3.1 Fundamental situation

Before presenting information on branding in China, a brief background on China’s geography, natural resources and economic reality is provided\(^1\). The first subsection discusses China’s geography followed by its natural resources. The economic situation is discussed in the third subsection, followed by information on China’s industry.

3.1.1 Geography

China is situated in eastern Asia, bounded by the Pacific in the east. Its border stretches over 22,000 kilometres on land and the coastline extends well over 18,000 kilometres. China has an area of 9.6 million square kilometres (CIA, 2004). Traditionally, China is geographically classified into six large regions: the Northeast (Heilongjiang, Jilin, Liaoning), North (Neimenggu, Beijing, Tianjing, Hebei, Shanxi), East (Shandong, Jiangsu, Shanghai, Zhejiang, Jiangxi, Fujian, Anhui), South (Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan), Southwest (Yunnan, Guizhou, Sichuan, Chongqing, Tibet), and Northwest (Shaanxi, Gansu, Qinghai, Xinjiang). The north and west are dry and cold, while the south and east are wet and warm. The western region includes 12 provinces. The land area is 6.85 million square kilometres, accounting for 71.4% of the total area. The eastern region includes 20 provinces. The land area is 2.75 million kilometres, accounting for 28.6% of the total area (MLRC, 2004). Figure 1 shows China's administrative divisions.

\(^1\) China in the present study refers to Mainland China, which does not include Hong Kong, Macao and Taiwan; similarly, the term Chinese also only refers to the inhabitants of Mainland China.
3.1.2 Natural resources

In spite of abundant natural resources including coal, iron ore, natural gas, etc, the location of the resources is not evenly distributed among the geographic regions in China. Natural resources, including coal, petroleum and forests, are concentrated in North and West (CIA, 2004) while development is located in the East. Given the large population (1.3 billion in January 6th, 2005 representing over 20% of the world’s population, equal to 40.6 times of Canadian population), its natural resources per capita are much lower than the world average. For example, land area and mining resource per capita are one-third and three-fifths of worldwide average, respectively (MLRC, 2004). Although accounting for 71.4% of the total area and possessing abundant natural resources, the western region suffers frequent drought, which combined with its mountainous terrain, contributes to a more costly and slower development than in the eastern regions. Many minerals are located in inland areas and transporting them to the main coastal markets is not easy (Macherras, 2000).
China is the sixth largest forested country in the world in terms of area of forest resource, but China’s forest resources have been under increasing pressure. Its forest area per capita is only one-fifth of worldwide average (MLRC, 2004). The forested area of China is 1,328,000 square kilometres representing 13.6 percent of the total land area. However, each year it is reduced by about 866 square kilometres (WB, 2004). According to the report from CIBC World Market 2005, China already harvests about 224 million cubic metres a year (CIBC, 2005). In recent years, China’s rapid economic development and continued population growth have put large demands on the world’s suppliers of resource commodities (Anonymous, 2004 a).

### 3.1.3 Economy

From its foundation in 1949 to the economic reform in 1978, the Chinese government adopted a Soviet-style central planning model. Under this planning system, the central government and high-level bureaucrats decided the basic questions concerning production, allocation and distribution of all goods and services (Macherras, 2000). Since 1978, China has adopted economic reform in order to become an open and dynamic market economy. International forces, encouraged by local demand, have pushed China into developing a more independent and market-oriented economic system (Zweig, 2002).

A recent milestone for the Chinese economy was entry into World Trade Organization (WTO) in December 2001 after 15-years of negotiations. Now that China is a member of the WTO, it must reduce its high tariffs and gradually open its markets (Panitchpakdi and Clifford, 2002). Thus, China has not only changed its closed, statist economy to a market mechanism, but is also integrating into global world trade (Prasad, 2004).

China’s GDP has maintained an annual growth rate of more than 8% over the past two decades, a rate unrivaled by any other country in the world (see Figure 2). Many
analysts suggest that within ten years, China's economy will equal that of the U.S. (Schuler, 2005). In 2004, China's per capita GDP had reached USD 1,087 (NBSC, 2004). Adjusted for exchange rates and differing price structures this is equivalent to USD 4,058 Purchasing Power Parity (PPP), which is much higher than nominal GDP (UNDP, 2004).

**Figure 2: China's GDP growth rate (%) 1981-2004**

[Graph showing China's GDP growth rate from 1981 to 2004]


China's entry into the global economic system is exemplified by its growing foreign trade. China's value of total foreign trade in 2004 was the world's third-largest (Zhu, 2004 a). Figure 3 shows the growth in foreign trade from 1978 to 2004.
Concurrently, Foreign Direct Investment (FDI) in China has been growing as shown in Table 1.

**Table 1: FDI in China and U.S.A. 2002-2004 (billion U$S)**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>52.7 (1)</td>
<td>53.5 (1)</td>
<td>62.0 (2)</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>38.1 (3)</td>
<td>30.0 (3)</td>
<td>121 (1)</td>
</tr>
</tbody>
</table>

Note: world ranking in parentheses.

From these indicators, it is clear to see that after the economic reforms started in 1978 and the joining of the WTO in 2001, the world has had increasing access to China’s markets and China’s economy is now very connected with international business (Anonymous, 2002).

### 3.1.4 Industry

Depending on its comparative advantages in labour-intensive industries, the manufacturing industry has led China to become the “world factory” (Spatafora and
Yang, 2004). Table 2 shows that the majority of China’s GDP (52.3%) is based on manufacturing, much more than the average for the world. The service sector contributes only 33.1% to total GDP, which is 30.9% lower than world average.

Table 2: Share of GDP in China and world average 2003 (%)

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Industry</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>14.6</td>
<td>52.3</td>
<td>33.1</td>
</tr>
<tr>
<td>World Average</td>
<td>4</td>
<td>32</td>
<td>64</td>
</tr>
</tbody>
</table>

Note: Figures are calculated as a percentage of GDP.

Annual average growth of GDP in China’s was 9.4% from 1979 to 2003. At the same time, the growth rate for the agriculture sector averaged only 4.5%, 10% for the service sector, and 11.3% for manufacturing industries (Hu, 2005).

In terms of industries, the construction industry was the fastest growing with an average annual growth rate of 18.9% from 1980 to 2003 (Sun, 2004). One driving factor for this growth was the dramatic increase in commercial buildings in urban areas. The other factor was a boom in residential construction. The National Housing Reform Program, that started in 1998 and aimed at transferring stated-owned residential housing to private ownership, helped create an open real estate market (see Figure 4). A continuing boom in private housing is fuelling a new market for home decoration and furniture in China (Anonymous, 2003a).
3.2 Market background

This section provides additional background information to better understand China’s market which is important to branding in China. Sections are presented on traditional culture, consumer structure, and regional differences.

3.2.1 Traditional culture

Economic growth in China is occurring in a culture different from traditional western (American or European) culture and different from other newly developed Asian countries such as Korea and Japan. Understanding traditional culture contributes to an understanding of business in today’s China, as these cultural roots are fundamental to the way people work, do business, and communicate. They are fundamental to how people live.

The Chinese have a 5,000 years history with unique concepts and characteristics. When viewing the core of a national culture, the essential factors include traditional ideas and especially their attached values. Bennett (1999) defines culture as a complex whole of values, beliefs, and behaviours of a group of interacting people. Some
scholars share the idea that culture consists of two components, one visible and one invisible (e.g. Holstius 1990, Kuada and Gullestrup 1999). The visible component comprises items such as behaviours and products, while the invisible component includes values and norms. These two parts influence each other.

There are three fundamental values in Chinese culture. They are collectivism, respect for hierarchical power and intra-group harmony, which respectively mean keeping unified, respecting reigning authority and agreeing with as well as supporting the majority (Hu and Grove, 1999). The Chinese tend to follow the mainstream. They express little of their personal individual ideas, attitudes, and wishes in public. Chinese culture recognizes humans as innately social beings who, by choice and necessity, are always mutually dependent (So, 2000).

Confucianism is at the core of Chinese culture and life. From how people regard their leaders to the hierarchical organizational structures of enterprises, Confucianism is everywhere. For example, Confucianism preaches that the family commonly takes center stage, with the father as the person in charge, surrounded first by immediate family and then by extended family and friends. Today we can find that this Confucian ideal is often closely tied to the organizational structure assumed by many Chinese enterprises. Such “imperial” organizational structure models generally reflect the Confucian principles of patriarchal hierarchy. John Kao (1993) looked at how Confucian ideals have manifested themselves in the behaviour of Chinese enterprises. In his article entitled “The Worldwide Web of Chinese Businesses,” Kao ties Confucianism to more than imperial-type organizational structures, but to what he describes as seven Confucian ideals: 1. Thrift ensures survival; 2. High levels of tangible savings are desired; 3. Hard work to the point of exhaustion is required to avoid feeling the effects of social, political, and economic uncertainty; 4. Family is all that one can trust; 5. Obedience to patriarchal authority is essential to the maintenance of direction for an enterprise; 6. Investment should be based on kinship or clan
affiliations; and 7. Always be ready to move. Kao’s piece links Confucianism and Chinese cultural roots to business in today’s China (So, 2000).

In Chinese history, the government has always been highly centralized and adopted Confucianism as the creed for centuries. Following authority is the way the Chinese pursue harmony and people avoid conflicts in their group. Under the influence of Confucianism for over 3,000 years, Chinese culture has esteemed mildness and obedience. Chinese people are willing to believe in and follow authority, which is different from what we commonly find in the West. Western culture has separated the individual person from time and community, which creates the spectre of the inherently rational and self-serving individual. This is very different from the Chinese culture.

Another noteworthy characteristic of Chinese culture is the ostentatious flaunting of successes and status, because the life goal of a traditional Chinese is to approach the top of the pyramid of power and success. This has been taught through the generations in classic education, e.g. the Book of Ritual, a famous book on Confucianism (Li, 2001). There is an old idiom saying “returning home after getting fame and money”. Chinese people attach much importance to career achievement and social status. The meaning of success can be summarized by another old saying “bringing honour to one’s ancestors”. In this regard, success and status are demonstrated in various ways, such as wealth, honoured profession and living quality. For example, some Chinese business people wear rather heavy 24-carat gold jewellery in order to show their wealth and status. In China, some products are purchased primarily for their symbolic role. They may symbolize a particular social class position or status. Many products are purchased so as to be “first with the latest thing” (Batra et al 1996).

Understanding traditional culture, however, is only one aspect necessary to understand business in today’s China. In addition, it is also important to understand the structure
of consumers to provide more detailed and contemporary information on China's market.

3.2.2 Consumer structure

China's population reached 1.3 billion on January 6th, 2005 (Xinhua Agency, 2005). In 2004, the population in the west was 367 million accounting for 28.2% of the whole country, and the remaining 72.8% of the population was in the eastern provinces. There were 480 million residents in cities or town accounting for 37.6%, of the population with the remaining 796 million being rural residents accounting for 62.4% (NBSC, 2004). The proportion of the population in the urban areas has been increasing since 1991 due to the policy of urbanization adopted by the Chinese government (Zhang, 2004).

Although the rural population is close to double the urban population, their net income and living standards are much lower compared to those living in urban areas. In 2004, urban residents' disposable income per capita was 9,422 RMB (USD 1,178),\(^1\) while rural residents' net income per capita was only 2,936 RMB (USD 367) or less than a third of urban dwellers (Anonymous, 2005a). The proportion of gross consumption products sales in 2004 was only 34.9% from rural areas with the remaining 65% coming from urban consumers. From a regional perspective, 40% of gross consumption came from the western region and the remaining 60% came from the eastern region (CGCC, 2004). The population that is capable being substantial consumers are mainly in the eastern provinces and the urban areas of western provinces (Wu, 2004). There is clearly a great divide between rural western residents with low incomes and purchasing ability and the wealthier urbanized populations in the east.

\(^1\) Disposable income means the amount of income left to an individual after taxes have been paid and that are available for spending and saving.
According to a report from NBSC in 2005 and Yan (2002) and Xiong (2004)’s research, respectively, China’s consumers can also be divided into four segments based on individual disposable income. The lowest segment is made up of consumers whose individual disposable incomes are below 3,500 RMB (USD 438) per year, accounting for 54% of the total population. This class mainly comprises low paid blue-collar workers in urban area and peasants in rural area. The middle level includes consumers whose individual disposable incomes are between 3,501 RMB and 9,999 RMB (USD 1,250), accounting for 24% of the total population. This portion is mostly comprised of civil servants, employees of state-owned or private companies and some peasants in eastern regions. The high segment is between 10,000 RMB and 59,999 RMB (USD 7,500), accounting for 19% of the population. Senior officials, employees at foreign companies, well-known professors and researchers and private business owners belong to this level. The highest segment consists of consumers whose individual disposable incomes are above 60,000 RMB, accounting for 3% of the total population. They are larger business owners, senior management of multinational companies or state-owned enterprises, movie stars, famous athletes, etc. Figure 5 shows the proportion of the four levels. The two high levels, accounting for 22% of the total population or 286 million people constitute the group of consumers with the purchasing power to buy consumer goods in China. Meanwhile, the consumers in the middle level have some purchasing power but not for larger purchases or imported goods. For the lowest income earners, they usually consider only the consumption of necessities.
3.2.3 Regional differences

China's economic performance differs by region. From 2000 to 2004, the western region's annual GDP growth respectively reached 8.5%, 8.8%, 10.0%, 11.3% and 12% (Office of the Leading Group for Western Region Development of the State Council, 2005). However, the gap between GDP growth in the east and the west increased, growing from 2.5% in 1999 to 9.6% in 2003 (see Table 3).

Table 3: The gap between cumulative GDP growth in the east and west (%)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>7.36</td>
<td>20.51</td>
<td>32.85</td>
<td>44.59</td>
<td>58.95</td>
</tr>
<tr>
<td>West</td>
<td>4.82</td>
<td>13.70</td>
<td>24.59</td>
<td>36.20</td>
<td>49.31</td>
</tr>
<tr>
<td>The gap</td>
<td>2.54</td>
<td>6.81</td>
<td>8.26</td>
<td>8.39</td>
<td>9.64</td>
</tr>
</tbody>
</table>

Note: Indexed at 100 for 1998 and the numbers are GDP growth relative to that number of 100. Source: http://www.drcnet.com.cn/New_Product/expert/showdoc.asp?doc_id=198394.

The average GDP per person in the coastal (eastern) provinces is much higher than in the inland (western) provinces. The population of western region represents 30% of
the Chinese population and has a per capita GDP that is only 40% of that in the eastern region (Wen, 2005). The per capita GDP of the western region increased from USD 498 in 1998 to USD 664 in 2002, a growth rate of 33%. During the same time period, the per capita GDP of the eastern region grew from USD 1,212 in 1998 to USD 1,704 in 2002, a growth rate of 41% (CWF, 2004). Thus, while average GDP grew in both regions, income disparity also grew.

In addition, there is an economic gap between urban and rural areas. Net income for urban residents increased from RMB 343 (around USD 43) in 1978 to RMB 8,472 (around USD 1,059) in 2003, while at the same time the net income for rural residents increased from RMB 133 (around USD 17) to RMB 2,622 (around USD 328). The income ratio between the rural and urban regions increased from 1:2.47 in 1997 to 1:3.24 in 2003 (Anonymous, 2004b). Thus, while relative poverty is increasing, absolute poverty (those below $1 per day) is declining (Lu, 2005). Because of relatively low incomes, consumption demand in rural areas is much lower than in urban areas. The sales per capita for rural residents were RMB 1,920 (around USD 240) in 2002, while the sales per capita for urban residents reached RMB 5,160 (around USD 645). Urban residents have higher incomes and standards of living than rural residents. For example, the percentage of households that have home electrical appliances in rural areas is at the same level that urban areas attained 15 years ago (Zhu, 2004b).

While China has made rapid economic progress, there has been less benefit in rural and western areas compared to urban and eastern areas.

3.3 Consumer perceptions

This section discusses consumer perceptions of brands in China. The first subsection presents branding evolution in China. The second explores Chinese consumers’
current attitudes towards brands followed by a discussion of target markets for branding. The fourth subsection discusses industrial consumers and the fifth subsection presents the sources from which the consumers get brand information.

3.3.1 Branding evolution in China

The emergence of branding in China has experienced rapid progress in the past 25 years. Schlevogt (2000) summarized the brand consciousness development in China as occurring four distinctive eras: central planning, catching up, hyper-competition and post-industrialism. Schlevogt’s four eras are discussed below:

1. The central planning era: Before 1978, under the legacy of a central planning economy, branding did not exist. The visible hand of the government assigned products to someone, somewhere, sometime. Courting customers and creating competitive advantage through brands was unnecessary. Chinese society had no concept about branding and brands merely represented the names of various products.

2. The catching up era: In the early years of reform, companies felt little pressure to build brands. They could sell everything they produced in a newly revived market with huge pent-up demand. It is no wonder they failed to appreciate the value of intangible assets given the high value given to tangible assets. In the 1980’s, the pent up demand was being met and more diversified goods were entering local markets. Consumers started to have a more diversified choice or products.

3. The era of hyper-competition: In the 1990s, China entered market-driven economy and brand consciousness began to prevail in consumers. During this period, economic production increased dramatically and there were sufficient products to meet market needs. As factories used similar technologies, many Chinese-made products had comparable features. The recently arrived, strong foreign companies that understood how to build strong brands and efficient sales channels entered Chinese markets, and
local consumers started to differentiate based on brands. Ordinary consumers became more sophisticated and knowledgeable about products. Apart from function and price, the brand name became another key buying factor.

4. The post-industrialism era: Witnessing these changes, Chinese companies became more aware of the value of a brand. They employed more branding tools to attract consumers and compete with competition. The current Chinese market has become very brand-conscious. Consumers can compare and purchase products in many different ways. Producers have realized that quality and price alone do not guarantee the success of a brand and now understand that building strong name recognition, product positioning, market share strategies and brand equity are also important. Some Chinese companies have been trying to create their own global brand (Anonymous, 2004c).

3.3.2 Attitudes towards brands
As mentioned above, along with the shift to a market economy, many Chinese people developed brand awareness during the past years of dynamic economic growth (discussed in Section 3.1.). Given previously discussed economic factors and cultural tradition (discussed in Section 3.2.), Chinese consumers’ attitudes towards brands developed both similar and unique characteristics compared to western society.

In China’s current open economy, consumers have the perception that branded products can supply consistent good quality and guarantee good service (Mu, 1998). Many consumers have been treating brands as one of their key purchase determinants (Schlevogt, 2000). Brands are important in the purchase of both physical and service products in various industries including real estate, automobiles, consumer products, household and office furnishings, electrical appliances, health care, communication equipment and services, financial services, etc. (Liu, 2004). Meanwhile, as income increases (see Figure 2), people spend proportionately less money on necessities and
have more disposable income. Consumers have already been differentiating among brands and developing preferences based on both tangible and intangible factors such as special designs or a manufacturer's image. Intangible attributes of a brand, to some degree, have become even more important to some buyers than practical matters (Hoffe and Lane, 2003). Brands that can deliver these intangible attributes can become repeat purchase items for consumers.

The cultural impact of possessing branded products, especially luxury brands, has become an icon for status (importance discussed in Section 3.2.1) in China's current market-driven society. Attitudes to famous brands have changed dramatically in the past 25 years. Previously any form of ostentation was immediately frowned upon (Hai, 2004). Today, Chinese people have become a growing group of status-conscious consumers, especially among the increasingly number of middle class and wealthy people (details on classes discussed below). Today's Chinese favour expensive branded products to flaunt their status as successful entrepreneurs in the new market economy (Anonymous, 2005b). While people in the West are buying more discreetly branded goods identifiable only by those "in the know" and spending their money rationally on personal and cultural pleasures, the Chinese favour prominent logos that clearly illustrate their financial success to all (Hai, 2004). This new ostentatious behaviour is more common in emerging economic social segments, such as the emerging middle class and wealthy group. Their tastes and key buying factors differ from more traditional Chinese consumers. They have become very brand conscious, choosing well-promoted foreign products with appealing images (Goldman Sachs, 2005). For them, luxury brands are not only their life style, but also a means to trumpet their success to all. The tastes and life style of the new successful classes in China are becoming the model for the lower-income consumers and leading consumption trends in the market (Yu, 2005). Although this phenomenon shows the exuberance and immaturity of local consumers, the exhibitionist social atmosphere in this developing society will take time to mature.
Besides functional and emotional factors, Chinese consumers have begun to consider more social and environmental issues when choosing brands. As Chinese consumers became more comfortable with choice in a market economy, better educated, and more informed, they are also becoming more knowledgeable and aware of social responsibilities. Not only the government, but also local consumers, have realized the importance of balanced and sustainable long-term development (Lu, 2003). Therefore, products promoted as green and environmentally friendly may become more popular. Brands that demonstrate social and environmental concerns and responsibilities are often recommended by the official media and are increasingly accepted by Chinese consumers (Peng, 2004).

Also changing are Chinese consumers' attitudes towards foreign and local brands. At the beginning of economic reform, there were large perceived difference between imported products and domestic products, regardless of the realities of quality or service. Chinese consumers used to idolize foreign brands (Schlevogt, 2000). This was likely due to the lack of availability of these brands for many years. However, with the improvement of technology and an increasingly sophisticated and wealthy customer base, Chinese companies are starting to pay attention to brand building (Kong, H, 2003). They are catching up with multi-national corporations, especially in the manufacturing industries. Chinese consumers have more diversified choice of both domestic and imported brands and the initial awe of foreign brands is no longer present. Today, consumers are often selecting a domestic brand with a good reputation over a more glamorous foreign one. As China builds world-class companies, foreign brands are facing stronger competition from local Chinese companies (Anonymous, 2005d).

3.3.3 Target markets

In today's China, consumers at all income levels prefer to purchase branded products.
The difference is that people with higher incomes tend to buy famous and imported brands, and the people with lower incomes (including the growing middle class) would buy less expensive and domestic brands (Wu, 2004).

Most of the brand-conscious consumers live in the country’s eastern and southern coastal provinces that belong to the developed area in China that has benefited the most from the shift to a market economy. Much of the growth has been in the following three city centres and their surrounding areas: Shanghai, Beijing and Shenzhen (Figure 1). In these regions, there are higher proportions of both the middle and wealthy classes, and consumers in these areas can afford branded products (HKTDC, 2004). Meanwhile, in the large and mid-size cities in the inland region, the sale of branded goods and services is also growing. However, except for some villages in the coastal provinces, much of rural China is still mired in poverty and many inland cities are years behind the development of the coastal region (discussed in Section 3.2.1.). Consumers in these areas are very price sensitive and are more concerned about the cost and practical performance of purchases rather than status. Branded products with higher prices are not affordable in these areas at this time (Wu, 2004).

The main force driving the increasing popularity of brands in China is the emergence and growth of the middle class. The middle class in China is no longer just written about in media reports, but also in official government documents (Qing, 2004). In China, the middle class refers to a group of people with stable incomes who are capable of purchasing private houses and cars, and can afford the costs of education and holidays. According to NBSC’s standard in 2004, the annual income for a middle class family is from USD 8,000 to USD 60,000, which is much higher than the national average household incomes of USD 1,838 (see Section 1). A report from The Chinese Academy of Social Sciences (2004) pointed out that China’s “middle class” had accounted for 19% of the country’s 1.3 billion population by 2003 or 247 million
people. Based on an annual growth of one percentage point, the "middle class" is expected to make up for 40% of the total population in 2020 (Xin, 2004).

Above the middle class, there has emerged a wealthy class with an annual income over USD 60,000 and family assets valued at more than USD 200,000 (NBSC, 2004). This class can afford luxury brands. It is estimated that there are now around 10-13 million Chinese customers for luxury brands, consisting mostly of entrepreneurs and professionals working for multi-national corporations (Hai, 2004). According to the research from Chinese Branding Strategy Associate, the proportion of consumers for luxury products (brands) has reached 1.3% of the total population or almost 17 million Chinese (Ming, 2004). Whether the total is 10-13 million or 16.9 million, there are significant numbers of consumers in China that can afford luxury branded goods, far more than in Canada.

Another noteworthy phenomenon is the consuming power of the young generation born after the 1970's. In 2004, the age group from 20-24 years accounted for 7.6% of the population (97 million). The age group between 25-34 accounted for an additional 17% of the population (200 million) (NBSC, 2004). These groups of young adults are open to new ideas from the outside world. They belong to the first cohort of Chinese youth whose formative years have been spent amid rapid economic growth and an explosion of commercialism. They are the most loyal group for purchasing famous brands (CMMS, 2003). Unlike members of their parents' generation, they are not afraid to borrow. In addition, these young people are exerting strong influence over the spending habits of their elders and they are able to persuade their parents to adopt certain brands (Jing, 2004).

3.3.4 Industrial consumers
Industrial consumers are any buyers from producers of basic raw materials to final consumers. Some examples include: manufacturers, farmers, and other producers of
goods or services; wholesalers and retailers; hospitals, universities, and other non-profit organizations; government units (McCarthy et al, 1986). They are normally classified into three groups: (1) commercial enterprises, which consist of industrial distributors and dealers, original equipment manufactures (OEMs) and users; (2) governmental agencies; and (3) institutions (R. Reeder, Brierty and B. Reeder, 1987). Because industrial consumers, especially OEMs in China, make larger overall purchases compared to individual final consumers, they are a very important “target market” for commodity products, machinery, and certain supplies.

As a special group, Chinese industrial consumers have their own specific characteristics. Their roles are linking raw material supplies with manufacturing and the distribution and sales chain, so they are not only manufacturers, but also purchasers. To the upstream value chain participants, the industrial customers may purchase raw materials, manufacturing equipment, and new technologies to make their products. At the same time, they will sell the products to downstream members of supply chains. Chinese industrial customers, therefore, function as both end-use customers of certain goods and also manufacturers and distributors in the supply chain.

Usually, industrial consumers specialize by product area and function as buying specialists. These buyers expect accurate information that will help them buy wisely. They like information on new goods and services and many of them are serious and well educated. In addition, they are usually less emotional in their buying than final consumers (McCarthy, Shapiro and Jr., 1986). They often make purchase based on how it will impact their own quality or profitability.

It is noteworthy that Chinese industrial consumers are becoming more professional and mature when dealing with product purchasing. They use their professional knowledge and judgment to purchase what they need and there are now less emotional
factors involved compared to consumers (Anonymous, 2005c). The Chinese industrial customers used to be weak in professional knowledge and had unsubstantiated preferences for imported products. Today, better-educated managers are playing more active roles in business. Development Research Center of State Council P.R. China (2003) indicated that 81.6% of Chinese entrepreneurs have a college degree or above.

To some degree, however, Chinese industrial customers are somewhat more emotional in purchasing compared to those in developed countries. They still prefer foreign brands, to some extent, due to consistent quality and the use of leading technologies. In addition, producers would like to show the end-users, who value foreign brands, that their products are made with imported materials and foreign technologies.

Furthermore, some Chinese entrepreneurs are struggling to build world-class brands in international markets. Zhang Ruimin, the boss of Haier, which is China's leading maker of fridges, washing machines, and air-conditioners, is trying something much harder to create a genuine global brand. Now Chinese entrepreneurs are wrestling with the transition from inexpensive, mass manufacturers to producers of higher-value goods to satisfy booming markets (Anonymous, 2003b). Other Chinese enterprises, such as Changhong, Baogang, Beidafangzheng, Huabeizhiyao and Jiangnanzaochuang, have adopted the strategy of promoting domestic brands, with the aim of placing themselves in the ranks of world's top 500 by 2010 (Xinhua Agency, 1999).

3.3.5 Information sources

In today’s open economy, there are various sources for consumers to obtain branding information. Personal connections and word of mouth are effective channels and people usually accept recommendations by relatives and/or friends. As presented in section 3.2.2, under the impact of Confucianism, Chinese people attach much importance to opinions of family members. Public praise is also an important source
of public information regarding certain brands. In consumer behaviour, this makes for a clear collective buying habit. When choosing brands, Chinese people tend to buy well-known and popular brands, they are used to thinking about the brands of their leaders, parents, or friends (Li, 2001).

In addition, local consumers can obtain brand information through promotions from producers who have employed diversified marketing strategies to support their products. Promotion methods include face-to-face promotion, billboard advertising, flyers, and so on (Wang, 2005).

Another source of information dissemination is the local media. Due to the increasing open media policy and strong economic growth, the Chinese media has been developing at a rapid speed. There is now a complete media network that covers the nation. Various media tools have penetrated into most places in China and are accessible by most consumers. The media consists of electronic sources (TV, radio and Internet) and paper media (newspaper and magazines). In 2003, there were 306 million TV households and the TV audience reached 1.07 billion people representing a TV coverage rate of 86% (CCTV Market Research Company, 2003). In 2002, the coverage rate of the newspaper and magazine was approximately 25% (Tian, 2002).

Among these media tools, TV has the strongest impact on consumers, especially an official national TV station like Central China Television (CCTV) (Wang, 2005). According to a statistical survey from China Internet Network Information Center, Internet users in China reached 94 million in 2004. It is estimated that, in 2005, Internet users will be over 200 million, accounting for 15% of the population (Cai, 2005). However, more than half of Chinese Internet users were less than 25 years of age illustrating the popularity of Internet usage among young urban consumers. Compared with the saturation of other media types, Internet usage still has much potential for rapid growth (CNNIC, 2005).
It is noteworthy that there are a greater number of information channels for industrial consumers than for end-use customers. Industrial customers also accept promotions from individual companies, associations and government agencies. In addition, they gather information from professional newspapers, magazines and the Internet. Another effective avenue for industrial promotion is the industrial conference and exhibition where they can obtain more professional brand information.

In general, Chinese consumers, including industrial consumers, prefer to obtain brand information through many kinds of channels at the same time. So in today's China, firms seldom adopt only one channel to promote their products or services, too. Two, three or more channels often are used as a means of branding by the firms.

### 3.4 Wood products industry in China

It is important to understand the domestic wood products industry in China if Canadian firms are interested in success in that market.

#### 3.4.1 Imports and exports

China's wood products market, like many other sectors of the Chinese economy, is changing rapidly under economic reforms. Within an extremely short time frame, China has established itself as a major player in the global wood products sector. In the past decade, China's consumption of wood products has grown rapidly. Total consumption of lumber and panels within China (including imports and domestic production) was close to 61 million m$^3$ in 2004, which was up more than 100% from 2000, which had a total of 27.5 million m$^3$. More significantly, the 2004 volume was more than 50% higher than the total consumed in 1996 (39.3 million m$^3$) (Fuller, 2006).\(^1\)

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\(^1\) It is difficult to get exactly values on Chinese lumber and panels consumption because of without good historic data. These values cited Fuller (2006) are estimated by Resource Information Systems, Inc. (USA).
Several drivers caused this increased consumption of wood products. China's population is the largest in the world with 1.3 billion people (see Section 3.1.2). However, its forest area per capita is only one-fifth of worldwide average (MLRC, 2004) (see Section 3.1.2). China's GDP has increased at an average annual rate of about 9% in the past decade (see Section 3.1.3, Figure 1). Lack of forest resources and rapid economic expansion has stimulated strong demand for wood products which cannot be met from domestic supply. Another stimulus is the lowering of tariffs on wood product imports due to China's entry into the World Trade Organization (WTO) and its integration into the global economic system (see Section 3.1.3).

Housing Reforms are also stimulating the demand for finished wood products which are reasonably priced due to relatively low labour and manufacturing costs. Thus domestic consumption of value-added wood products, for example, furniture and flooring, is increasing together with a rise in the standard of living (see Section 1). However, much of the increased production is exported to the United States, Asia and the EU. China's relatively weak currency is another advantage for exporters (UNECE/FAO, 2006).

A combination of reduced domestic timber harvests for environmental purposes and increased production of wood products for domestic and export markets has resulted in China becoming the world's leading importer of wood raw materials, especially logs. Figure 6 shows that Chinese imports of logs have increased dramatically since 1995, from 2.583 million m$^3$ to 29.352 million m$^3$ in 2005. At the same time, imports of lumber have risen by a factor of 7 from 0.851 million m$^3$ to 5.973 million m$^3$.

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1 For example, labour costs per hour (US$) in China were only $0.53, $0.59, $0.69 and $0.8 respectively during 1999-2002. China Forest profile downloaded from www.state.sc.us/forest/prodchi.pdf?search=%22china%20forest%20profile%22.

2 In order to protect natural forests, with the objective of conserving bio-diversity, protecting water quality, preventing soil erosion, and reducing the likelihood of floods, the Chinese government implemented the Natural Forest Protection Program (NFPP) which covered 17 provinces representing over half of all provinces of China in December 2000. Due to the NFPP, China continued to reduce harvests level (Cohen, Lee and Vertinsky, 2001).
Overall, total wood products imports increased 6.5 times in nominal volume in 10 years, or from 5.517 million m$^3$ in 1995 to 35.913 million m$^3$ in 2005. During the period 1997-2005, the total value of China’s wood raw materials and wood products imports rose from $6.4 billion to $16.4 billion (White et al., 2006).

**Figure 6: Volumes of China’s wood products imports 1995-2005**

![Graph showing volumes of China's wood products imports 1995-2005](image)

Note: Total wood products include logs, lumber, Panels Plywood, Veneered Panels and similar laminated wood.


It is noteworthy that at the same time as China has systematically reduced imports of primary processed wood products such as Plywood and Veneer, while it has established domestic production of the same products based on imported logs and chips due to relatively low labour and manufacturing costs (UNECE/FAO, 2006). Consequently, Chinese imports of primary processed wood products (that include Panels, Plywood, Veneered Panels and similar laminated wood) declined from 2 million m$^3$ in 1995 to 0.588 million m$^3$ in 2005 (see Figure 6).

China has invested in a number of large, modern processing facilities in the past decade. These supplement the numerous small mills which mainly locate in the large
cities in the east, such as Shanghai, Tianjin, Guangzhou and Beijing\(^1\) (World Forest Institute, 2006), China’s manufacturing capacity for both primary products (e.g., medium density fibreboard [MDF], and plywood) and secondary products (e.g., furniture, flooring, and doors) has increased greatly (Cohen, 2006). China has rapidly shifted from being a net importer of wood products to a net exporter. During the period 1997-2005, the export value of wood products from China increased from $3.5 billion to $16.2 billion. The value of US imports of Chinese wood products has increased nearly 1,000% since 1997 (White et al., 2006).

3.4.2 Products demand and source of supplying countries

China’s inability to meet rising demand, for both domestic and export markets, using only domestic forest resources provides an opportunity for many countries to greatly increase exports of their wood products to the Chinese market. However, China’s source for wood products and wood products imports varied by product type in different periods (Zhang, 2006). In the middle 1990s, veneer and plywood were the leading imported wood products commodities. At this time, Indonesia and Malaysia were the dominant suppliers with their veneer and hardwood logs. Lately, hardwood logs and hardwood lumber have been the two largest commodities imported to China, and recently Russia became the leading supplier with its softwood logs. According to the findings of While et al. (2006), Russian logs exports to China have increased by a factor of 21 since 1997, from 0.95 million m\(^3\) to 20 million m\(^3\) in 2005 (White et al., 2006). The top five wood products suppliers of China’s imports in 1995 and 2004 are shown in Table 4.

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\(^1\) Most of these mills belong to enterprises called “Town and Village Enterprises (TVEs)”, details see Section 6.2
Table 4: Top five suppliers of China's imports: 1995, 2004 (millions of US$)

<table>
<thead>
<tr>
<th>1995</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia ($511)</td>
<td>Russia ($1,437)</td>
</tr>
<tr>
<td>Malaysia ($481)</td>
<td>Malaysia ($667)</td>
</tr>
<tr>
<td>Burma ($67)</td>
<td>Indonesia ($518)</td>
</tr>
<tr>
<td>Gabon ($66)</td>
<td>U.S. ($366)</td>
</tr>
<tr>
<td>U.S. ($60)</td>
<td>Thailand ($265)</td>
</tr>
</tbody>
</table>

Source: China Customs.

3.4.3 Canadian wood products in China

The growing Chinese market represents a potential opportunity for Canadian wood products exports. However, China has not yet become a sizeable market for Canadian wood products. Figure 7 shows that some Canadian wood products exports to the Chinese market declined from $US 8.97 million in 1995 to $US 1.41 million in 2001. These products are continuously shaped wood (HS 4409), builders’ joinery and carpentry of wood (HS 4418), and prefabricated buildings (HS 9406). However, starting in 2002, exports of Canadian wood products to China began to grow. From 2002-2005, the aforementioned three wood products groupings had exports to China increase by 1.8 times, from $US 2.96 million to $US 5.46 million. At the same time, total wood products exports to China almost doubled from $59 million to a little over $110 million (NRC, 2006). Even so, Canada has only a small share of the total value of Chinese wood products imports. In order to facilitate China becoming a more sizeable market for Canadian wood products, a multi-faceted approach to developing the Chinese wood products market should be followed. The judicious use of branding is one possible facet that could improve opportunities for Canadian wood products.

Figure 7: Canadian wood products exports to China 1995-2005


3.5 Research statement and objectives

China's economic growth has impacted the wood products sector which is currently experiencing rapid expansion. China already harvests about 224 million cubic metres of logs a year, which is three times of what B.C. produces (CIBC World Markets, 2005). As growth continues, the consumption of wood products in China will continue to increase. However, how this growth will impact the forest industry in Canada is unknown.

Currently, there are two sources of competition in the Chinese market for wood products. The first is from domestic production, using both domestic and imported logs and lumber, and the second is from international suppliers such as Russia, Malaysia, New Zealand, etc. (Cohen and Lee, 2000). Given the growing market and intense competition, how can wood products from Canada gain an effective channel into local supply chains? Since branding has proven to be an effective marketing tool in China, one possible means of improving opportunities for Canadian wood products may be by the judicious use of branding.
As a marketing tool, successful branding strategies depend on market research. While there have been many studies on the Chinese market for wood products, few have addressed branding information among Chinese wood products customers. As initial research in this field, this project collects preliminary branding information from selected Chinese wood products users. In this study, Chinese wood products users were defined as users of wood products who could include manufacturers, traders, wholesalers, retailers, builders, developers, interior designers, architects and engineers.

The specific objectives of this exploratory research are:

- Identify the branding awareness among a small sample of Chinese wood products users;
- Determine which branding variables are important to this sample of Chinese wood products users in terms of purchase decisions;
- Understand some of the most positive and the negative impressions of Canada from Chinese wood products users;
- Explore the sources of information on brands for wood products for Chinese wood products users.
4 METHODOLOGY

To meet the objectives of this research, a written survey, which allows respondents to think about this topic before completing questions, was developed to collect primary data for the study from Chinese wood products users (defined in Section 3.4).

This survey was used to gain information on a variety of topics related to the research objectives. To avoid measurement error, survey questions were kept as clear and simple as possible (Fink, 2003). The questionnaire was designed and reviewed by both English and Chinese speaking persons to ensure simplicity, clarity and an accurate translation. Both English and Chinese survey copies are in the appendix 2.

The following parts introduce methodological issues in terms of survey sample and design, survey questionnaires, and data analysis. To date there has been little information on branding of in China especially for industrial products such as wood products. This research study is exploratory in nature and was conducted as a means of gaining insight into the problem of wood products branding in China. Inference onto the population of Chinese wood products industry is not possible.

4.1 Survey sample

The survey sample was the wood products users who attended China Wood Markets Export & Import Conference held in Dalian city, Liaoning province from October 26th to 29th 2004. Time and budget limitations restricted the sample frame to this group. This conference was organized jointly by China Wood International Inc. (China), R.E. Taylor & Associates Ltd. and International Wood Markets Research Inc. (Canada). This survey was conducted at this conference and completed during the first two days of the four-days of the conference.
The attendees of this conference included Chinese and foreign wood products users. The survey sample was restricted to the Chinese attendees only and foreign attendees were not included in this survey. In this study, Chinese wood products users included manufacturers, traders, wholesalers, retailers, builders, developers, interior designers, architects and engineers. The geographical location of this survey was in Dalian city, Liaoning province (Northeast China). According to the registration information, there were 197 Chinese wood products users attending this conference.

4.2 Survey design

With 197 Chinese wood products users registered, 200 questionnaires were prepared in Chinese for the conference. At the start of the conference on October 26\(^{th}\), a short verbal announcement was made to all the Chinese attendees to introduce this survey. After that, the written questionnaires were distributed to all Chinese attendees (a total of 176 copies were distributed since there were 21 persons who had registered but did not attend the conference).

According to the arrangement of the organizers, the first two days (October 26\(^{th}\) to 27\(^{th}\) 2004) were for the conference and the remaining two days (October 28\(^{th}\) to 29\(^{th}\) 2004) were for a factory tour. Therefore, the short announcement at the start of the conference required the Chinese attendees to complete and return the questionnaires to the organizers before the end of the first two days.

To encourage a high response rate, Chinese attendees were also informed, during the same announcement at the start of the conference, that all respondents would be entered in a draw for a digital camera. This occurred at the end of the conference.

Responses were limited to questionnaires returned during the conference. Late responses received after the conference was complete were not recorded. The target
response rate was 50 percent. By the deadline of October 27th, 85 responses were received representing a 48.3% response rate (85/176).

4.3 Survey questionnaire

4.3.1 Questionnaire

The questionnaire was developed in English and translated into Chinese (see Appendix 2). Given the time constraints on survey distribution and completion, the questionnaire was prepared to be short and concise in content. The questions in the questionnaire covered the following categories:

- Perceptions of Chinese wood products users about branding in general and branding of imported wood products;
- Opinions of Chinese wood products users about the relative importance of branding and in purchasing wood products;
- Impressions of Chinese wood products users about Canada and Canadian wood products;
- Major channels through which the wood products users find and receive information about brands;
- Demographic information about Chinese wood products users including gender, age, education background; and
- Basic information about the companies that employed the respondents.

The questionnaire consisted of 20 questions. Six of these, namely questions 7, 10, 11, 16, 19 and 20, were open-ended questions. The relatively high proportion of open-ended questions was thought to be suitable for this type of exploratory research. Other questions were closed-ended questions. An open-ended question is designed to encourage a full, meaningful answer using the subject's own knowledge and feelings. It is the opposite of a closed question, which encourages a short, categorical or single-word answer. Open-ended questions also tend to be more objective and less
leading than closed-ended questions (Fink, 2003). However, open-ended questions were minimized to prevent difficulties in the interpretation of the results (Czaja & Blair, 1996).

Excluding the open-ended questions, the closed-ended questions in this survey comprised all three measurement scales: nominal, ordinal scale and numerical. Nominal scales have no numerical value and produce data that fit into categories (Fink, 2003). In this survey, questions 4, 13, 14, 15 and 18 were nominal scale questions. Ordinal scale has inherent order among the categories (Fink, 2003), like questions 1, 2, 3 and 9. Meanwhile, when differences between numbers have a meaning on a numerical scale, the data are called numerical (Fink, 2003). Questions 5, 6, 8, 12 and 17 in this questionnaire were numerical in native.

For some of the open-ended questions (10 and 11), based on the review of the responses, there were some categorizing and grouping analysis.

4.3.2 Request for questionnaire
To ensure better understanding of this study, a written request was produced to introduce this survey to potential respondents (see Appendix 1). This piece of paper was attached to the questionnaire. Similar to a cover letter, this request introduced the purpose of the study, its organizers, the survey conduct, the importance of the study, the rules of voluntary participation, a promise of confidentiality and ways to contact the investigators.

4.3.3 Behaviour research ethics
The questionnaires were reviewed and approved by the Behavioural Research Ethics

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1 Closed questions are a type of survey question that have a finite set of answers predetermined by the researcher from which the respondent chooses. It is easy to standardize and it lends itself to statistical analysis. While open-ended question is a type of survey question to which there is not one answer, it allows respondents to answer in their own words. It is used in exploratory research (SuperSurvey, 2005).
4.4 Data analyses

As exploratory research, this survey was conducted using a small sample and no inference onto the population could be made. Therefore, descriptive statistics were the appropriate analytical method for this survey. Data was entered into Excel worksheets and descriptive statistical analyses were completed using Microsoft Excel 2000.
5 RESULTS

This section presents the analysis of the data from the survey. There are six sections. Sub-section 5.1 presents the response rates and 5.2 has the demographic information and characteristics of the respondents. Sub-section 5.3 reports on the respondents’ companies and, in 5.4, their perceptions of brands are presented. Results concerning brand characteristics are in the sub-section 5.5, while sub-section 5.6 summarizes respondents’ impressions of Canada and Canadian wood products.

5.1 Survey response

A total of 176 questionnaires were distributed. By the deadline, 85 respondents replied, representing a 48.3% response rate. Respondents answered most of the questions and a few added additional comments (Table 5).

Table 5: Responding rates of questions

<table>
<thead>
<tr>
<th>Questions</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Thinking about brand</td>
<td>100</td>
</tr>
<tr>
<td>2. Purchasing branding wood products</td>
<td>100</td>
</tr>
<tr>
<td>3. Changing in the using of branded wood products</td>
<td>100</td>
</tr>
<tr>
<td>4. Three most famous offshore brands</td>
<td>100</td>
</tr>
<tr>
<td>5. Relative importance in brands</td>
<td>100</td>
</tr>
<tr>
<td>6. Relative importance in purchasing</td>
<td>100</td>
</tr>
<tr>
<td>7. Choosing branded over generic</td>
<td>100</td>
</tr>
<tr>
<td>8. Sources of brand information you would use</td>
<td>100</td>
</tr>
<tr>
<td>9. Rank Canadian wood products</td>
<td>100</td>
</tr>
<tr>
<td>10. Three most favourable impressions of Canada</td>
<td>85.9</td>
</tr>
<tr>
<td>11. Three least favourable impressions of Canada</td>
<td>84.7</td>
</tr>
<tr>
<td>12. Age</td>
<td>100</td>
</tr>
<tr>
<td>13. Gender</td>
<td>100</td>
</tr>
<tr>
<td>14. Highest education certificate</td>
<td>100</td>
</tr>
<tr>
<td>15. Representing your company at conference</td>
<td>99</td>
</tr>
<tr>
<td>16. Years your company has been in business</td>
<td>85.9</td>
</tr>
<tr>
<td>17. Company’s turnover</td>
<td>89.4</td>
</tr>
<tr>
<td>18. Type of company</td>
<td>88.2</td>
</tr>
</tbody>
</table>
The response rate was 48.3%, which is regarded as relatively reasonable (Smith et al., 2003). This may be due to the involvement of one of the conference organizers, China Wood International Inc., which has more than 12,000 registered members. With the assistance of China Wood, the investigator personally met many of the potential respondents whose companies were members of the China Wood organization. In addition, the investigator was able to make an announcement at the beginning of the conference to introduce the objectives and importance of this survey. This provided a *de facto* connection between a known and respected organization and the investigator providing good “Guanxi”\(^1\). Furthermore, the conference organizer, China Wood, was also very interested in this survey and provided positive suggestions and assistance during data collection. These factors contributed to the relatively high response rate.

Respondents answered most of the questions. However, 14.1% and 15.3% of respondents respectively declined to answer the most favourable and least favourable impressions of Canada. The reason might be that they have no perceptions of Canada due to limited knowledge. Meanwhile, 14.1%, 11.5% and 11.8% of respondents respectively did not answer questions regarding the company’s experience, sales and business type. This could be due to the traditional reluctance in China to provide personal or company information, even though the survey responses were anonymous and the data would be completely confidential. For the section of additional comments, only 15% of respondents gave answers. The reason might be that they really had no additional comments or because of a resistance to providing open-ended information.

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\(^1\) Chinese Guanxi is defined as relationships – connections or networks – that are cultivated with business associates, officials or others based on mutual interest together with a heavy emphasis on obligations and instrumentalism. Guanxi is widely used in everyday life and all kinds of social activities in China (Li, 2001).
5.2 Geographic and demographic information

5.2.1 Regions

Of the 85 respondents, a large proportion (44.7%) were from the East, 22.4% from the North, 16.5% from the North-East, 1.1% from the South and the North-West each, and 14.1% from the other regions. Table 6 shows the regional distributions of respondents relative to the region’s proportion of population.

Table 6: Regional distributions of respondents

<table>
<thead>
<tr>
<th>Regions</th>
<th>Number</th>
<th>Percent</th>
<th>Regional distribution of the population in China (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-East</td>
<td>14</td>
<td>16.5</td>
<td>8.6</td>
</tr>
<tr>
<td>East</td>
<td>38</td>
<td>44.7</td>
<td>28.9</td>
</tr>
<tr>
<td>North</td>
<td>19</td>
<td>22.4</td>
<td>11.6</td>
</tr>
<tr>
<td>South</td>
<td>1</td>
<td>1.2</td>
<td>27.8</td>
</tr>
<tr>
<td>South-West</td>
<td>0</td>
<td>0</td>
<td>15.9</td>
</tr>
<tr>
<td>North-West</td>
<td>1</td>
<td>1.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Others</td>
<td>12</td>
<td>14.1</td>
<td>---</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: The data of regional distribution of the population in China is from 2004 China Statistical Yearbook, Beijing, 2004.

5.2.2 Gender, age and education

Of the 85 respondents, 78.0% were male, and 22.0% were female. Most respondents (61.2%) were between 25 and 34 years of age followed by those in the group 35 to 49 years (36.5%) (Figure 8), while only 1.2% of the respondents were younger than 24 or older than 50 years.
Among the respondents, more than four-fifths (81.2%) had a university degree, either a bachelors or graduate degree (Figure 9). An additional 14.1% had a college education. Another 4.7% had a middle school education. Therefore, only a few respondents had education levels lower than a college degree.

Figure 9: Educational background of respondents

5.3 Company background

5.3.1 Annual sales

Among the companies that responded to this question, the majority (59.2%) had
annual sales of higher than 1,000,000 RMB (approximately USD 125,000), while 28.9% of companies' annual sales were between 500,001 RMB (approximately USD 62,500) and 1,000,000 RMB. The other 11.9% of the companies’ annual sales were between 100,000 RMB (approximately USD 12,500) and 500,000 RMB (approximately USD 62,500). No companies reported annual sales lower than 100,000 RMB (Figure 10).

Figure 10: Sales of responding companies (RMB)

5.3.2 Types of companies

Figure 11 clearly shows the distribution of respondents by types of companies. The largest proportion (74.7%) were manufacturers, while only 12.0% of responding companies were trading companies. It is worth noting that 10.7% of responding companies were not only manufacturers but also trading companies. In addition, 1.3% of responding companies were manufacturers as well as wholesalers, and another 1.3% of responding companies were manufacturers as well as developers.
5.3.3 Business experience

For this question about years of business experience, 14.1% of respondents did not reply. Among those that did respond, the majority (65.8%) indicated the companies they worked were in business between 1-10 years (Figure 12). Another 28.8% were in business for 11-20 years. On average, the business experience of companies represented by the respondents was in business for 11.1 years or since 1993.
5.4 Perceptions of brands

5.4.1 Thinking about brands

Most respondents (41.2%) stated that they frequently thought about brands when they purchased wood products, while another 20.0% always thought about brands when purchasing wood products (Figure 13). Only a few never or occasionally thought about brands. About a quarter of the respondents (23.5%) chose the midpoint between always and never thinking about brands.

Figure 13: Proportion of respondents that think about brands
5.4.2 Purchasing branded wood products

A large proportion (41.2%) of respondents indicated that they frequently purchased branded wood products, 28.2% of respondents chose the midpoint, and 16.5% of respondents occasionally purchased branded wood products, while 11.7% of respondents always purchased them. Only a small number of respondents (2.4%) indicated that they never purchased branded wood products (Figure 14).

Figure 14: Proportion of respondents that purchase branded wood products

5.4.3 Trends in the use of branded wood products

The majority (56.5%) of respondents predicted a large increase in the use of branded wood products in the next five years, while 34.1% of respondents predicted a small increase (Figure 15). This means more than 90% of respondents believed that there would be an increase in the use of branded wood products in the next five years. Only a small proportion of respondents (5.9% and 3.5% respectively) thought there would be no change or a small decrease. Nobody predicted a large decrease in the use of branded wood products in the next five years.
5.5 Brand characteristics

5.5.1 Relative importance in building successful brands
Respondents allocated 100 points among a variety of characteristics based on their relative importance in building successful brands for wood products. Consistent high quality (average of 27.2 points), competitive pricing (16.7 points) and good after sales service (13.1 points) were the three most important factors in building successful brands for wood products based on an average point allocation (Figure 16). Effective promotion and advertising (10.1 points) ranked fourth in terms of relative importance in building successful brands for wood products. Other factors included a long term commitment to the Chinese market (9.2 points), company image (8.6 points), fresh and unique designs (8.3 points), excellent logistics and readily available products and services (6.6 points).
5.5.2 **Relative importance in purchasing**

Respondents allocated 100 points among a variety of characteristics based on their relative importance in their purchasing decisions for wood products. The four most important factors were price (average of 23.2 points), product performance (21.9 points), after sales service (17.2 points) and brand name recognition (12.8 points) (Figure 17). Company image and reputation ranked fifth with 11 points. Other factors listed from high to low were past experience (7.2 points), country of origin (5.3 points), and recommendation from peer group (4.7 points).
5.5.3 The choice between branded and unbranded products

Almost all respondents indicated that they would choose a branded wood product over a generic wood product as long as the price for the branded and unbranded product was the same or only slightly higher. Only 4.0% of the 85 respondents indicated otherwise.

The question concerning why a respondent would choose a branded product over an unbranded product was open-ended. Based on the review of common themes among the answers, responses were organized into 5 groups for analysis: better quality, better service, better credit, no comment and others. Figure 18 shows that when respondents explained why they chose a branded over unbranded product, most (60.0%) thought that the branded wood product provided better quality when the price was the same and 47.0% when the price for the branded product was slightly higher than the unbranded product. This indicates most respondents equate branded wood products with consistent good quality when compared to unbranded products.
There were 22.0% of the respondents who indicated that better credit was why they selected a branded wood product when the price for the branded and unbranded product was the same. If branded products were priced slightly higher, then 29.0% of respondents indicated that better credit was why they chose the branded wood product.

The third reason why they chose the branded wood product was better service. Eighteen respondents (accounting for 21.0% of all respondents when the price for the branded and unbranded product was the same) and 22 respondents (accounting for 26.0% of all respondents when the branded product was slightly higher the unbranded product) thought choosing the branded product meant a better service guarantee.

Only a small number (6 and 7 respondents, respectively) of respondents chose other reasons such as being favourable to brand name recognition, choosing the branded product means choosing a green and environmentally friendly product, choosing the branded over the unbranded product means more honour, etc.

Figure 18: The reasons for choosing branded over generic products
5.5.4 Sources of brand information

When respondents allocated 100 points among sources of information, the majority (21 points on average) were allocated to TV and Internet advertising. This showed that TV and Internet advertising were their main source of information on brands (Figure 19). In spite of a relatively low coverage rate for newspapers and magazines in China (approximately 25.0% in 2002, see Section 3.3.5), newspaper and magazine advertising (11.3 points and 11 points, respectively) were the second and third most noted sources of brand information. Other sources of brand information were association promotions (10.2 points), company promotions (9.9 points), the opinions of relatives or friends (9.2 points), advice from wholesalers (7.7 points), billboard advertising (7.6 points), radio advertising (4.4 points) and government promotions (4 points). Mass mailings (only 2.5 points) were the least common form of conveying brand information.
Figure 19: Average points for each source of brand information

- Others
- Mass mailings
- Government promotions
- Radio advertising
- Billboard advertising
- Advice from wholesalers
- Opinions of friends
- Company promotions
- Association promotions
- Magazine advertising
- Newspaper advertising
- TV & Internet advertising

5.6 Impressions of Canadian wood products and Canada

5.6.1 Ranking Canadian wood products

A large proportion (63.0%) of the Chinese respondents stated that Canadian wood products were slightly better than competing products and 5.0% of the respondents thought Canadian wood products were much better (Figure 20). In addition, 20.0% of the respondents stated Canadian and its competing products were the same, while only 12.0% of respondents indicated they were slightly worse. Nobody considered Canadian wood products much worse than competing products.
5.6.2 Impressions of Canada

Question 10 and question 11 were open-ended questions. Based on the review of the responses, all the responses of question 10 and 11 were grouped into 7 categories of most favourable impressions and 8 categories of least favourable impressions for analysis (Figure 21 and 22).

There were 12 respondents accounting for 14.0% of all respondents who did not answer the question about the most favourable impressions of Canada. Figure 21 shows the responses. Beautiful environment (48 respondents), good political & social systems (29 respondents) and peaceful, warm people (27 respondents) were the three most favourable impressions of Canada. Abundant natural resources (23 respondents) and good technology, product & service (19 respondents) ranked fourth and fifth, respectively.
There were 13 respondents accounting for 15.3% of the respondents who did not answer the question regarding their least favourable impressions. Among the 72 respondents, the largest number (21 respondents) indicated that they had no negative impressions of Canada. Lack of economic vigour (19 respondents), cold climate (17 respondents) and small-scale population & market (8 respondents) were the three least favourable impressions of Canada in respondents’ opinion. In addition, there were 18 respondents who chose others such as over-reliance on the USA in term of politics and economy, etc.

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1 Respondents stated that Chinese population is 40.6 times of Canadian, which is the primary reason why they regarded small-scale Canadian population and market as one of the least favourable impressions.
Figure 22: The least favourable impressions of Canada

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hostility to China</td>
<td>5</td>
</tr>
<tr>
<td>High price</td>
<td>8</td>
</tr>
<tr>
<td>Small scale population</td>
<td>10</td>
</tr>
<tr>
<td>No comments</td>
<td>15</td>
</tr>
<tr>
<td>Cold climate</td>
<td>20</td>
</tr>
<tr>
<td>Others</td>
<td>25</td>
</tr>
<tr>
<td>Lack of economic vigor</td>
<td>20</td>
</tr>
<tr>
<td>No bad impression</td>
<td>25</td>
</tr>
</tbody>
</table>
6  DISCUSSION

This study explores the perception of branding among selected Chinese wood products users. Results in the previous section show that Chinese wood products users are aware of some aspects of branding. This discussion section follows the same order as the Results section (Section 5).

6.1 Geographic and demographic information

The largest proportion of respondents was from the East, the most developed and densely populated region in China. The North ranked a close second followed by the Northeast (Section 5.2.1). These two regions are close to China's largest forest center in the Northeast – the Daxinganlin area. In addition, the Northeast and North regions are relatively close to Russia, which is rich in forest resources and is currently providing China with increasing volumes of logs and lumber (Katsigris et al., 2004).

In this survey, most respondents (61.2%) were between 25 to 34 years of age (Section 5.2.2), an average age that is quite young. In contrast to wood products users from the previous generation, they are better educated, worldlier and have more professional knowledge. Over 80% of the respondents had completed a university degree. This might be due to the rapid increase in the number of graduates from universities in China during past ten years. The younger Chinese are usually less emotional in their buying decisions and often make purchases based on how it will impact their product quality or profitability. This young educated group will play an increasingly active role in the Chinese wood products industry.

6.2 Company background

The majority (59.2%) of companies had annual sales over 1,000,000 RMB (Section
5.3.1), indicating that most forest products companies attending this conference have
reached the medium to large scale size in terms of sales. As previously stated this is
most likely linked to the boom in private housing and the commercial building sector
in China during the past decade which is fuelling a new market for home and office
decorations and furnishings in China (Anonymous, 2003a) (Section 3.1.4). This
growing domestic demand combined with increasing exports, has led to strong
increases in the demand for wood products.

Despite this growth, the sales volume of wood companies is lower in contrast to other
industries in China. No wood product company was in the top 200 Chinese companies
in 2004 (Emage Company, 2005). In this survey, 28.9% of respondents worked for
companies, with annual sales of between 500,001 RMB and 1,000,000 RMB and most
of these companies belong to enterprises called “Town and Village Enterprises
(TVEs)”. China's TVEs are rural, collective economic organizations established at the
township or village level. They also include the city branches of township enterprises.
TVEs had become a major component of the Chinese economy, contributing
significantly to GDP, employing large numbers of people and contributing to social
development. The development of TVEs has varied across China's regions and
economic sectors. TVEs in some sectors are export oriented or hi-tech, and they face
regional and international competition (UNIDO, 1999). Despite their general
dynamism and growth, TVEs still have many disadvantages compared to state owned
enterprises (SOEs) or private firms. A key one is the shortage of workers having
sufficient professional and technical skills. Another is the lack of access to finance
(UNIDO, 1999). Today, numerous wood companies that are TVEs are urgently
looking for foreign investment and advanced new technologies to be able to remain
competitive and profitable.

The largest proportion (74.7%) of responding companies were manufacturers (Section
5.3.2). Generally, most indigenous Chinese wood products manufacturers with no ties
to foreign firms are small and sometimes inefficient. They predominantly serve local Chinese needs. Firms with ties to foreign firms are larger and more efficient with a focus on export markets. After China’s opening to the outside world in 1978, numerous foreign companies went to China searching for new, less expensive suppliers. Foreign companies, especially American companies, introduced new technologies, new designs, and new quality standards to China (first to Taiwan and then to the mainland) with the purpose of developing their export capabilities to furnish the American market. Today, some foreign wood firms, especially American firms, maintain joint-venture companies or close collaborative agreements with Chinese manufactures. Most of the Chinese furniture exported to the United States stem from manufacturers with close ties to American buyers (Wille, 2003). In today’s China, it is clear that wood product manufacturers with ties to foreign firms often have better access to financial support and advanced technologies that purely domestic firms. That can translate into more efficient operations and higher profits, but is often accompanied by some loss of control.

Many of the manufacturers among responding companies may offer collaboration opportunities for foreign firms for the production of branded wood products in China. Some American solid wood manufacturers and tropical exporters are already following this path (e.g. Bruce Hardwood Floors). The U.S. remains the largest market for wood products, but traditional trade patterns are changing rapidly, as solid wood manufacturers and tropical exporters shift their manufacturing focus to China and other newly emerging economies. This shift is driven by American manufacturers seeking ways to lower manufacturing costs as well as to gain access to a potentially lucrative new market (i.e. China) while maintaining quality and design control.

On average, Chinese wood companies were engaged in this industry for 11.1 years (Section 5.3.3). This is a relatively short time compared to the history of many wood companies in North America and Europe. In B.C., the average age of the 13 biggest
wood companies was 39.5 years, according to Business in Vancouver (19 March 16-22, 2004). Since the economic reforms of 1978, China has made great economic progress and China’s economic development has been gradually switching from a central-planned statist model to a more market-based economy. Millions of companies (including wood companies that were a mix of private and TVEs) were founded\(^1\). They are no longer solely owned by the state and are becoming more market-oriented corporations. During the past decade, small, privately owned enterprises were experiencing significant growth in various sectors, including the wood product industry. Some of these companies are becoming more mature and better able to compete in the world marketplace.

6.3 Perceptions of brands

6.3.1 Thinking about brands and purchasing branded products

Results indicated that more than 60% of respondents frequently or always thought about brands when they purchased wood products (Section 5.4.1). A majority (53%) indicated that they frequently or always purchased branded wood products (Section 5.4.2). This proportion is high considering the branded products might be more expensive, although they can supply consistent good quality and service for Chinese manufacturers and consumers. Survey respondents seemed to have a sense of brand consciousness and considered brands as one of the important determinants in making purchase decisions. In the future, brands might become more important in the purchase of physical and service products in various industries, including the wood products industry. So, for Canadian wood companies, branding their own products in China is worth further investigation and should be considered as part of a good marketing strategy to help introduce their products to the Chinese market.

\(^1\) In 2004, there were approximately 1 million stated-owned enterprises, more than 10 million registered non-state-owned enterprises in China (Qiu, 2004).
6.3.2 Trends in the use of branded wood products

More than 90% of respondents believed that there would be an increase in the use of wood products in the next five years and an opportunity for increase in branded wood products. The reasons for this could include:

- China’s economy has been growing for 25 years and is opening to the outside world. In today’s China, the people have more consumer choices and increasing disposable income. The emergence and growth of the "middle class" has become the main force driving the increasing popularization of brands in China. As discussed previously, China’s "middle class" accounted for 19% of the country’s 1.3 billion people in 2003 or 247 million people (Section 3.3.2.). Based on an annual growth of one percent annually, the "middle class" is expected to account for 40% of the total population in 2020 (Xin, 2004). Therefore, it is reasonable for wood products users to expect more home construction and remodelling in the future. The market for branded wood products might have chance to grow as overall demand as well as the number of wealthy and middle class individuals grows.

- Most urban Chinese yearn for more comfortable living conditions as their incomes increase. They remember the austerity of state owned residences before housing reform. This desire, combined with the pent up demand for better housing, explains why the construction industry has become one of the fastest growing sectors in China. The boom in private housing is fuelling a new market for home decoration and furniture in China (Anonymous, 2003a). Spurred by rising consumer demand for higher-quality housing and better furniture, the market for lumber, paneling, furniture, and other wood products continues to expand. Two factors contributed to China going from an insignificant player in manufactured wood products six years ago to becoming one of the largest importers and exporters of wood products in the world (Zakreski, 2004). The first was increased domestic demand due to the National Housing Reform Program
that started in 1998. The second was increasing exports, mainly to the U.S. and other Asian countries. These two factors have led to strong increases in the demand for wood materials for manufacturing, a demand that cannot be met from domestic wood supply. This has led to major increases in imported wood materials.

- Wood is the preferred material for decorating a home or office and for furniture in China according to a report from Forestry Innovation Investment Ltd. (FII, 2004). Wood is used more than other materials in interior decoration because of its natural qualities and flexibility. Many Chinese view wood as the best material for floors and furniture. Most Chinese view wood as natural, healthy, cozy, alive, high class, and warm with a natural texture when used in finishing applications (FII, 2004). Brands, if they are successful, can stand for qualities such as reliability or value, and can help wood products users in their decision-making.

If results from this exploratory research were to be confirmed by a more rigorous study it would confirm a trend towards increased use of branded wood products in China in the next five years. Canadian wood products companies, which are interested in emerging offshore markets, should recognize the importance of the massive Chinese market and battle to grab a slice of the pie with the greatest profit potential.

6.4 Brand characteristics

In the survey, respondents allocated 100 points among a variety of characteristics based on their relative importance in terms of brands and their purchasing decisions for wood products, respectively (see Section 5.5.1 & 5.5.2). Results show that product quality/performance, price, and after sales service received the most points and were viewed as the three most important factors, both in terms of brands and their impact on purchasing decisions for wood products. The ranking of the three factors, however,
were not all the same.

Respondents indicated that performance/quality was the most important core value of brands for wood products (Section 5.5.1 & 5.5.2). From the point of view of Chinese wood products users, successful branding relies on the product's consistent good performance/quality. As China's imports of wood products grow, Canadian wood product companies increase their interest in this market. However, as the market grows so does the competition for market share. Those companies who successfully brand their products to ensure consistent quality may have more opportunities to succeed.

Another key factor, price, was ranked as the most important factor in terms of purchasing wood products (Section 5.5.2). This indicates that Chinese wood products users are price-sensitive and that they make purchase decisions based on how it will impact their own profitability. Canadian wood products have had no price advantage compared to less costly Russian, Southeast Asian, or African wood products. Given the growing market and intense competition, how can wood products from Canada gain effective entry into local supply chains? Since branding has proved to be an effective marketing tool in China, one possible means of improving opportunities for Canadian wood products is by the judicious use of branding. This may become of increasing importance as lower cost wood increases in price due to escalating costs or becomes less available due to over-harvesting.

Competitive pricing was ranked as the second important factor in brands (Section 5.5.1). This shows that Chinese wood products users are not prone to providing a price premium for branded wood products. However, while there may be no price advantage to branding, successful branding may increase sales volumes and market share. Well-known brands make products more marketable, and one of the largest benefits of a well-known brand is in developing loyal customers. In the face of
overwhelming competition from global competitors, it may be feasible for Canadian manufacturers to develop their own globally recognized brands to survive and grow.

After sales service was the third most important factor, both in terms of brands and purchasing decisions for wood products. The reason why respondents emphasize after sales service may be linked to previous poor experience in service in the past years both during the centrally-planned economy and the emerging market economy. Even today, unconditional guarantees are difficult to provide for most suppliers. If the product does not meet consumers' expectations, it is difficult to return it to product suppliers and receive a refund due to the diverse global supply chains that supply China. Chinese wood products users, therefore, view after sales service as one of the top benefits for wood products brands. This indicates that, for Canadian manufacturers wanting to brand in China, a long-term commitment is necessary. However, providing after sales service will lead to increases in a company's overhead costs. How can Canadian manufacturers reduce higher overhead costs due to providing after sales service? A feasible response would be to ensure high enough volumes to provide some economies of scale.

Effective promotion and advertising ranked fourth in terms of relative importance in brands for wood products. This shows the importance of promotion and advertising in the introduction and building of a brand in China (see Section 3.3.2). Sources of brand information are discussed below.

### 6.5 Sources of brand information

In this survey, respondents overwhelmingly selected TV and Internet advertising as their main source for brand information (Section 5.5.4). TV has the strongest impact on audience partially due to its high coverage rate. As income has increased, there has been a rapid adoption of TV and coverage rates have now reached 86% in China
TV, in general, is seen as a superior advertising medium compared to other media. Unlike newspapers and magazines, TV has sound and live pictures, which is more attractive to consumers, including industrial consumers/wood products users.

The Internet has become increasingly more important as a source of information. As the growing popularity of the Internet, more and more Chinese wood products users get brand information through professional websites. For example, the website www.chinawood.org is one of the professional websites in the wood products industry in China. Many Chinese wood products users visit this site to get information on changing market demand or supply, exhibitions, conferences, cooperation opportunities, etc (SHTIMBER, 2005).

It is interesting to note the respondents tended to be young and thus more comfortable with electronic media such as TV and the Internet. Given the high proportion of young professionals within the growing mercantile class, these media may be more effective than overall usage numbers indicate.

Next in importance is newspaper and magazine advertising (Section 5.5.4). This third place ranking was mostly due to their relatively low coverage rate of approximately 25% (Tian, 2002). In addition, the status of newspapers and magazines are lower than TV in the opinion of most Chinese people since they are considered as traditional media compared to the more recent and modern channels such as TV and the Internet. However, the advertising cost of newspapers and magazines is much lower than that of TV, an important advantage. Newspapers can also provide regional or specialized coverage.

Among some Chinese wood products users, there is little faith in most forms of advertising in the media for obtaining branding information since they feel that the
media communicates whatever the sponsors want them to say (FII, 2004). In China, some media members receive money from suppliers in exchange for promoting their positive images. Many Chinese people know of this so-called “soft advertisement” (FII, 2004).

Chinese wood products users have many sources of obtaining brand information. For Canadian firms, which channel should be adopted depends on different target markets and contextual situations. The channel should match the products, the company, and the target market. More rigorous research would provide more concrete information regarding the best channel to adopt to promote a branded wood product in China. However, how do Chinese wood products users think of Canadian wood products and Canada? Understanding this will be helpful for branding Canadian wood products in China.

6.6 Impression of Canada and Canadian wood products

The largest number (21 respondents) of respondents had no negative impressions of Canada (Section 5.6.2). Most respondents perceived Canada positively and described the country as beautiful with rich natural resources. Maple leaves and well-preserved forests were a common image of the respondents. Also Canada was known as a place with a clean environment and a good quality of life. At the same time, many respondents noted that Canada was a country with a democratic system and a good welfare system. Some even viewed Canada as a “heaven”. Respondents also perceived Canada to be advanced in some technologies, products, and services. The country was described as peaceful with friendly people. Overall, Chinese wood products users had quite positive impressions of Canada.

In contrast, Canada was known as having cold weather with lots of snow and glaciers. The cold climate was the first negative impression of Canada by most respondents.
Although respondents knew Canada was a developed country and one of the Group-of 7 countries (G7), some respondents perceived Canada to be less economically dynamic than the U.S., and even China. One respondent even mentioned that little in the way of Canadian economic news was reported in China. The only Canadian company he had heard of was Nortel Networks.

Canada was known as a country that welcomed immigration and had a small population. This resulted in a small market (compared to China) and a relatively high-cost structure, which contributed to high-prices for products and services. One respondent noted that high prices could prevent Canadian wood products from entering the Chinese market. Political issues between the two countries also influenced respondents. Some even stated that Canadian government was not very friendly to China. For example, there were three respondents that viewed the Canadian government permitting Tibetan leader Dalai Lama to visit Canada and being unable to repatriate Changxing Lai, who was deemed as a smuggler by the Chinese government, as hostile acts.

As for the impressions of Canadian wood products, 68% of respondents considered that Canadian wood products were better than competing products (Section 5.6.1). This shows that they regard Canadian wood products to be of high quality. Here, high quality is considered to be the most important factor in brands for wood products by Chinese users. In other words, ensuring product with consistent and good quality is a sharp weapon for Canadian companies. In the meantime, some respondents indicated the weakness of Canadian products in the part of impressions of Canada. It included high price, lack of promotion, etc. These are perceived to be common problems for most Canadian products, including wood products.
CONCLUSIONS

China’s rapid economic growth and its large population, especially the emergence and growth of the middle class, have put new demands on the world’s supply of resources including wood products. The trend is towards an increase in the consumption of wood products in China as long as growth and exports continue. Meanwhile, as China increases its manufacturing to supply global markets, more industries in China are hungry for resource commodities. This appears to be a good time to bring more basic Canadian wood products to the second largest wood product market in the world. The theories discussed in the first section and the results of the exploratory survey have demonstrated that branding can be an effective marketing tool. It may be possible for Canadian wood products firms to improve their success in China by the judicious use of branding strategies.

The background provides information on Chinese traditional culture, consumer structure, and regional differences that are all important in branding Canadian wood products in China. In today’s China, consumers, including wood product users, have brand consciousness and consider brands as one of the key determinants in their purchase decisions. However, most brand-conscious consumers live in the country’s developed eastern and southern coastal provinces.

As a special group, Chinese industrial consumers have their own specific characteristics. They are becoming more professional and mature when purchasing products and services. Because wood is often used to manufacture products for end-use, these industrial consumers are a very important “target market” for most wood commodity products, for processing machinery and for certain supplies.

Results of the survey of Chinese wood products users indicate that performance/quality was the most important core value of brands wood for products.
Competitive pricing, after-sales service, and effective promotion, were viewed as three other important factors in terms of the relative importance in brands for wood products. Therefore, these values should form the core of the brand developed by Canadian wood product firms to improve opportunities in China’s competitive market.

Based on the results of this exploratory work, a successful brand should:

- Ensure consistent quality in a firm’s wood products as this is most important when competing in the second largest wood products market in the world;

- Recognize that currently, branding will not garner a price premium since survey results show that, so far, selected Chinese wood products users will not pay above market prices for branded wood products;

- Accelerate the development and promotion of a firm’s own globally recognized brands so as to survive and grow. Firms must be aware of the importance of branding their own products in China and should take actions to develop, maintain and enhance their brands both in China and worldwide;

- Provide a long-term commitment. Because Chinese wood products users view after-sales service as one of the top benefits for wood products brands, it is necessary for Canadian manufacturers to understand that Chinese buyers expect the company to be available to support their warranties and after-sales service requirements. Branding should help ensure high enough volumes to provide some economies of scale to reduce costs resulting from providing after-sales service;

- Use promotion channels such as TV and Internet for brand promotion and advertisements as well as other regionally appropriate media. These two media are likely effective conduits for Canadian wood products companies wanting to brand in China.
In summary, China has a long and unique culture and the successful promotion and adoption of many modern products can only be achieved by tailoring the products according to Chinese style and demands.
8 LIMITATIONS AND FUTURE STUDY

As exploratory research, this research had limitations.

First, the official data on Chinese wood products market is not as accurate or consistent as one world like for this type of research. There is a lack of accurate data from China Statistics and China Customs. Information on Chinese lumber and panels consumption from Fuller (2006) is the source used in this work. One reason is that often data from official publications does not necessarily accurately reflect the market situation. For example, data on wood products imports, from White et al. (2006), was from China Customs, however, it did not include illegal imports of logs and other wood products from Russia, Asia, Africa, Myanmar, or other regions (Cohen, 2006). Some NGO’s have estimated illegal imports to be equal to 40% of all imports into China (Telepak and EIA, 2005).

Additional limitation concerns the survey respondents. Because of time and budget limitations, the survey sample was limited to Chinese wood products users who attended China Wood Markets Export & Import Conference held in Dalian city, Liaoning province from October 26th to 29th 2004. It meant the sample included only the people who came to Dalian in person for the conference which was co-sponsored by a Canadian firm. This is not a representative sample and thus the results cannot be considered inferred to the wood using population of China. For example, Guangdong province is one of the densest populated regions and is considered one of the most important wood products manufacturing regions in China. However, there was only one Chinese attendee from Guangdong province (see Table 6). In addition, since the conference was co-sponsored by a Canadian consulting firm, respondents may have been biased towards making positive response regarding Canada. Since this sample was biased inferential statistics were not appropriate. The results and conclusions in this thesis were based on this small, non-representative sample, which restricted the
generalization of these conclusions.

This exploratory work has not covered the potential for branding Canadian wood products in China. However these initial results indicate a next step that could include a more in-depth look at Chinese wood products users' perceptions of brands. This would require a larger sample size that was more representative of wood users across China to allow inferences to the population. Then the results would be more scientific and authoritative.

This thesis focused on wood products users. However, in order to evaluate the potential for developing a full strategy for branded Canadian wood products in China, a future study could explore Chinese end-use consumers' branding awareness of wood products.
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Hello! My name is Xiaoqian Yan, and I am a graduate student in the Faculty of Forestry at The University of British Columbia in Canada. As part of my graduate studies with Dr. Cohen, I am doing a research project about branding in China and how this relates to wood products. As a part of this project, we are asking you to voluntarily complete a short survey to provide information related to this project. Please feel free to express your opinions since your viewpoints are valuable to our research.

This survey should take less than 10 minutes to complete. All information you provide will be wholly confidential and will only be used in combination with other responses. After the research, all the material will be stored in a locked and secure place and ultimately destroyed.

To thank you for your help, your name would be entered into a draw for a digital camera that will take place at the end of this conference and exhibition.

This survey is completely voluntary and nonprofit. Your completion of this survey is understood as granting consent to sue the information. Contact information for the principle investigator of this research is:

Professor David Cohen,
2424 Main Mall,
Vancouver, BC,
Canada, V6T 1Z4
QUESTIONNAIRE (English)

Thank you for voluntarily agreeing to participate in our survey which explores wood products and branding.

1) When you purchase wood products how often do you think about brands?
   never occasionally frequently always

2) Do you currently purchase branded wood products?
   never occasionally frequently always

3) What change in the use of branded wood products do you see in the next five years?
   Large small no change small large
   decrease decreases increase increase

4) Which do you think are the three most recognized offshore brands for wood products?
   _ Ikea (Sweden) _ Novadec (Spain)
   _ Arflex (Italy) _ Vangaard (USA)
   _ Cappelini (Italy) _ Vidal Grau (Spain)
   _ Letti (Italy) _ Canfor (Canada)
   _ Fritz Hansen (Denmark) _ Artek (Finland)
   _ Stokke (Norway)
5) Please allocate 100 points among the following characteristics based on their relative importance in building successful brands for wood products:

- Effective promotion and advertising
- Consistent high quality
- Fresh & unique designs
- Company Image
- Excellent logistic and readily available product and service
- Very good after sales service
- Long term commitment to the Chinese market
- Competitive pricing
- Other (please specify __________________)

100 Total Points

6) Please allocate 100 points among the following characteristics based on your opinion of their relative importance in purchasing wood products:

- Product price
- Product performance
- After sales service
- Country of origin
- Brand name recognition
- Company’s image and reputation
- Recommendation from peer group
- Past experience
- Other (please specify ________________)

100 Total Points
7) Why would you choose a branded wood product over a generic wood product if...

   a. the price for the branded and unbranded product is the same.

   b. the price for the branded product is slightly higher than the unbranded product

8) Please allocate 100 points among the following sources of information based on which you would use to collect and compare brand information:

   TV and Internet advertising
   Radio advertising
   Newspaper advertising
   Magazine advertising
   Billboard advertising
   Mass mailings
   Advice from wholesalers
   Company promotions
   Association promotions
   Government promotions
   The opinions of relatives or friends
   Other (please specify ________________)

   100 Total Points

9) How would you rank Canadian wood products relative to competing products?

   much worse  slightly worse  the same  slightly  much better  better

10) What are your three most favorable impressions of Canada?

   ______________________________________
   ______________________________________
11) What are your three least favorable impressions of Canada?


12) Please indicate your age in years:

  __ 18-24  __ 25-34  __ 35-49  __ 50-64  __ > 65

13) Please indicate your gender: _ Male _ Female

14) Please indicate your highest education certificate:

  __ Middle school  __ College  __ University

15) Are you attending this conference representing your company?

  __ Yes. Go to #13  __ No. Thank you. Please stop here.

16) How many years has your company been in business? __ years

17) Your company's turnover last year is:

  __ < 100 thousand RMB  __ 100,000 - 500,000 RMB

  __ 500,001 - 1,000,000 RMB  __ > 1,000,000 RMB

18) Please indicate the type of your company:

  __ Manufacturer  __ Trading  __ Wholesaler

  __ Retailer  __ Building/construction  __ Developer

  __ Interior design  __ Architect and engineer

  __ Other (please specify ____________________ )
19) Please indicate your company's location: ________ province

20) Do you have any additional comments?

__________________________

Thank you for your cooperation!
衷心感谢您自愿参与本调查！本调查旨在探究中国市场木产品及其品牌认知状况。

1. 您购买木产品时看重品牌吗？
   从不   偶尔   一般   经常   总是
   _____   _____   _____   _____   _____

2. 您常购买有品牌的木产品吗？
   从不   偶尔   一般   经常   总是
   _____   _____   _____   _____   _____

3. 您认为未来5年品牌木产品的使用会有什么变化？
   大量减少   小量减少   无变化   小量增加   大量增加
   _____   _____   _____   _____   _____

4. 在您心目中，最有名的3个外国木产品品牌是什么？
   _____ Ikea（瑞典）   _____ Novadec（西班牙）
   _____ Arflex（意大利）   _____ Vangaard（美国）
   _____ Cappelini（意大利）   _____ Vidal Grau（西班牙）
   _____ Letti（意大利）   _____ Canfor（加拿大）
   _____ Fritz Hansen（丹麦）   _____ Artek（芬兰）
   _____ Stokke（挪威）   其它（请指出   _____)

5. 请以对木产品品牌相对重要性为标准，将总分100分分配于下列各选项中：
   _____ 有效的促销及广告   _____ 产品持续的高品质
   _____ 设计独特，有潮流感   _____ 公司形象
   _____ 出色的物流配送   _____ 完善的售后服务
   _____ 对中国市场履行长期义务   _____ 有竞争力的价格
6. 请以对购买本产品的影响度大小为标准，将总分 100 分分配于下列各选项中：

____ 产品价格
____ 售后服务
____ 品牌名称公认度
____ 周围人建议
____ 其他（请指出__________________）

100 总分

7. 请您简单说明选择品牌的木产品而非一般木产品的原因：
   a. 品牌产品和非品牌产品价格一致时__________________________
   b. 品牌产品价格稍高于非品牌产品时__________________________

8. 请以对获取品牌信息渠道的重要性为标准，将总分 100 分分配于下列各选项中：

____ 电视和互联网广告
____ 报纸广告
____ 户外广告栏广告
____ 批发商建议
____ 企业协会推销
____ 亲戚或朋友的意见
____ 电台广告
____ 杂志广告
____ 大量邮件广告
____ 公司推销
____ 政府推销
____ 其他（请指出__________）

100 总分

9. 您如何评价加拿大木制品与其竞争产品的优劣？

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<th>差一点</th>
<th>一样</th>
<th>好一点</th>
<th>好得多</th>
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<td>____</td>
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</tbody>
</table>

10. 请列出 3 个加拿大给您的最好印象：
11. 请列出 3 个加拿大给您的最不好印象：


12. 您的年龄是：

   _ 18-24 _ 25-34 _ 35-49 _ 50-64 _ > 65

13. 您是： _____ 男性， _____ 女性

14. 您的最高学历是： _____ 中学， _____ 大专， _____ 大学或以上

15. 您是代表您公司参加这次会议吗？ _____ 是，请继续。 _____ 不是，请到此为止。

16. 贵公司成立多少年了？ _____ 年。

17. 贵公司去年营业额为：

   _ < 100,000 人民币  _ 100,000 -500,000 人民币
   _ 500,001 - 1,000,000 人民币  _ > 1,000,000 人民币

18. 贵公司属于：

   _____ 制造商， _____ 贸易商， _____ 批发商， _____ 零售商， _____ 建筑商
   _____ 开发商， _____ 室内设计公司， _____ 建筑师或工程师协会

19. 贵公司在 _________ 省（市）。

20. 您还有什么宝贵的意见或建议吗？ ________________________________


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