

PURPOSE

IN CHINA: THE FUTURE ROLE OF BRANDS

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Research by WE Red Bridge and Kaleido Insights

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EXECUTIVE SUMMARY

WE's annual Brands in Motion 2019 global study found that although Chinese consumers remain the most optimistic, they now want more than just a great product. Aligned with their Western counterparts, Chinese consumers expect brands to be ethical with their data, take a stance on social issues and play a wider role in society. But although consumers in other markets take a broader world view, Chinese consumers expect brands to focus locally and prioritize China's development.

As a result, to address these elevated demands, brands must rethink the underlying drivers of loyalty and affinity for their brand in China. That means looking to define their role, both within the market and globally, to build new levels of trust and respect with Chinese stakeholders. But what is an effective route to defining brand purpose in China?

To gauge the current levels of understanding and engagement of purpose among business decision-makers and communications leaders, WE Red Bridge and Kaleido Insights undertook a study into purpose in China — a first for the market. It found that although there is an acknowledged need among business professionals to align to a purpose, brands are falling behind on delivery. It also outlines a framework for thinking about purpose in China, a market where the conversation is much different.

Five key stats

- 1** **83%** of Chinese respondents expect brands to take a stand on important issues (nine points higher than the global average).
- 2** **49%** of Chinese respondents say brands should focus on making local communities better and **39%** felt they should focus on both local communities and global issues.
- 3** **72%** of business professionals agree that current political and social trends are pushing brands and organizations to define their purpose.
- 4** **100%** of business professionals say it is important for a company to own a purpose, but **62%** do not clearly understand what purpose is.
- 5** Only **16%** of Chinese business professionals strongly agree that they are equipped to help the company exercise purpose.

The opportunity for brands in China

To thrive in this consumer-centric era and build a new, deeper brand loyalty, brands must do three things:

Define what Purpose means to your organization. There is no one-size fits all answer to why you do what you do. Brands needs to go beyond meeting a consumer need or driving profit; however, every brand will approach their purpose differently. Sustainability, equity, philanthropy — there's a broad range of initiatives on which brands could act.

Define your role in China. Consumers want brands to take a stand and provide stability in uncertain times, but purpose needs to be authentic, achievable and locally focused to be credible.

Aim for mutual understanding and respect. Chinese consumers want more than a great product — they want brands that are hyper-relevant to their needs and values. Every feature, communication and customer touchpoint — including your purpose — must reinforce the fact that the brand understands what its customers need to live easier, more fulfilled lives.

RISING CONSUMER EXPECTATIONS

WE's Brands in Motion global study has surveyed almost 80,000 people over three years. In that time, not a single global consumer expectation has decreased. Despite Chinese consumers' pragmatism, they too believe that brands need to deliver more in a world that is increasingly polarized. Function and great products alone are not enough. There is a new consumer revolution, where brands are expected to play a bigger role and bring greater stability to society. How brands do what they do matters more than ever.

Our Brands in Motion 2019 global study found that:

83%

of Chinese respondents expect brands to take a stand on important social issues.

(74% globally)

47%

expect brands to deliver on both purpose and function.

However, the key difference in China, versus the global findings, is that consumers expect brands to deliver on function and purpose in a localized way. When asked about where they would like to see brands take action on environmental issues, 49% said brands should focus on making local communities better (nine points higher than the global average), and 39% said brands should focus on both local communities and global issues (14 points lower than the global average).

Furthermore, aligned with global trends, Chinese consumers are holding brands increasingly accountable:

94%

say they would shame a brand if they perceive them as stepping out of line, even if they love the industry and company.

47%

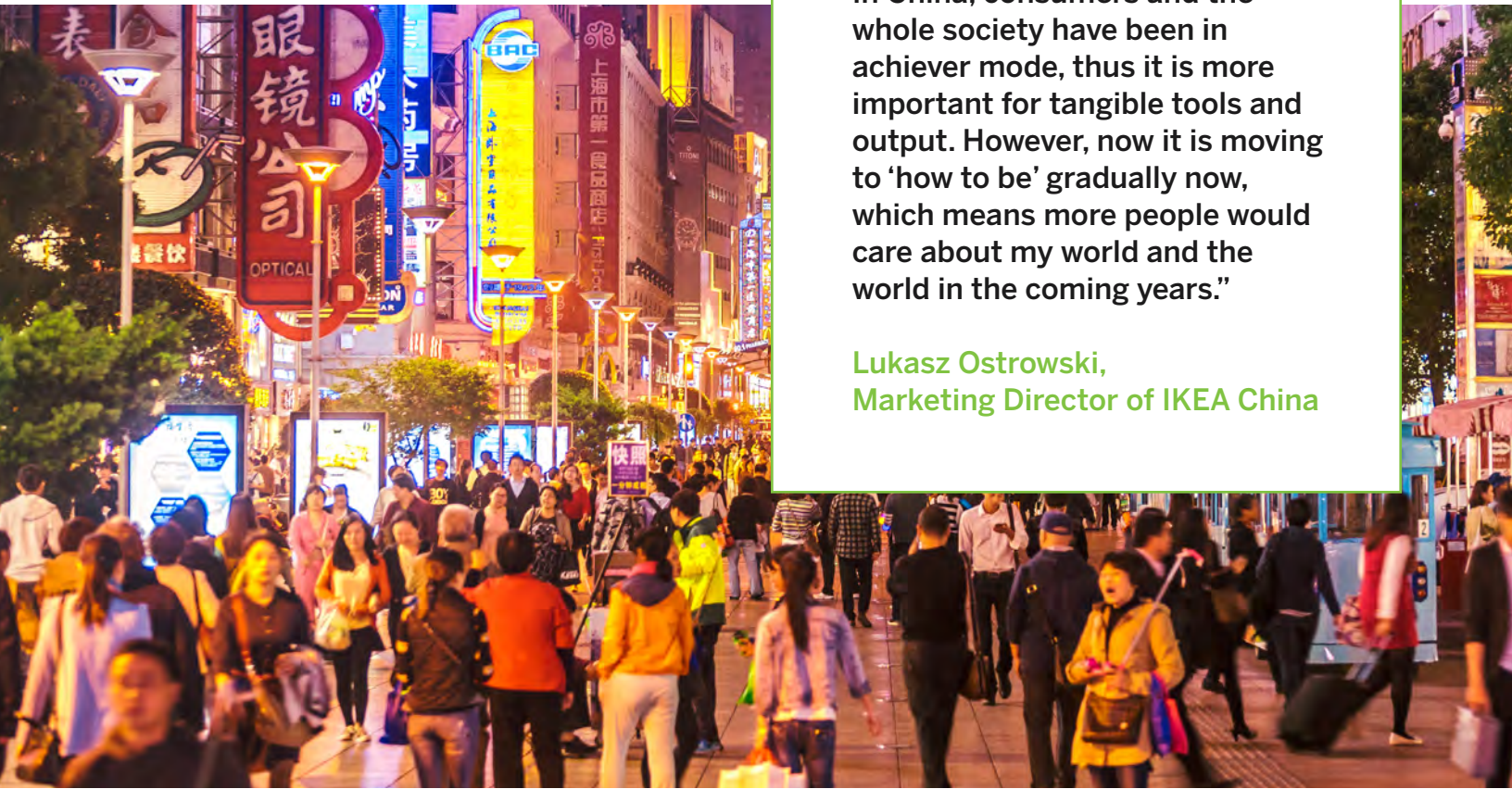
say they would stop using a product or service if they found out it was using consumer data in unethical ways.

Consumers are not looking for brands to treat purpose as a trend or PR tool, they are urging brands to provide stability in uncertain times, be accountable for their actions and play a greater role in the advancement of society. However, before Chinese brands can lead with purpose, they must answer two important questions: What is purpose, and what role can it play in China?

“

In China, consumers and the whole society have been in achiever mode, thus it is more important for tangible tools and output. However, now it is moving to 'how to be' gradually now, which means more people would care about my world and the world in the coming years.”

Lukasz Ostrowski,
Marketing Director of IKEA China



WHAT IS THE ROLE OF PURPOSE IN CHINA?

Like consumers, business leaders in China also recognize the need for brands to evolve their role in society. The majority of business professionals questioned agree that the onus is on brands to be the primary force to drive social change, compared with just 36% believing it should be the government and 22% believing it should be grassroots movements.

When it comes to purpose, business professionals can see how it can benefit every aspect of business operations and strategy, but the top benefit is still about building reputation.

75%

of business professionals believe purpose can drive corporate social reputation.



70% of business professionals believe purpose can drive customer loyalty.



70% of business professionals believe purpose can drive brand differentiation from competition.



“

First we thought of purpose like ‘back to nature’ for Roots, which might be hard for Chinese consumers to accept. However, after we continued talking about these stories and messages to our clients, soon we attracted a group of brand fans. The number may not be very large, but once they engage with the brand purpose, they stay with us for a long time, and their purchase amount is also higher.”

Nell Hua,
Brand Marketing Director of Roots China



I think our younger generation definitely cares about purpose. They would consider whether this company is harming society and question why I should choose this company over another. So as younger generations take over the reins to run organizations, the understanding and implementation of purpose can definitely increase.”

Jiajun Li,
Chief Win-Win Officer of Bottle Dream



Urgency of purpose

There is no denying that business professionals also see the significance and urgency of purpose. The study found that although sustainability has become widely adopted, driven by the government’s agenda and aligned regulatory changes, companies and brands are also starting to receive more direct pressure from the public and consumers to make changes to the way they operate.

Seventy-two percent of business professionals agree that the current political and social trends are pushing brands and organizations to defend their purpose. Furthermore, 100% say it is important for a company to own a purpose and 89% say it is an urgent task to have a clearly defined purpose.

Qualitative interviews with brand leaders also reveal a positive outlook about the future development of purpose in China, especially among younger generations.

Although optimism about purpose is high, there are significant barriers for Chinese brands to overcome before they can implement and see success from purpose programs.

THE BARRIERS

Despite the expectations from consumers in the market and awareness of the significance and urgency around purpose from business professionals, when it comes to execution, China is behind and the concept of being purpose-led is still very much in its infancy. The study uncovered that this is due to at least three factors.

Brands are still catching up

Foremost is the obvious reality that China's economic ascendancy is still very new, and until recently, consumers were more focused on financial advancement and acquiring products and services that enhanced their lives. Contribution to the wider good and the values of an organization were not top-of-mind considerations for consumers or most business leaders.

With China now firmly recognized as a leading global player, however, and Chinese consumers among the most informed and powerful in the world, this is changing. Consumers now expect more, and brands must catch up.


A lack of understanding

In the study, 62% of respondents indicate they do not clearly understand the concept of purpose and what shifting to becoming a purpose-led organization would entail. The business professionals we spoke to told us that a key barrier is the lack of understanding of the differences between a purpose, mission and vision. When it comes to execution, only 16% strongly agree that they are equipped to help the company exercise purpose.

Balancing shareholder value with societal impact

Although the majority (73%) of business professionals we spoke to in the study readily agree that purpose will become as important as financial performance, more than half (60%) responded that purpose will not be prioritized at the sacrifice of profits.

The barriers are high, but many brands, both global and Chinese, have found ways to use their economic strength to lead with purpose and create strong outcomes for society.



“Relatively speaking, **China is still in its early stage of understanding of company purpose.** Of course there are good practices in the market, but many companies are still not clearly aware that what their purpose is, they are still on their way of exploring what purpose is and what their purpose should be.”

Lydia J. Price, Professor of Marketing at CEIBS

“It is a bit hard to promote purpose, as from one side, **it is hard to find an accurate explanation for it**, and on the other side, Chinese companies and employees have only accepted mission and vision in the past 10 years, so purpose seems like another very new system for them to adapt.”

Iris Zhao, Communication Professional



“I often find it is **hard for businesses to understand that their core business can make a better world** and conquer current social challenges. They often think donations and charity are enough to meet the expectations.”

Jiajun Li, Chief Win-Win Officer of Bottle Dream



I think the biggest challenge is to explain what purpose is.

Most companies today have clearly defined vision, mission and goals in short, medium and long terms. How would you clearly crystallize the definition of purpose for all companies and organizations? Most companies' leaders have this in the back of their mind, but if you ask them to define it clearly, they would find it difficult.”

Sharon Xie, Professor of School of Management at Fudan University

“Theoretically, purpose is very critical. From the day the company was founded, it should be clear what its purpose is, and purpose should direct the business all the way along. But on the other side, to be honest, **facing such fierce competition in China's market, it's very hard to always stick to it**, especially when you are faced with huge financial pressure, the only priority for the company at that time is one single thing — to survive by running something that benefits.”

Anonymous Finance Industry Professional

“**I think in China, 'purpose' is still commoditized.** For example, hotels only became interested in purchasing our bamboo brushes not because they are sustainable, but because the government banned plastic toiletries in Shanghai. The new regulation is the trigger rather than their own initiative, making it not 100% genuine.”

Emmanuel Dean, CEO and Co-Founder of Boomi

“Chinese companies will begin to invest in purpose, but since **purpose is soft power**, comparing to other hard power and digital transformation, it is still not the priority now.”

Sharon Xie, Professor of School of Management at Fudan University



BRANDS LEADING THE WAY

In its broadest context, purpose is the why. It is why an organization exists and why it does what it does: its mission, vision and motivation. It is the higher-order goal that goes beyond short-term self-interest and an organization's communication strategy, to how it conducts its core business, engages with stakeholders and leaves its footprint in society.

Brands that have been able to successfully lead with purpose have understood that there is not a one-size-fits-all approach.

Born with purpose

More and more organizations and brands today are conceived with a purpose. These are the purists, often held up as best-in-class examples, brands like Patagonia that set out to link purpose and profit from the outset and live their values every day.

Other brands set out to address societal issues through technological innovation. Tesla's mission has always been well-defined: create an electric car that makes its customers feel like they did not need to compromise on style or speed. This mission was not something that was easy for Tesla to localize in China, but recent events see this changing drastically.

The announcement of Tesla's Gigafactory 3 opening in Shanghai unlocks a world of possibilities for the country. The creation of its first made-in-China cars (Model 3 and Model Y) will help transform China into a more sustainable market thanks to its renewable energy, and Tesla's partnership with the government to upgrade the country's automobile industry gives the company a competitive edge in a growing market.

Evolved into purpose

Others redefine their purpose as they grow, elevating their founding vision, mission and values to reach the broader expectations of society.

Monopolizing China's rideshare market, DiDi has become the go-to service, but this has not come without complications. Although DiDi has been crucial for reducing China's carbon footprint around automobile exhaust, the incident involving two female passengers in 2018 forced DiDi to rethink its chase to meet convoluted KPIs and revisit its mission of "building a better journey" with safety as the priority.

Now DiDi's value is about "safety first, experience second." Committed to creating a safe space for its riders, DiDi has implemented in-app safety measures, such as a panic button linking directly to the police, rather than its customer service. This relates back to another of its values, "win-win collaboration."

These initiatives illustrate the company's ability to evolve its purpose authentically, setting it up for longevity in the future.

Assumed purpose

Finally, there are organizations whose scale and influence are so great that consumers expect them to play a greater role in society and provide stability in uncertain times. These global giants are expected to lead social change and are held to the highest levels of accountability.

Starbucks is an example of a brand using its assumed purpose to strengthen its role in the market. The company's global move to replace all plastic straws with recyclable strawless lids last year was introduced in China seamlessly. Locally, Starbucks in China has already amassed over 700,000 hours of community service and continues to support local farmers, living by its mission to enforce social responsibility programs both locally and nationwide.

Locally, Starbucks in China has already amassed over **700,000** hours of community service.

These are all sterling examples of brands that have used their origins, experience and clout to make the world and China a better place. But many brands are still trying to overcome the barriers to purpose and answer the hardest question: How can my brand lead with purpose in China?





BUILDING PURPOSE

The time for brands and organizations to focus on profit at the expense of social good in China is passing and the opportunity to establish a new brand loyalty has arrived. Consumers want brands to take a stand and provide stability, but for a brand to successfully lead with purpose in China, their purpose must be authentic, achievable and locally focused.

To connect, engage and win customer loyalty in the future, when developing their purpose strategy brands need to consider the 4Bs — be relevant, be the solution, be flexible and be focused.





BE RELEVANT

Define your role in China, for China. Chinese consumers want more than a great product — they want brands that are relevant to their needs and values. Every feature, communication and customer touchpoint must reinforce the fact that the brand understands what Chinese consumers need to live fuller, easier lives.

Coca-Cola China has taken this to heart through its WeCare “我们在乎” corporate branding exercise that underlines its priorities and unites employees around the purpose and commitments of the company. The WeCare platform has evolved to encompass a wide range of activities, allowing the company to systematize its corporate brand across CSR, technology, and arts and culture-related endeavors. For example, using WeCare, Coca-Cola has co-created a raincoat made from recycled bottles, conducted training to empower women in small businesses, and created a Chinese font “在乎体” or “Care Font.”

The WeCare proposition has enabled Coca-Cola to show its local human touch in China, ultimately contributing to building brand loyalty amongst consumers and corporate reputation amongst its stakeholders.

Chinese consumers want more than a great product — they want brands that are relevant to their needs and values.



BE THE SOLUTION

Focus on what people's lives or society could be like and how your purpose can help to achieve that. What are Chinese consumers' unfulfilled needs?

Look at the world we live in. By shaping new needs you can create greater possibilities for uniqueness and engagements.

Other possible angles for brands to uncover inspiration for purpose:



SOCIAL CHALLENGES

Brands can set out to meet existing needs. Serving acknowledged needs is likely to be more realistic, but also tends to provide less differentiation from others.



CONSUMER NEEDS

IKEA's consumer needs messaging "to make everyone's everyday life better" and P&G's "to make everyone's life more beautiful" both tap into brands creating a life for consumers that they believe they deserve.



BRAND ORIGIN

Meliá, the Spanish family-owned hotel chain, makes its historical roots known throughout its properties, proudly displaying its history, reminding consumers of the brand's "why" every day.



FOUNDERS STORY

Going back to your brand's roots can help establish a story, uncover its original motivations and help find a common thread.



BE FLEXIBLE

A brand's purpose should be able to adapt to today's fast-changing market, regulatory and social environments. Creating an effective purpose is about clarifying a timeless idea. If a commitment can be broken and reframed too easily, then it's not a principled basis for an enduring identity.

Chinese conglomerate Alibaba Group is a noteworthy example of how you can lead with your purpose and values. Its messaging, "make it easy for the world to do business," has not changed. But the company's vision, although still aligning to this messaging, has. Its vision is to create a company that lives for 102 years. By 2036, it aims to service 2 billion consumers around the world, create 100 million jobs, and help 10 million small and medium-size companies maximize their profits.

The brand's popular e-payment service Alipay was created to achieve this vision, providing instant credit to farmers and smaller businesses. It also acts as a virtual tree planting program where customers collect points when they pay online, use public transport and donate old clothes, which can then be used to help plant trees in areas of the country in need of vegetation.

**A brand's purpose should be
able to adapt to today's
fast-changing market, regulatory
and social environments.**



BE FOCUSED

A brand’s purpose should not be complicated. Instead, it should be simple and create emotional bonds with your stakeholders, while having a strong relevance to local communities.

Yimishiji in China is an online farmer’s market setting out to respond to the country’s ongoing food safety concerns. Connecting with its consumers by offering environmentally friendly and sustainable food options, Yimishiji aims to educate while providing a solution for China. Yimishiji’s purpose statement: “We support friendly farms, let people recognize the beauty of their products. We care about food, farmers and earth, and are dedicated to improving the food ecosystem in China.”

Yimishiji taps into three qualities necessary for a great brand purpose:

- **HIGH SIMPLICITY**

Purpose should be simple enough to be articulated and understood at every level of the organization.
- **HIGH RESONANCE**

Purpose should be able to create strong emotional connections and inspire a compelling call to action that resonates with the target audience.
- **HIGH RELEVANCE**

Purpose should have strong relevance and an importance to local society and communities and should have a high relevance to employees’ personal purpose.



IN CONCLUSION: **LEAD WITH YOUR PURPOSE**

Ultimately, purpose is a core value; authenticity is the best compass for achieving it. The first step in finding a purpose is to examine a company's original mission. The resources and know-how a brand already possesses are good indicators of where positive change may exist within an organization. Shaping communications to be clear and authentic, engaging with audiences in ways that are relevant and solutions-oriented, and acting in the context of local community are all part of an effective purpose strategy that can lead to long-term change and create a lasting legacy.

Leading with purpose does not happen overnight, but with thoughtful listening, commitment and relevance to China, a brand may find its nascent purpose strategy already tucked into a line of business. If the current social and political landscapes tell us anything, it is that the time is ripe to make purpose strategy a business strategy. A company's survival will depend on it.



ABOUT THE RESEARCH

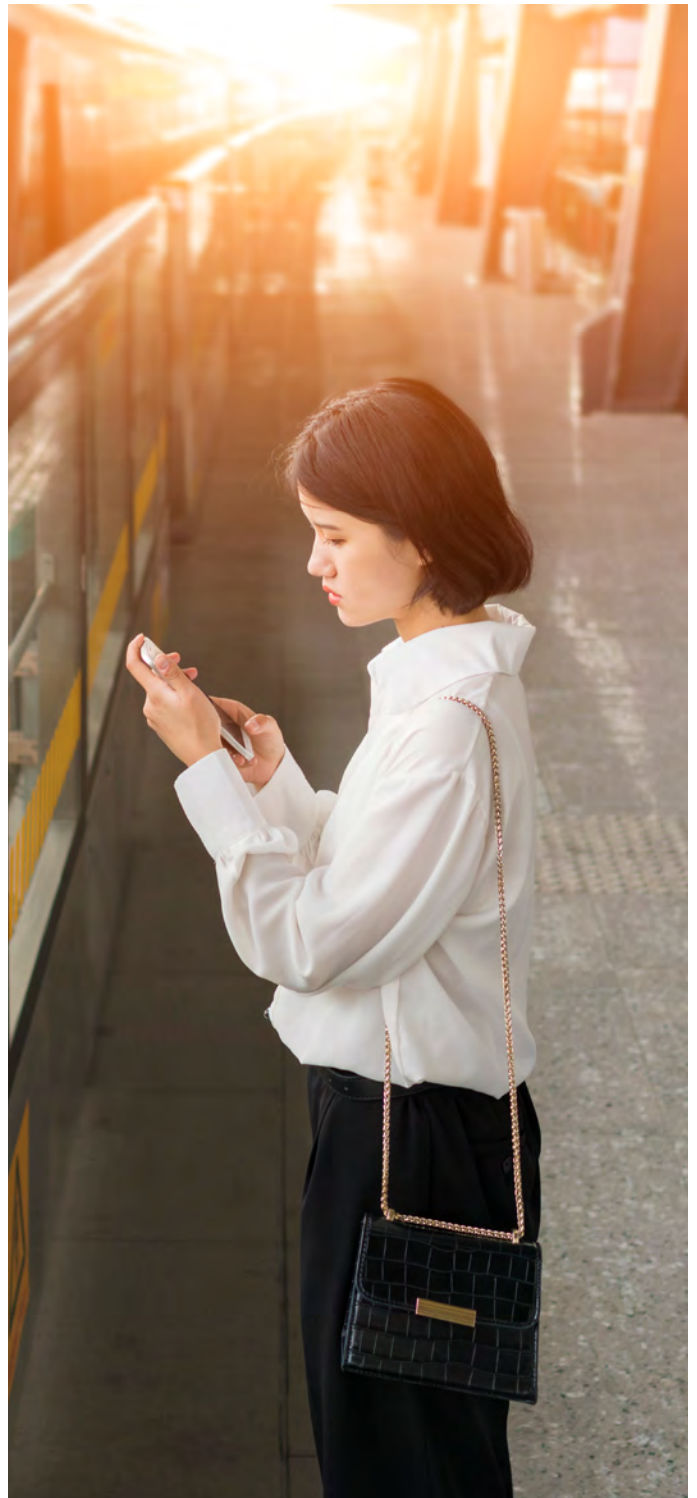
Our **Purpose in China** research is a China-focused survey of how business leaders in China perceive purpose as a business strategy. We partnered with Kaleido Insights, a brand strategy research consultancy, to collect the data by doing the following:

- Qualitative in-depth interviews with two academic professors and 24 management and C-suite leaders across the corporate and nonprofit sectors
- Quantitative survey with 161 anonymous management and C-suite leaders across industries, functions and geographies

Brands in Motion is a global study about how perceptions shift over time. WE has partnered with YouGov since 2017 to annually survey consumers and B2B decision-makers about their attitudes regarding forces affecting the market on a macro level, as well as industries and brands. Our Brands in Motion study includes:

- Qualitative survey with 3,800+ consumers and B2B decision-makers in China, and 25,000+ consumers and B2B decision-makers across eight markets (United States, Germany, South Africa, United Kingdom, Australia, Singapore, China and India)
- Three years' worth of longitudinal data, from 2017 to 2019, for the China market

**Find your purpose and
build brand loyalty in the
new consumer revolution.**



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