

# USING MOBILE NETWORKS TO BUILD BRAND EQUITY IN CHINA

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# Overview

As of February 2011, China had 457 million Internet users, 879 million cell-phone subscribers and 303 million mobile internet users.

Despite less advanced networks and terminals, the share of mobile subscribers that use their mobile device to surf the web is greater in China than in the US (38% vs 27%). This simple fact shows the extent to which Chinese customers have embraced mobile Internet and integrated it into their daily lives. Many Chinese consumers, especially in Tier 2 and 3 cities, go from no Internet at all to mobile Internet. All in all, mobile networks are an increasingly powerful force that brands must reckon with.

But seizing the opportunities offered by Chinese's fondness for mobile Internet will require novel strategies and a solid understanding of the habits of Chinese mobile Internet users. From a brand strategy standpoint, companies must determine how mobile websites and applications can be used to develop new forms of relationships with their customers and strengthen brand equity. From a more technical and online strategy standpoint, development must take into account not only the wide variety of mobile devices but also the complexity of numerous platforms such as Android or the iPhone OS in order to offer their visitors the most pleasant customer experience possible.

Furthermore, the Chinese market has unique characteristics that pose challenges to branding professionals. From the media scene to the singular requirements of Chinese customers, we will demonstrate that many of these challenges can be effectively addressed by using mobile networks.

This white paper will combine Labbrand's brand strategy expertise with Media-man's experience as a digital agency to identify the specific ways in which companies can use mobile networks in brand strategy. We will start by framing the discussion into a broader context. This context is composed on one hand of technological macro trends and consumer attitudes towards digital and on the other hand of the main challenges brands face in the Chinese market. Building on the points raised in the introduction, we will then use Labbrand's "4 pillars of brand equity" framework to present in detail how brands can use mobile networks to generate and maintain brand equity. We will then lay out general guidelines for the design and implementation of mobile strategies and will conclude by translating the paper's findings into 4 ideas for using mobile networks in China.

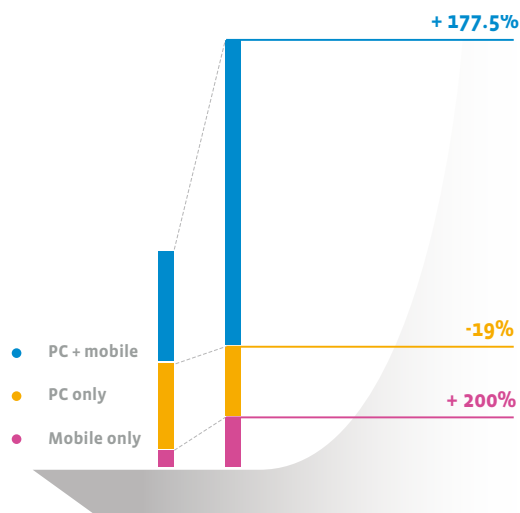
# Introduction

## I. TECHNOLOGICAL MACRO-TRENDS

### Mobile networks are on the rise

At the start of the millennium, China was taking its very first steps into the digital world. The country's Internet users numbered only 23 million, a mere 1.8% of its total population.

### 280 million mobile Internet users



Source: Mc Kinsey Quarterly

### Mobile networks are on the rise

A decade later, the market had exploded. As of June 2010, China had 420 million Internet users, 280 million mobile Internet users of which nearly 39 million 3G. China has also primed the pump for further growth with a 400 billion Yuan investment, aimed at increasing the number of 3G mobile users to 150 million by the end of 2011. It is even expected that mobile Internet users will outnumber traditional Internet users by 2012.

### The share of mobile phone users that use their device to surf is 38% in China, vs. only 27% in the US

Even though China's mobile internet penetration rate is still quite low (21% vs. 30.6% in the US), penetration rates do not paint the full picture. Chinese users, unfettered by a history of mobile-only and PC use, are actively engaging in mobile Internet. Thus, the share of mobile phone users that use their device to surf is 38% in China, vs. only 27% in the US. Furthermore, new consumers are more likely to surf using a mobile phone than with a PC: whereas when purchasing a new computer, less than 40% of Chinese users will use it to go online, 42.4% of new mobile phone users will surf using their device.

### A complex market growing increasingly freely

The current mobile phone market in China is incredibly complex, with different Operating Systems (OS), devices, browsers and app shops.

### ShanZhai

Shanzhai products, those Chinese electronic goods that either pirate or imitate established brands, tailored to the Chinese consumer through discrete innovation.

There are currently more than 900 different types of mobile devices available, compared to approximately 80 in the US. Due to the

profligate production of Shanzhai phones, new models are available every week. Furthermore, these handsets are extremely diverse: at one end of the spectrum lie the new 3G phones, such as the iPhone 4 and many of its RIM, HTC and Nokia counterparts, while on the other end one finds many cheap Shanzhai phones, sometimes similar to the Nokia 1100 (described as “The AK-47 of the Cell-Phone world”).

Meanwhile, the OS scene is changing fast, with the rise of Android in an already diverse market. Nokia’s Symbian, once the dominant player in the smart phone market, has witnessed its market share fall from over 70% to 30% in just a year. Windows Mobile is still used on a large number of old smart phones, and the impact of its newest release is still to be felt. Apple’s OS, on the other hand, has gained importance thanks to its China Unicom deal, while Android is slowly establishing itself in a dominant position due to its understanding of Chinese market forces.

### *Nearly 50% of all smart phones sold in China in the last quarter of 2010 were Android powered*

Indeed, nearly 50% of all smart phones sold in China in the last quarter of 2010 were Android powered. This is fueled in part by the rise of the Shanzhai phone market : in July 2010, Mediatek, the defacto phone-chip manufacturer for Shanzhai smartphones, launched a 3G Android chip. High-end brands,

such as Motorola and Samsung, are also integrating Android into most of their smart phones.

All this is taking place in an increasingly free market. Indeed, although China has traditionally, sought to exert a high level of control over the Internet, with the implementation of such devices as “The Great Firewall of China”, its application of this practice to mobile networks has met varying degrees of success.

China witnessed two governmental attempts at controlling market forces: the launch of a national and exclusive 3G standard, TD-SCDMA, and the development of a Chinese OS, the Ophone. The former was relaxed when China Unicom and China Mobile were allowed to use the other two international standards, W-CDMA and CDMA2000 1xEV-DO respectively, whereas the latter was quickly met with both supplier and developer concerns. As a consequence of these acts, China Unicom has enjoyed a high-value user boom whereas China Telecom has had to work with the limited number of handsets compatible with its standard and OS, forcing it to concentrate on the lower-value segment.

State-directed efforts aimed at mobile networks are to be expected, but market forces are often too strong to be countered without gravely hampering the market’s development.

## II. CHINESE ATTITUDES TOWARDS DIGITAL

Acknowledging the specificities of Chinese consumers’ online behavior is key in understanding the role mobile networks can play in China.

Chinese consumers Internet habits are very distinctive. Indeed, of all BRICI countries, the US and Japan, only China uses Instant Messaging more than e-mail. To understand the Chinese Internet User, one must realize

that due to trust issues, purchasing online is a rare phenomenon. Rather, the Chinese consumer's behavior is targeted towards entertainment and communication.

Thus, the internet in China has become a tool for making purchasing decisions. As of 2010, of all the Chinese consumers researching a product prior to its purchase, nearly two-thirds browsed the company's website. Furthermore, this tool is regarded as being

incredibly credible : on-line advertising in China is considered more credible than TV advertising (56% vs. 46%, respectively), and for 67% of Chinese shoppers, manufacturers' sites are seen as being a credible source of information, as opposed to third-party sites and user-generated reviews. Today, an online presence is vital for brands in China, as the Internet is increasingly becoming a channel through which the Chinese user seeks to generate dialogue, and one that he instinctively trusts.

### III. OVERVIEW OF MAIN MARKET CHARACTERISTICS AND CONSUMER TRENDS

#### **High brand sensitivity but low brand loyalty**

The Chinese customers are notorious branding fans. Giant logos have long been a fixture of the Chinese market and studies consistently show that the Chinese consumer is willing to pay high premiums for well known brand names. A McKinsey study revealed that people earning over 5,000 RMB per month in China readily pay a 60% premium for a branded product against 20% in most developed economies. Moreover, 45% of Chinese consumers believe that higher prices correspond to better quality versus only 16% in the US. The reasons for China's love affair with brands, foreign but also increasingly domestic, are numerous. Brands are status markers, signify reliability and security and allow the modern Chinese customer to resolve acute day to day contradictions between social pressures and individual aspirations through his consumption choices.

All in all, Chinese customers love brands and are amongst the most brand sensitive customers in the world. Which doesn't mean, however, that they are brand loyal.

When planning a purchase, Chinese customers typically form a shortlist of 3 to 5 brands perceived as reliable and trust worthy. But rather than sticking to one brand, they readily switch between the shortlisted brands and are easily lured away by discounts or in store promotions.

*The vast majority of brands (especially Chinese ones) compete solely on tangible dimensions and have yet to build coherent strategies that give the product emotional value*

Despite the hype and talk about China becoming the world's most vibrant customer market, branding there is still in its infancy. The vast majority of brands (especially Chinese ones) compete solely on tangible dimensions and have yet to build coherent strategies that give the product emotional value. Many of them try, but few have yet found their voice. The popularity of "Shanzhai" products is proof

of that. A major challenge for brands is thus to go from tangible, product value to intangible brand value.

As we will demonstrate, mobile networks can be used in many ways to generate brand loyalty by extending the customer relationship and strengthening the ties between brands and their followers.

## **Pragmatism**

The Chinese are highly pragmatic customers. Branding professionals must never lose sight of the fact that despite 2 decades of breakneck economic development, China's GDP per capita still stands at \$3,600 per person. Even in the country's richest regions such as Shanghai, GDP per capita stands at \$11,000 versus over \$47,000 in the USA. When the Chinese want to spend money, they want to do it right and are often depicted as the most pragmatic consumers in the world.

### *The Chinese consumer goes to great lengths to get as much information as possible about the products they consider buying*

They go to great lengths to get as much information as possible about the products they consider buying (for the most trusted sources of information, see "attitudes towards digital" above) and often spend more time weighing the different options than their Western counterparts.

This pragmatism is accentuated by the fact that Chinese customers' sophistication is rising at a faster pace than their wealth. McKinsey's latest report on Chinese customers' attitudes revealed that while 74% of customers traded up in certain categories, only 24% did so without trading down. Since higher spending on certain products means less spending on others, Chinese customers

can't afford to make ill-considered decisions and carefully weigh out the pros and cons of every possible option.

The conventional view would hold this pragmatism as a challenge, however as we will show, brands can use mobile networks to turn it into formidable opportunities for value creation.

## **Extreme market diversity and fragmentation**

Most of our thinking about China tends to be expressed in macro-trends. However these macro trends are often misleading and mask the fact that 21st century China is probably the world's most diverse market. It covers an area larger than the whole of Europe and regroups 1.3 billion people from all demographic, cultural and financial backgrounds.

The key to corporate success in China is thus to build relevant solutions that integrate the market's diversity and cater to the needs of homogeneous customer segments. However, the market's sheer diversity and fragmentation combined with its media concentration make segmentation a dauntingly complex exercise.

As we will argue in this paper, mobile networks can play a big role in helping brands overcome this challenge and can be used to identify very refined customer segments.

## **A challenging media scene**

Getting its message across to the right persons is amongst the primary objectives of any company. In China, the media scene makes this task most difficult.

Traditional media in China seldom allows for targeted approaches and innovative content. TV content is government-controlled and often criticized for being bland and desperately mainstream. There exist very few programs with a small but truly involved following.

The problem is the same with print ad. In Western markets, different newspapers and magazines are read by radically different people. Things are different in China where all but one of the 16 national daily newspapers are directly or indirectly government-controlled.

This high concentration makes segmentation very difficult and ad space extremely expensive. Despite significantly lower disposable income, ad space in major Chinese cities on a Cost Per Mille basis is as expensive as in the US or Europe. Achieving scale in marketing campaigns is thus a very real problem in the Middle Kingdom.

*Brands are on a quest for new touch points*

Brands are thus on a quest for new touch points that allow not only for more targeted approaches but also for more daring content. Online video websites that constitute more innovative alternatives to state run television are amongst the new channels that are fast gaining popularity with marketing professionals. As we will show, mobile networks will also constitute an important new channel via which brands can build more personalized relationships with their target customers.



## AUSTRIAN TOURISM

Throughout this white-paper, we will address a number of ideas by demonstrating how they were successfully applied, both in China and abroad. One particular case study however will be used as a reference for multiple topics, and is therefore introduced here.

In 2010, for the Shanghai Expo, the Chinese visitor was greeted by a sea of pavilions from all over the world, through which he navigated in a very consumerist manner. Indeed, each pavilion gave a small stamp on an Expo Passport, and visitors tried to accumulate all stamps, or at least those from the most exotic pavilions. For the pavilions, differentiation was therefore an arduous task, and often an expensive one.

In order to promote tourism within Austria to the Chinese consumer, Austria Tourism decided to use the Web. Austria tourism therefore asked Mediaman to build both a desktop website and a mobile website that were to

be promoted around and within the pavilion itself. Mediaman was tasked with providing Austria Pavilion with an effective and localized solution.

Using concept-driven approach, mediaman first identified their target users, and took advantage of the segmentation tools that mobile internet offers to effectively reach them (see here for more info). Mediaman also made sure that the website being developed was tailored to its target users (see here for more info). They then enabled visitors to easily move from offline to the mobile website, through the use of QR codes (see here for more info). Finally, they implemented channel-integration to ensure a smooth customer journey in discovering Austria and signing up to a lucky draw (see here for more info).

All in all, a tailored, localized, and effective solution was developed in order to garner awareness of Austrian Tourism.

# Differentiation

## **STRONG EARLY MOVER ADVANTAGE**

Despite the potential of the Chinese market, few brands have built the necessary online tools to match their China ambitions. A recent joint report by Labbrand and L2 (a think tank on luxury brands in China) highlighted that even in high-end segments, brands' online presence is often feeble and woefully unadapted to local market conditions. Indeed, out of the 100 brands studied, only 17 were considered to have a satisfactory online strategy.

Not to mention mobile strategies. So far, the number of brands that have managed to leverage the enormous power of mobile networks to bring real change to the customer experience is very limited. Several factors explain this amongst which the extreme fragmentation and volatility of the market and low brand building capabilities from foreign and local companies alike.

To be sure, the mobile advertising market is growing and is now worth over \$200 millions. At the end of 2011, this figure is expected to reach nearly \$450 millions. But things are not moving as fast as many industry specialists expected them to. In the words of Martin Sorrell, head of WPP (the conglomerate that owns amongst others Ogilvy and JWT) « we've been a bit disappointed by how slow it has been to date ». Furthermore, figures about the mobile advertising market only

paint half of the picture. It is essential to make a clear distinction between the use of mobile networks for advertising purposes (sales driven approach) and the use of mobile networks to generate real value and enhance brand equity.

*Barely any brands are leveraging the power of mobile networks to generate real brand equity*

When it comes to the latter, the playing field is almost empty. There are tremendous opportunities for value creation and brand equity enhancement that almost nobody is tapping. Smart companies than are able to apprehend the market's complexity and deliver extra value to their customers via mobile networks can redefine client expectations and build significant advantages over their competitors.

## **A HARD TO REPLICATE COMPETITIVE ADVANTAGE**

Why is developing a presence on mobile networks a hard-to-replicate competitive advantage? As we already outlined, China's mobile scene is extremely complex, with over 900 types of devices with a wide range of resolutions (from 84x48 pixels to 960x640 and more), and competing Operating Systems.

To add a layer of complexity, one must consider what type of mobile platform one is building. If it is an app, then the brand must ensure compatibility with the targeted app-stores. If it is a mobile website, then the brand must ensure compatibility with all browsers.

Therefore, compatibility must be ensured across three dimensions : device resolution, Operating System, and customer access. This complex technological task, which to be successful requires the help of experienced partners, provides a long-standing and hard-to-replicate competitive advantage.

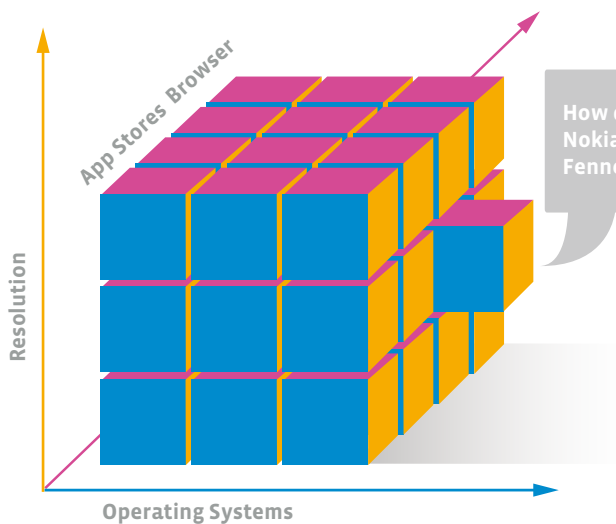
*Developing a mobile presence provides a long-standing and*

*hard-to-replicate competitive advantage.*

All in all, developing a strong online strategy is a very complex endeavour. It requires an excellent understanding of the market, a long-term vision and comes with a cost. Companies that lack strategic vision and complexity management capabilities will go nowhere on the mobile scene. Few brands in China have the blend of financial resources, strategic vision and management expertise to make it in the mobile world. A solid online presence is hard to establish but once created, the brand has access to a channel where competition is minimal, attention is focused, and the customer is never more than a touch away.

The complexity of developing Mobile Internet Solutions grows exponentially with the number of phones, OS and browsers.

- Operating Systems
- Resolution
- App Stores, Browser



Mobile internet solutions

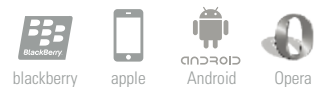
### Operating Systems



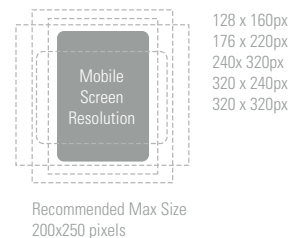
### App Stores



### Browser



### Resolution



# Relevance

## **MOBILE NETWORKS ALLOW BRANDS TO IDENTIFY AND REACH MORE RE-FINED CUSTOMER SEGMENTS**

As we have earlier demonstrated, segmentation is a big issue for brands in China. The market is extraordinarily diverse and media concentration only makes a bad situation worse.

Mobile networks allow for segmentation in three distinct ways. One is to identify the way a target audience accesses or can access mobile networks, and tailor the mobile solution accordingly, hereby referred to as Design-oriented approaches. The second is to develop a solution that allows you to gain information from the users that access your mobile network channel, from hereon referred to as a Data mining-oriented approach. The third is through 3rd party apps than allow brands to reach distinct audiences.

### » Design-Oriented Approach to segmentation

#### • *Design Oriented approach through devices*

The high number of cell-phones, OS, browsers etc on the Chinese market is a cloud with a silver lining. While it makes the development of mobile online platforms much more expensive and complex, it also makes possible the identification of very refined customer segments.

The easiest and most effective way to segment mobile phone users is by device type. In 2003, Motorola, seen as a very technology-oriented brand in China, used a clever marketing technique to completely revolutionize its image: product placement. The movie 手机 (Mobile Phone) was a box office hit, and being one of the major sponsors, Motorola appeared as a far trendier brand to the Chinese consumer. Through the use of other innovative ideas, such as the “Moto” sound clip, it quickly came to dominate the youth market.

Today, the situation is quite similar. We can roughly distinguish four main categories of mobile phones: Trendy smart phones, techy smart phones, Shanzhai smart phones, and all non-smart phones. The non-smart phones are grouped together for one simple reason: their reduced (if not inexistent) ability to surf the web.

Smart phones each come with a certain image and a certain price tag, which can easily help identify certain segments of the population. When the iPhone 4 sells in China for 5,999 RMB, close to 900 dollars, while the average monthly salary in Shanghai is 5296 RMB, and only 3000 RMB in Guangzhou, one can already draw a pretty good picture of what kind of user navigates the web with an iPhone 4.

Upper-class users usually purchase the most expensive and trendiest smart phones, often as a proof of social status. Upper-middle class

users frequently follow the same pattern. In the middle-class however, such a purchase is quite significant, and therefore needs to be accompanied with a real user value. Therefore, technology-focused phones become more widespread, offering the same, if not more advanced, functionalities for a lesser price. Shanzhai smart phones are used by those users that enjoy technology, have buying power that is slightly superior than that of your average user, but do not yet dispose of the income necessary for a social status display of wealth. These users are typically white-collar workers, between 25 and 35 years of age.

Thus, if a brand realizes that a majority of its target audience uses an iPhone, the development of its mobile channel should be tailored to the iPhone, either by developing a branded app, or by increasing the iPhone-friendliness of the mobile website navigation. If however, the target audience is split between two main devices, or a variety of devices, compatibility for all of these should be ensured. Interestingly, a difference must be drawn between cities within China. In Tier I cities (Beijing, Shanghai,...) users will prefer branded smart phones such as Apple, Nokia, or HTC.

*In Tier I cities, users prefer branded smartphones, whereas Shanzhai products dominate the market in Tier II +.*

However, when moving on to Tier II and Tier III cities, Shanzhai phones start to proliferate. These users seek to maximize value for their purchases. As a direct consequence, while comparing an iPhone and a Shanzhai iPhone, a vast majority of these users will opt for the Shanzhai version. Therefore, if one seeks to build brand equity within a Tier II or III city, it is important to develop a mobile Internet

presence tailored to the audience. Launching a brand app on Apple's app store would be a mistake, whereas launching an app on the Meizu App shop, an iPhone lookalike far more popular in these areas, would guarantee a more targeted coverage.

Finally, a large part of the population is either too poor or too technology illiterate to buy smart phones, let alone access the Internet. As a consequence, these users cannot be accessed through 3G or Internet mobile access, and brands must adapt their message accordingly. For example, the Shanghai Expo wanted to be able to alert all users about the different waiting times in the different pavilions, wherever they might be in the Expo Park. However, many of the visitors were from Tier IV and V cities in China, and their mobile devices were not smart phones. The Expo therefore resorted to mass-texting of information and updates. This push-SMS technology ensured that all visitors were reached through the mobile network, regardless of their device.

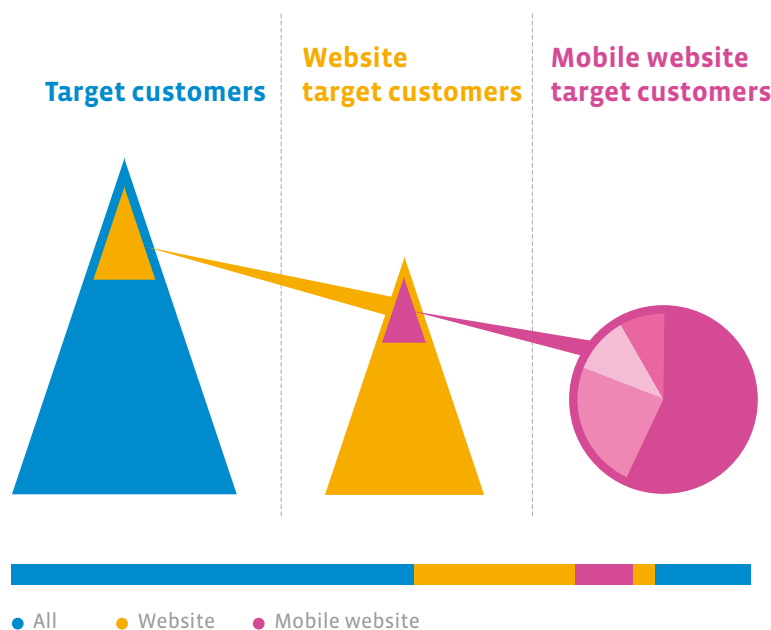
On the other end of the spectrum, Austria Tourism was using a mobile website to build awareness of Austria, and ultimately increase the sales of its Tourism packages. Clearly, their target audience, i.e. those people wealthy enough to be able to afford a trip to Austria, all had smart phones. The push-SMS strategy was completely inadequate, and Austria opted for a mobile website option.

- *Design-oriented approach for content*

However, understanding your target group is not just about understanding the devices they use. Since mobile websites are relatively recent, only specific demographic groups have started to access them regularly. Understanding those demographics particularities (age, income, interests,...) can be used to deliver specific content. A bank, for example, can have an immense

target group. Of that target group however, only a portion will access their desktop

website, and only a smaller portion will access their mobile website.



Target Consumers

Let us suppose that that bank is located in China: it's customers' and potential customers' financial and professional situation differ greatly. Some will be lower-middle class, other elite businessmen. Their wealth can vary by several orders of magnitude. Their interests vary as well. Whereas the lower-middle class might be more interested in the interest rates perceived on their savings, higher-middle class users might prefer up-to-date knowledge about the stock markets, to which a large part of their savings is allocated. Depending on which group uses the bank's mobile website, the content and services can be tailored to their specific needs.

For example, the Agricultural Bank of China realized that users in Inner Mongolia, one of the poorer provinces in China, were using their phones to go online. As a result, it rolled out an "Online mobile payment" option for paying bills through your mobile phone targeted at these exact users.

Similarly, a clothing brand can discover that only its younger customers use mobile internet, and emphasize the younger and

trendier characteristics of their brand on their mobile website.

» Data-mining approach to segmentation

Instead of tailoring one's mobile solutions to a certain target group, one can also use the mobile networks to obtain information about a certain group.

A simple example is that of geolocation. Users' mobile phones reveal when a user enters a certain area through their GPS. In October 2010, Starbucks and l'Oreal teamed up with 02 in the UK to deliver location-based SMS vouchers. Therefore, when a user enters a specific area close to a Starbucks, he will receive a coupon by SMS. Starbucks is therefore alerted of all potential customers by their mobile-phones, and can contact them via this mobile network.

*Geolocation is a two-way system : it alerts users to brands nearby, and brands to nearby users.*

## Push SMS:

a tool to be used with caution Push SMS are one of the earliest and simplest forms of mobile-based marketing. However, Push SMS campaigns need to be used with caution, as they are considered extremely intrusive. Potential customers often view Push SMS as undesirable, which has prompted the recent surge in WAP Push SMS, also known as optin SMS. In order for the promotional SMS to be

received by a user, the user must first agree to it. Thus, Obama’s campaign SMS updates in 2007 were only received if a user had first sent “Go” to the number OBAMA. More recently, Starbucks and l’Oreal Push SMS is only received if the users have opted to join the ‘O2 more’ program with carrier O2. One can theorize that another way around this would be to equip mobile phones with different folders in their inbox, much like e-mail inboxes today:

Another way to gather information is by using cookies that collect data on the way in which the user surfs mobile Internet, through tracking and analysis. Cookies used to be difficult to collect on mobile networks, as carriers would frequently block or destroy them. Since 2008, the situation has changed, and cookies are increasingly used to be able to deliver targeted ads. By using a technology called Mediastamp, the company Ringleader Digital announced in 2008 that they were able to collect over 100 “discriminators”, points that help to identify a device such as device type, network etc...

*By using the data thus collected, providers can obtain a good and clear image of their potential client base.*

### » Third-Party App segmentation

Third-Party Apps are beautiful tools for devising a Mobile Network Strategy. They are cheaper, can create branding synergies (see Partnership with Third Party Apps can create positive associations), can help brands achieve instant scale and reach (see Knowledge), and perhaps more importantly, come with an already established segmentation.

These can go from high-level segmentation (for example, Renren for students and Kaixin001 for white-collar employees), to highly segmented groups. Apps exist for virtually every group that exists, be it the unemployed (BeamMe CV allows one to carry and send their CVs at all times), expecting mothers (Expecting allows a mother-to-be to track her pregnancy and appointments), and even toddlers (the Bubbles app allows toddlers to make and play with bubbles).

By partnering with these specific third-party apps, a high level of segmentation can be achieved on Mobile Networks.



## DEVELOPMENT OF SEGMENT OF ONE STRATEGIES

The potential of mobile networks goes beyond being able to better segment the market. In order to tap the full potential of mobile networks, we need to look at handsets and think of them not as mere channels via which companies can air their message, but as real interfaces between a brand and a customer.

As shown earlier in the introduction, China is a market where despite high levels of brand awareness and brand sensitivity, brand loyalty still lags. Amongst the main reasons for this apparent contradiction is that brands have yet to start moving from a client relationship that is punctual and standardized to one that is continuous and personalized. But things may be changing fast and mobile networks can act as a catalyser. Indeed, the authors believe that mobile networks are ushering in a new era of personalized communication channels between brands and consumers, thus moving one step further towards the advent of segment of one marketing strategies.

*Mobile networks are ushering in a new era of personalized communication channels between brands and consumers.*

The concept of “segment of one marketing” is simple in appearance: it refers to marketing approaches that use past data about customer profile and customer behavior to individualize the entire client-company relationship. In China, where customer culture and the Internet grow hand in hand and mobile Internet is widely used for a wide range of purposes, the potential for innovative “segment of one” strategies is particularly high.

Individuality used to be nonexistent in the vast communication array of channels. Segments of one on TV or the radio were a preposterous (and completely unprofitable) idea. As the world changed, and the Internet emerged, segments of one started to steadily pop-up. One could personalize their Google homepage with iGoogle, create a profile on Facebook or Renren, have an account on World of Warcraft that was completely unique... on a family computer. More recently, laptops and individual PCs have become mainstream, and the Internet has taken a step forward in individualization. The next level however, is the mobile phone.

Weight Watchers recently released a Mobile Website that allows you to track how many points you have left in your diet, something that is incredibly useful while shopping for food. As of such, each user receives an identification number that allows him or her to connect to the mobile website and access a personal space, anytime, anywhere.

The applications are numerous. One can imagine an after-sales service based entirely around mobile internet. Your hospital provides you with a user-name and password that gives you access to a personal space, helping you keep track of your appointments with a calendar, quick diagnosis tests related to your visits (e.g. maternity guides would be displayed for pregnant women, but not for older men). A DIY furniture company could provide user-generated tips on your personal space as to how to mount the bookcase you just bought.

# ESTEEM

## ASSOCIATION WITH 3RD PARTY APPS CAN CREATE POSITIVE ASSOCIATIONS

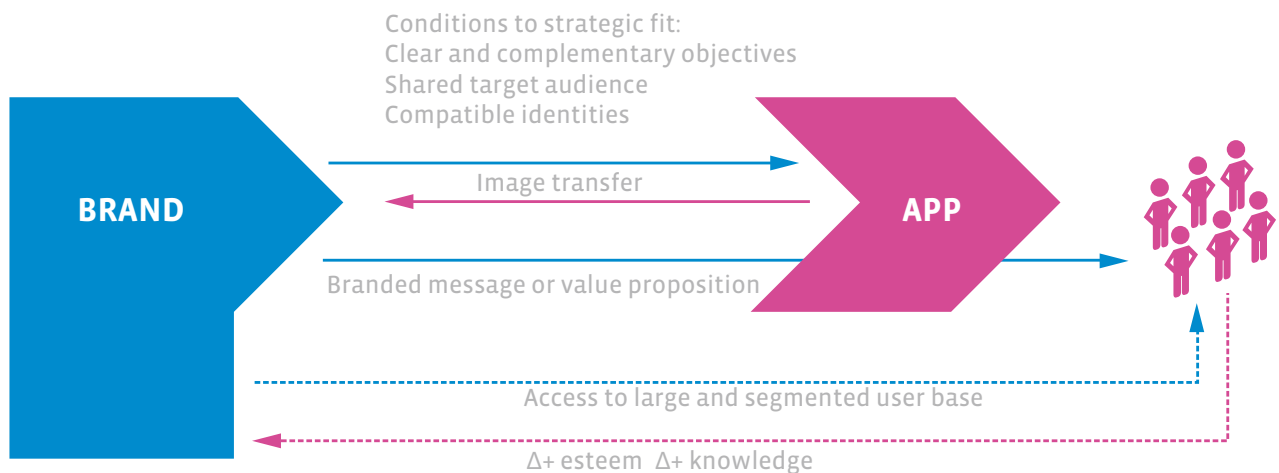
The mobile online world is a world of apps.

The mobile online world is a world of apps. These little pieces of software have completely changed the industry game and shifted the core customer value of a phone to the app shop. Gone are the days where the operator's coverage, the phone's hardware or its pre-installed features were the primary value drivers. Success in the industry now rests on the will of thousands of independent developers to create a vibrant environment in which no two phones are alike and customization possibilities are virtually limitless.

It is key for brands to think of the mobile environment as an eco-system composed of potential 3rd party partners and platforms. The benefits of using third party apps are numerous.

mobile website. For brands currently lacking the know-how or budget to invest in more high impact efforts, it may be a good first step into the mobile digital world.

Partnerships between brands and apps can take multiple forms. They can go from a simple page on a mobile social networking site (see box about the social networks scene in China) to more complex approaches. Shazam (a popular music identification service app), Amazon and iTunes provide us with an excellent example of a well-designed partnership. When the user uses Shazam to identify a song, the app also offers a direct link towards the Amazon and iTunes music shops. The user can thus instantly download the song he just identified.



*Brand*

## *In many ways, a partnership with an app developer is not unlike a co-branding effort.*

In many ways, a partnership with an app developer is not unlike a co-branding effort. There needs to exist a strategic fit between both partners. This fit can take the form of a shared target audience, the fulfilment of a same customer need, a similar tone or an

identity. When a strategic fit exists, there is an image transfer between both partners that is mutually beneficial. By partnering with apps, brands create associations in consumers' minds. If these associations are in line with the desired brand message, they can play a great role in cementing the brand into the customer's mind and strengthening the brand image.

CASE STUDY

## The app scene in China

The Chinese app scene is in constant evolution and it is hard to keep track of all the changes that occur in the market. Despite Android's popularity in China, most Android powered phones do not have Google tools preinstalled and access to the Android Market (the Google owned app store) has in the past been blocked. This creates a vacuum in which every actor is striving to get his piece of the pie.

- Mobile phone operators: China Unicom was the last of the three Chinese operators to launch its own app market, the WoStore, in September 2010. The WoStore joined China Mobile's Mobile Market and China Telecom's Estore in the group of app stores owned and managed by operators. By creating their own apps stores, operators wish to use their large pool of customers to attract developers.
- Tech companies: Baidu has chosen an original approach by recently launching a website-based app store. The apps can be run through the company's website which is accessible with any web browser. More tech companies could follow its example.
- Hardware manufacturers: Apple's app store and Nokia's OVI are obviously the preeminent member in this category, but Motorola is also aggressively promoting its SHOP4APPS store in the middle kingdom. Chinese brands Lenovo and Meizu are also pushing forward their own app shops and counting on newly launched products to support their efforts (with mixed results so far).

The value of an app market for developers resides in its large user base. However, developers must consider which handsets they are developing for. If one must develop for a very wide number of handsets (as is the case for apps sold via the mobile operators' apps stores), quality suffers. Presently, a developer wanting to cover the entire market must develop numerous versions of its app in order to allow it to display correctly on multiple handsets. In the long term, we believe that such a situation is unsustainable and that we will witness a movement towards greater concentration in the years to come. However the large number of handsets on the market will necessarily entail the coexistence of at least 4 or 5 major app stores. What this

segmentation will look like remains to be determined. We are highly skeptical about the operators' capacity to maintain large and popular app stores. Previous attempts to build closed systems such as the Ophone have failed and operator run app stores have met little success in other markets. Similarly, only a handset manufacturer with a very large worldwide market share (such as Nokia or Apple) could get away with a closed app store. In the medium to long term, we expect the emergence of an app store that would serve the vast Android powered phones base. Nevertheless, much will depend on the government's willingness to let the shakeout occur, market forces operate and fledgling app stores die.

## **MOBILE NETWORKS ALLOW BRANDS TO CONSTANTLY BRING UNEXPECTED INNOVATIONS TO THE CLIENT RELATIONSHIP**

A brand is truly admired when it not only fulfils but also actively exceeds its clients' expectations. Esteem is achieved when a brand manages to service its clients in unexpected ways and bring constant innovation to the customer relationship. With mobile networks, companies now have a formidable medium that offers virtually limitless opportunities to surprise their followers with new tools and original value propositions.

We have identified 4 main ways in which brands can use mobile networks to generate client relationship innovations and build brand esteem: by empowering the client during the pre-purchase phase, extending the relationship beyond the shop's doorstep, adapting to the customer's flexibility and through multichannel integration.

### **» Empowering the client in the pre-purchase phase**

In our introduction, we have placed particular emphasis on Chinese consumers' pragmatism and have stressed the importance of the research and comparison phases during the purchasing process. Brands that create tools that allow customers to take smart and informed decisions are thus poised to stand out. High-end jewelry brand Tiffany & Co has done a very good job at starting to seduce the client during the pre-purchase phase. Its iPhone app "ring finder" allows the user to compare rings, measure their correct ring size, consult a professional jeweler and even share the rings they like via Facebook or Twitter to ask for friends' feedback. By connecting early on with customers through similar tools, brands can create strong bonds with prospective client before they even set foot inside the store. Moreover, Chinese customers trust official company platforms and are thus more likely to be wooed by branded apps and comparison tools.

Brands can efficiently intervene during the pre-purchase phase using mobile networks

Using the Tissot mobile website, consumers can use the Store Locator to find the store nearest to them. Furthermore, thanks to a smart Google Maps integration, they can also be provided with directions on how to get there. If one's products are very environmentally-friendly, brands will want to provide a barcode scannable by the Barcoo app, which tells consumers how green a brand is. Pepsi branded its bottles with QR codes, leading customers to a mobile website with games, videos, and more information about the products.

#### » Extending the client relationship and generating post purchase innovations

Customers admire brands that are able to reach out to them and go the extra mile after the purchase is made. Today, mobile networks allow brands to bring changes to the post-purchase experience in ways that were hitherto unthinkable. They create many ways in which brands can bring constant innovation to the user experience and increase the perceived value of their product. The American Barbecue brand Weber developed an app called "On the grill" that provides the user with updated information about cooking methods and barbecue recipes, thereby increasing the value clients can squeeze out of their purchase. The central element of such strategies is to think of the user experience not as something fixed and immutable but rather as something that can be changed and improved on a continuous basis.

*Mobile networks create many ways in which brands can bring constant innovation to the user experience.*

Brands can also extend the relationship and generate post purchase value through membership clubs and other such marketing techniques than can be revisited with mobile networks. For example, instead of membership cards, why not membership apps through which brands can communicate with and reward their customers?

#### » Adapting to the Customer's flexibility

Mobility is the key to today's world, and one need only witness the daily subway rush hours to realize to which extent China is today on the move. In order to exceed customer expectations, brands must realize that flexibility is now a defining feature of the Chinese consumer, and create channels and services that match this characteristic.

Many industries, such as hotels, airlines, and car rentals have complex procedures, encompassing choice, registration, reservation and payment. Allowing for these procedures to be done flexibly is a key to success. Therefore, many of these industries are now introducing a mobile internet channel for a part or the entirety of their transactions.

As such, mediaman has recently launched a mobile website for New Century hotels, offering the customer the ability to choose a hotel and a room type, and make a reservation, all via their phone. Payment is then done at check-in. Similarly, British Airways has launched an iPhone app that allows UK customers to check-in, and even sends the users a boarding pass that can be scanned on boarding. This simplifies transit for frequent flyers tremendously. Meanwhile, Sixt Car Rentals has launched an app for all major OS : Iphone, Ipad, Android, RIM, and Bada. This app allows users to find nearby Sixt stations through geolocation, view available vehicles, make a reservation, and modify and cancel said reservation.

All of these industries have understood that the customer is increasingly on the move, and it is often in periods of transit that he has the most time, and wishes to be able to perform these lengthy transactions. As a consequence, moving to mobile to match the customer's newly found flexibility is the perfect way in which to meet, if not exceed, the customer's expectations.

#### » Multi channel integration

However, this flexibility comes with a cost : an increasingly complex user-journey. In order to exceed customer expectations, the user must be guided and accompanied through his journey, and this can only be done effectively by using Multi-Channel Integration.

Multi-channel integration is as simple in concept as it is complicated in implementation. The accepted definition is as follows: different channels not only communicate with the user, but also communicate with each other in order to provide a consistent message and service and make the customer journey more fluid. Consistency is key to a successful multi-channel integration, especially when it encompasses a mobile channel.

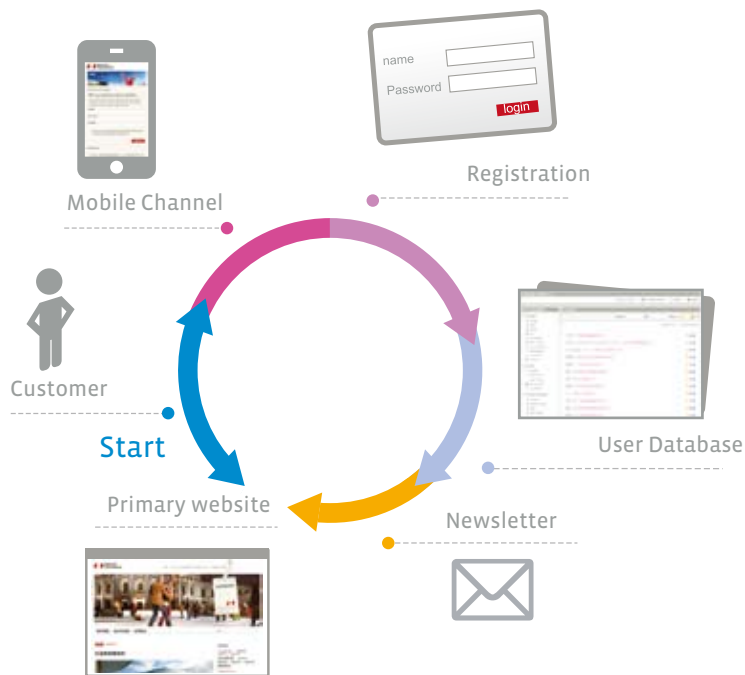
Mobile channels completely change the channel strategy game: the brand is always merely a touch away. The user is moved to the center of all channels, in an overlap zone where multiple channel messages can reach him or her at the same time. Consistency is especially important when one considers the number of active channels today. Some companies have over 6 different channels, between own shops, exclusive distributors, non-exclusive distributors, franchises, desktop web, mobile web and traditional call-centers. Therein lies the opportunity.

## *Mobile channels completely change the channel strategy game*

The Denizbank founded in Turkey is a perfect example of good multi-channel integration. The Denizbank launched a mobile application that let users apply for loans via SMS, by simply specifying their citizenship number, with which the bank could check their credit history. Once checked, the bank provided the customer with an answer within 5 minutes, and the user could go to a bank to complete all paperwork, the actual authorization process having already been completed. When the user went to the bank, simply showing the SMS was enough to be recognized, and immediately directed to the relevant employee, who did not have to perform the credit check a second time. All channels were synched, hence providing the client with a fluid customer journey.

Similarly, when Austria Tourism organized a lucky draw to promote tourism during the 2010 Shanghai Expo, it faced a multi-channel integration issue. Visitors signed up for the lucky draw using their mobile phones, but needed to be able to consult their status on the desktop website. Mediaman therefore synchronized the lucky draw database between the mobile and the desktop website.

The real issue in integrating the mobile channel into a multi-channel strategy is understanding where it fits in the customer journey, and to which systems it needs to be syn-chronized. Using the illustration provided in "Define what you expect from mobile networks", brands can understand where the mobile channel intervenes in the purchasing process, how it needs to be tailored, and more importantly, which connections need to be built.



mediaman designed the Mobile Internet Solution so as to enable easy transfer of information to the primary website. This website then collects the database of newly registered clients and recognizes them when they log on to both primary and mobile websites.

*Login in primary website*

**CASE STUDY**

## DEVELOPING PROMOTIONAL MOBILE MICROSITES

Promotional microsities are being developed for the desktop web by companies around the world. This service allows companies to create an extremely user-focused channel, often with a single message or product. This focused attention and increased interaction leads to a much more interesting user-experience.

Coke Zero’s Game microsite allowed them to display a fun and new image, while clearly showing that they were sponsors of the Euro 2008 football tournament. Similarly, Levi’s Lady Style microsite displayed its recent collection on a 3D microsite that simulated catwalks. The association promoted Levi’s to a high-value brand, while targeting users with a particular Levi range.

Promotional mobile microsities work in exactly the same way, with one major difference : they are unexpected. The incentive and curiosity to visit a promotional website is therefore considerably increased. For example, the InterContinental Hotels Group launched an opt-in mobile microsite. Users were sent an SMS with a link to the mobile micro-site, on which they were informed of the Priority Club Rewards and offered a chance to win a prepaid hotel card worth 3,000 euros.

By launching a mobile microsite, a brand can increase visibility and focus on a dimension of its brand image that is uniquely suited to a particular user group. These microsities are therefore extremely relevant to the users who navigate them. Furthermore, these microsities allow for a boost in esteem. As Levi’s correctly discovered, the message of the microsite can bring an increased perceived value to not only the products displayed, but also to the brand itself, through a simple choice of how the microsite is to be developed.

## MOBILE NETWORKS ALLOW BRANDS TO ACHIEVE SCALE AND REACH IN THEIR MARKETING OPERATIONS

China is a country that covers nearly 10,000,000m2 of territory and is home to a population of over 1.3 billion people. The city of Shanghai alone has nearly 21 million inhabitants. Moreover, GDP per capita is still of only \$3,600(CIA world fact book), lower than that of Ecuador and Angola. This means that overall, China is still a high volume low margin market where price matters greatly.

In such a context, achieving reach and scale in marketing operations is an absolute priority. Brands must shoot to kill and use a big gun. But media space is prohibitively expensive. In his book “Billions, selling to the new Chinese consumer”, JWT greater China CEO Tom Doctoroff puts the price of a medium scale one year plan that covers the three primary clusters of Beijing, Shanghai and Guangzhou between 4 and 6 million dollars. So touching a high proportion of the target audience at

a reasonable cost is a major issue for brands wishing to establish a strong position within the Chinese market.

Mobile networks can help. Sheer numbers speak for themselves: by 2015, there will be more than 530 million people using a blend of mobile and PC Internet in China, and 85 million mobile Internet-only users. By 2015, a population the size of France’s will have gone from no internet at all to mobile internet. Mobile phones with Internet access will quickly become ubiquitous and customers will integrate mobile networks into their consumption habits. More importantly, the phenomenon is not circumscribed but diffuse in its nature. As we have shown earlier, nearly every customer segment will have its cell phone, from the Iphone for wealthy Shanghainese professionals to Android-powered Shanzhai for trendy youngsters. Mobile networks will thus create millions of new potential touch points between brands and customers.

## How Mobile Search Engines Work

First and foremost, it is important to realize that Mobile Search Engines do not function in the same way that Desktop Search Engines work. Bryson Meunier revealed in December 2010 that there is a variation in search engine ranking for 86.58% of smart phone queries when compared to desktop ones. Granted, a vast majority of these differences is a change of rank of between 1 and 3 places, but given the limited display size of most mobile phones, this difference can turn out to be crucial.

Mobile Search Engines also work on different set of rules. For starters, the bots that Google uses to crawl websites are different: a Googlebot-Mobile is used to simulate the rendering on different mobile devices, such as iPhones, Nokia, or Sony-Ericsson. As a direct consequence, if the website does not display

well during the bot simulations, its ranking will be affected.

As Bryson Meunier also pointed out, 70.91% of the listings Google presents for the top mobile queries are made-for-mobile websites. This is hardly a coincidence, and reveals that mobile-tailored websites will on the long run occupy the bulk, if not all, of Mobile Search Engine Results.

Furthermore, site extensions matter as well. In the same way that having a .com.cn extension will make you more relevant to the Hong-Kong-based Google, and allow you to climb in the rankings, one should consider opting for a mobile URL. The most commonly used is the m.\*website name\*.com, but others have also started to emerge, such as \*website

CASE STUDY

name\*.mobi, wap.\*website name\*.com and touch.\*website name\*.com. Having a mobile URL is essential in obtaining a high Mobile Search Engine ranking on the long run.

Moreover, geolocation is more important than ever on Mobile Search Engines. Results will be affected by the proximity of the user to a location, more so than is the case presently on desktop searches.

Finally, one must also point out an increasing trend: apps are starting to appear directly in Mobile Search Engine Results. Therefore, should one choose to develop an app rather than a mobile website, and should that app prove successful, it would be visible in the Search results. This is clearly an accelerating phenomenon that will only be amplified by the growth of the Android Marketplace and the Apple AppStore.

### **Why the opportunity?**

When Google first opened to the public its rankings were based on the number of links. Bit by bit, the system was fine-tuned and the quality of those links was taken into account: if CNN.com links to your website, it is a much more valuable link than if your own blog did so. However, today's consumers have become search centric. One no longer follows through links to access information: one goes straight to a Search Engine. Consequently, other factors have had to be taken into account: improving the usability and navigability of the website, optimizing the keyword ratio, developing explicit urls. The age of the website is now more important than ever before. In these challenging circumstances, companies need the help of specialized digital agencies in order to develop an effective Search Engine Optimization strategy.

### **Tablets in China**

As of today, mobile networks are accessed through conventional handsets. However, with sales of tablets expected to reach 2.5 million units in 2011 up from just 600,000 in 2010, brands will have to take this new tool into account and figure out how to integrate it into their strategies. Tablets have a huge potential in China because they fill a gap between PCs, that remain too expensive for many Chinese, and cell phones, that despite their increasing sophistication are inherently limited in their functionalities.

Just like in the cell-phone market, Android will bring about the appearance of affordable tablets such as the infamous iPed that will cater to audiences who are looking for a reasonably priced and easy to use tool to access the Internet.

We expect the use of tablets to be very entertainment oriented and to accentuate the irrelevance of TV as a source of entertainment and information. As tablets will become more and more popular, brands will have to recognize their potential. Similarities with smart phones are numerous: both supports are mobile, often work on the same OSs and are app territory. However, tablets are specific in many ways and it will be very interesting to see how customers integrate them into the purchasing process. Will they replace smart phones or be used as complements? Will they be housebound or carried around? Will they be used more like PCs or super smart phones? A lot of questions remain unanswered.

However we can already establish some differences between phones and tablets that will have consequences on brand strategies.

Phones	Tablets	Consequences
Low involvement use	High involvement use	Customer attention is higher on tablets than phones, branded content can thus be richer and more informative
High portability	Medium portability	Tablets will play a limited role in on site decision making.
Hardware limits performance	Less performance limitations	Branded content can be more creative and engaging on tablets.
Content composed largely of apps	Apps + conventional internet content	Brands should make their websites tablet friendly or even build tablet versions of them.
Limited Display space	Display size similar to netbook	Volume of content available can be far richer as consumers seek this level of depth
Numerous generations of devices and brands	Numerous devices, but with similar capacities	Development is simplified on tablets but segmentation is more difficult
Can be used on the move	Static use	User can be contacted while mobile on phones, while user must have relatively settled in to be contacted on a tablet
Completely different channel	Channel can be expanded from the existing desktop web channel	Forced creativity and brand redefinition on a mobile network, but easier and cheaper development on tablets

As we have earlier emphasized, third party application developers can represent valuable partners for brands because of the image boost that they provide. But popular apps also have a large, loyal and segmented user base. Through well-crafted partnerships, brands can access this user base at a minimal cost. Note worthy examples include Gap's collaboration with Facebook's geolocation service Places. The San Francisco retailer recently gave away 10 000 free pairs of jeans and used the world's largest leading social network to advertise the deal. This is a textbook win-win partnership

between a smart brand and a popular app. The brand gains access to the app's large pool of users and the app gains popularity and relevance by offering value to its followers. Brands in China can follow this example to reach large audiences at a minimal cost. We expect social networks such as Kaixing, RenRen, Qzone and IM services like QQ to become prime partner choices (see box below), especially as many of them start developing or partnering with geolocation services. Jie Pang, a 4SQR look-alike, is already rising fast and may take location-based services to a new level.

## SOCIAL NETWORKING SITES IN CHINA

The most popular apps and mobile websites will be those of social networking sites (SNS).

Already, brands in China have started to integrate SNSs into their brand strategies. Indeed, these sites allow for live interaction with target customers. Cosmetics giant Lancôme and Whisky brand Johnny Walker each have official pages on Kaixin001 with over 250 000 members.

As mobile Internet becomes more and more popular, we expect SNSs to become an even more central part of brands' strategies. Contrary to how the European or American markets are evolving, where Facebook captures the bulk of the market and leaves little space for competitors, the Chinese SNS market is diversified and very well segmented. Chinese SNSs each have their own specificities and key target audiences. Here are the most important players in the game:

- **RenRen**: formerly known as Xioanei (Chinese for "Campus"), its strategy resembles that of Facebook. It was created in 2005 as a SNS for college students. In 2009, the site changed its name to RenRen, thereby signifying its ambition to expand beyond its student user base. It is considered to be the most powerful actor of the market. Thanks to its open platform, it has the largest catalogue of applications (mostly games) and is gradually starting to eat its competitors' lunches. RenRen may be seen as the most polyvalent SNS of the pack and is aggressively trying to become the Facebook of China. As we write this report, the company has filed for IPO in New York.

- **QZone and Pengyou**: QZone is the old SNS arm of Tencent, the Chinese Internet giant behind QQ, China's most popular IM software. QZone adopts a different, more blog-like format than its competitors. It has the most members but too many of them are QQ users that are automatically registered on QZone but do not use it. Moreover its users mostly use pseudonyms and tend to be rather young and located in T2+ cities. However, the QQ app is already to be found on nearly every cell phone in China and is most often preinstalled. If Tencent manages to leverage this strong position, QZone could find in mobile networks a new area of growth. Pengyou is Tencent's attempt to build a strong position in real name SNS. Since its creation in January 2011 it has already build a user base of 80 million netizens. Its explosive growth shows no sign of slowing.

- **Kaixing001**: office workers surfing on Kaixing001 are a familiar sight for anybody who has worked in China. Early on, Kaixing001 focused on attracting white-collar workers with relatively high disposable income. Its strength rests in its active and relatively affluent user based mainly located in T1 cities. Its potential for monetization is high but it seems to lack strategic vision. It is a prime choice partner for high-end brands but remains threatened by RenRen and Pengyou. Lately, Kaixing has seen its user based slowly plunge and might be in for some difficult times.

It should also be noted that in China, micro blogging sites such as Sina Weibo have very developed features and constitute real alternatives to SNS.

Furthermore, Chinese netizens are often members of more than one social network and frequently switch from one to another. This means that brands cannot simply choose those SNSs most popular amongst their target audience. However, it also allows for the emergence portfolio approaches with brands using different SNS for different purposes. RenRen, QZone, Pengyou and Kaixing have already developed mobile apps on the App Market, the Android Market or both. This shows that conventional SNSs are quick to establish a mobile presence.

This will further increase their user base and will make them even more relevant partners for brands. But mobile-only SNSs will also surely appear. China Mobile has already launched its own mobile SNS called 139.com. Others may follow and the entire mobile SNS scene might take a totally unexpected form in the years to come, especially as Facebook looks set to enter the market through a partnership with tech giant Baidu. Brands should carefully follow future developments in order to identify potential partners and adjust their mobile online strategies.

## **MOBILE NETWORKS ALLOW FOR MORE CREATIVITY IN CONTENT**

A brand enjoys strong levels of knowledge when customers fully understand its message and what it stands for. The goal of any piece of communication material is thus to accurately represent the brand's identity. In China, this is made most difficult by the severe restrictions placed on ad content. One must understand that in the PRC, the focus of ad regulations is not to fight deceptive and misleading ads but to prevent the apparition of messages that could endanger the government's project of a harmonious society. Not only are regulations tight but a high degree of self-censorship is also expected from advertisers.

Messages that are too irreverent towards authority, seniority and anything that could be assimilated to the government are no-goes. Crowds must be well behaved, youngsters must be obedient and senior figures are not to be made fun of. Nudity, even in its mildest form is obviously forbidden and so is anything

that could be remotely assimilated to sexual intercourse. Couples are to have nice and innocent fun. The traditional family structure shall also be protected and anything that could represent a threat to it is forbidden. This means that divorced couples, homosexuality and cheating husbands are out. China and everything assimilated to it is sacred and thus should not be an object of fun or even light derision. Nike famously got its fingers burned after showing basketball star LeBron James putting Kung Fu masters to shame back in 2004.

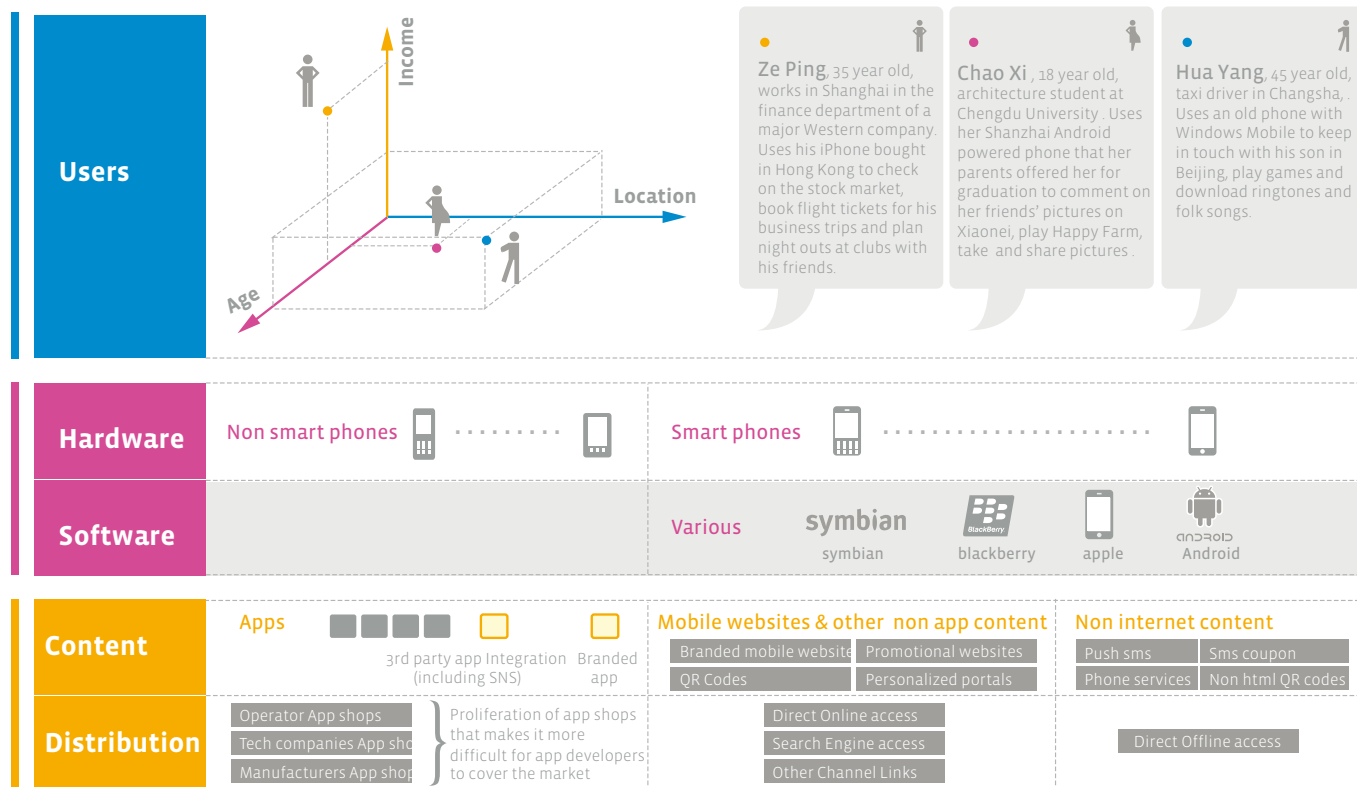
These are only some of the many restrictions placed on traditional ad content, and the amount of regulations grow ever higher when it comes to messages aimed at children or advertising health related products.

This corpus of regulations is a big problem given that customers are simultaneously becoming increasingly sophisticated and are less likely to be seduced by generic messages. Many brands are thus trying to work around the rules by finding more lightly regulated

touch points. Social video websites such as Youku or Tudou that allow for more freedom in content and message length have been a blessing from heaven for these brands. With mobile networks, they now have at their disposal another high impact channel that gives them the freedom they need to appeal to 21st century Chinese customer.

*With mobile networks, brands now have at their disposal another high impact channel that gives them the freedom they need to appeal to 21st century Chinese customer.*

This is exactly what Calvin Klein used for its Fall 2010 Campaign. CK billboards are often censored due to their controversial nature. As a result, CK decided to self-censor, and instead posted a QR code on the billboard linking to its mobile website, promising consumers that they would be able to “Get it uncensored”. (See How to do it / Know how you will bring your customer from offline to online for more details about QR codes). The mobile promotional website held a 40-second clip with revealing content.



## **MOBILE NETWORKS ALLOW FOR 100% CLIENT ATTENTION**

Today, attention while using desktop web is low, driven by the large number of windows and tabs that a user keeps open at all times. Time magazine coined the term “the Multi-tasking generation” based on the number of activities that users simultaneously perform while online. While on the web however, it is the “tab” interface that has become the foundation for a user’s desktop surfing. Now, a single browser window suffices for navigation, often with a flurry of open tabs.

A tabbed interface, however, does not function as well on mobile networks. This is not to say that tabbed interfaces don’t exist: Mozilla mobile browser, Firefox (code-named Fennec) has a tabbed system that is hidden on the left side of the screen, while Opera Mini uses stacked-tabbing. The real problem is that on a mobile device’s screen, space is limited, and the tab section must be hidden or kept quite small.

This translates into one major advantage for brands: attention. Since the tabs are less visible, switching from one to the other is also less practical. Consequently, users have a tendency to stay primarily on one tab, which results in an incredible opportunity: the user’s full attention will be concentrated on that one and only tab.

When combined with the condensed information found on mobile websites (See How to do it? – Back to basics), this ensures that most, if not all, of a brand’s messages will be fully received by the user. The small size of the display screen therefore translates into an incredible knowledge asset: delivering a precise message to a focused user.

*Users, Software and Hardware, Content and Distribution*

# HOW TO DO IT?

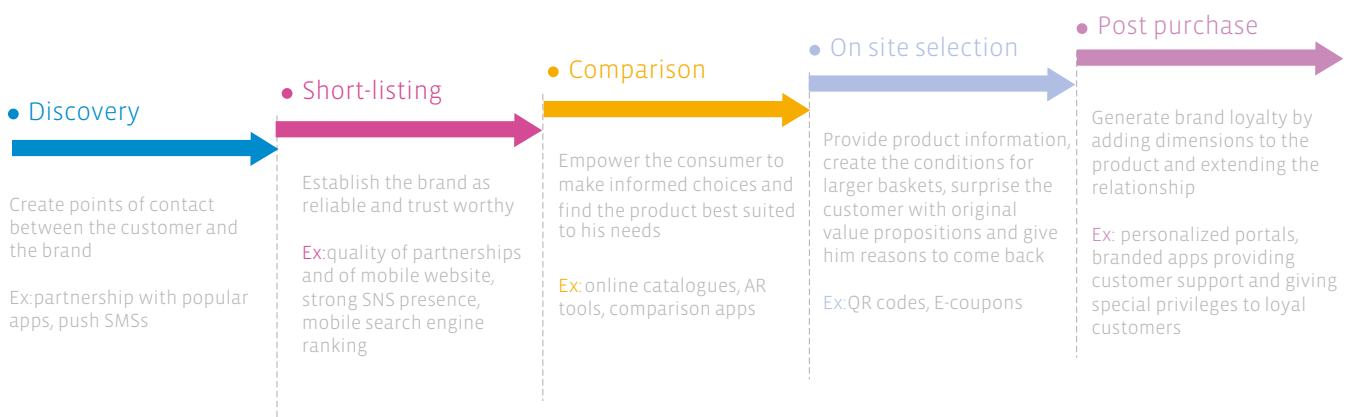
By using Labbrands “4 pillars of brand equity” framework, we have demonstrated how brands can reinforce each dimension of their brand equity by using mobile networks. But despite the opportunities that they offer, mobile networks can also be the objects of colossal wastes of money and resources. Prior to making the leap, it is essential that brands do their homework. A successful mobile network campaign is first and foremost based on solid fundamentals of brand management and overall corporate strategy.

## DEFINE WHAT YOU EXPECT FROM MOBILE NETWORKS

The biggest mistake brands could make is to consider a mobile network presence as an end in itself rather than a means to an end. Mobile networks constitute a vast and complex eco-system. The possibilities they offer are virtually infinite. As we have shown, mobile networks can play a role at any stage of the customer journey. Pre-purchase, they can empower the customer and allow him to review, compare and cross-reference. During the purchasing phase, they can provide the customer with on-site product information or be used to for value propositions. Post-purchase, they can be used to add more dimensions to the product and help the user squeeze more value out of it.

These are obviously only some of the ways brands can use mobile networks. The wide variety of ends mobile networks can be used for shows how crucial it is for brands to know what they expect from this new channel before rushing in.

The first obvious step would be to define the basic objectives. Is the company wishing to boost its image? Is the aim to drive short-term revenue? Does it want to generate loyalty amongst existing clients or make inroad into new markets and expand its customer base? The answer to these questions will define the direction and the form that the mobile online strategy will take. For instance, driving short-term revenues can be done by using mobile networks to send virtual coupons



while an image boost can be achieved through a partnership with the right 3rd party app developer.

An alternative approach to defining basic objectives would be to use Labbrand's framework and identify which pillar the brand wishes to reinforce through mobile network presence.

Then, brands must look at the existing customer journey and ask themselves where improvements can be made. This implies digging deep into the customer experience and really putting oneself into the client's shoes in order to see the journey through their eyes. By undertaking this exercise, brands can identify potential flaws and areas of improvement. They can then use these insights to direct their mobile online efforts. This ensures that mobile networks are used for the right purpose and contribute to making the overall customer experience more pleasant.

*The possibilities offered by mobile networks are so numerous that it is easy to get carried away and set objectives that are not in line with customer wants.*

Finally, brands must listen to their customers. The possibilities offered by mobile networks are so numerous that it is easy to get carried away and set objectives that are not in line with customer wants. A company might decide to use QR codes to provide in store information while what clients really expect is post purchase support and information. It is thus very important that brands survey their customer base to determine where and how customers see the inclusion of mobile networks into the relationship.

## **BACK TO BASICS**

When it comes to brand management and new technologies, an interesting phenomenon can be observed: whereas new technologies, such as mobile networks, open new possibilities for more complex strategies, they also force brands to go back to the basics of branding.

First of all, establishing a high impact mobile online presence means being able to clearly express a brand identity on a 3.5-inch screen to a viewer whose attention span can be of only a few seconds. This is exactly the kind of down to earth issue that forces brands to go beyond vague mission statements and marketing blabber to answer simple questions such as: who are we? What do we do? Why does it matter? What is our unique selling point? What do we look and sound like? Coming up with a clear answer to these questions is a more difficult task than one might originally think. Not only must there be a clear brand vision but this vision must be shared and permeate everything the company does from the way it phrases its promise in push SMS to the color used in its mobile website.

To understand to which extent such a definition is crucial, one must stress at this point that a mobile website is not a mobile version of a website: it is an independent channel, with a particular content, message and navigation.

*A mobile website is not a mobile version of a website: it is an independent channel*

When developing a mobile website, compared to a desktop one, the difference in layout is absolute. Indeed, whereas desktop websites can be navigated both vertically and horizontally, a mobile website is entirely vertical. One scrolls or “flicks” down the page, since users do not want to have to shift right and left. This can lead to extremely long pages, and this is a trap that one must avoid falling into as well. Mobile websites are used for fast consumption, usually while on the go. Ultimately, brands must choose which messages carry most value and impact within the bulk of the information they have available. The launch of the mobile website is a real opportunity to slim down a brand’s message and reach a brand’s essence.

Furthermore, one does not dispose of a mouse to surf a mobile website, like one would with a desktop computer. Navigation must therefore be tailored to the user: large and accessible buttons for touch-screen devices, fast-access keys for keypad-based devices.

Many differences such as these must be taken into account, to not only facilitate the navigation of users on the mobile website, but also that of indexing bots (see How do Mobile Search Engines Work).

As we have earlier demonstrated, there needs to be a strategic fit between the brand and the partner app. Without this strategic fit, there exists a significant risk that the partnership be fruitless at best or that the brand image be tarnished at worst. Brands that have a very clear idea of their identity, tone and key message can scout for unexpected but relevant partners and avoid mistakes. On the other hand, brands with an unclear identity that try to be everything to everybody may end up stuck in dead-end partnerships that benefit neither party.

*In the mobile network arena, the rule of the game is guerrilla warfare.*

In the mobile network arena, the rule of the game is guerrilla warfare. Messages are shorter but more frequent. More importantly, they take unconventional and often unexpected forms and must be very relevant. In only a few minutes, a customer might find out about a brand through a third party app, check its mobile website for more information, find the nearest shop via a geolocation service and look for product information inside the shop using QR codes. That is no less than 4 points of contact. In such a context, consistency is key. A brand that has no clear idea of what it is, what its key message must be and what it should look like has no chance of pulling it off.

#### **KNOW WHO YOUR TARGET IS**

Mobile networks allow for one of the most individualistic interfaces in the range of channels that brands use. Thousands if not millions of people will see a billboard, a family computer might be shared between all members, but a cell-phone is personal. It provides the best possibility for “segments of one”, but also a major risk: it needs to be personalized. In order to be personalized however, the most important thing brands must do is clearly understand and define who their target is.

Identifying who the target is will completely change the positioning of the mobile web-site, ranging from the development itself to the content displayed.

## *Identifying who the target is will completely change the positioning of a mobile presence.*

Once the target group is understood, a brand will know whether to develop its brand in conjunction with a third-party app, as an app itself, or as an independent mobile web-site. In the case of the latter, it will also need to know for which mobile phones it needs to develop for, in order to optimize display.

The brand will then need to decide the type of content to display within the website, and under what format. Since the channel is made for fast consumption of information, not all of the services and content offered by other channels should be present on the mobile website, as this would seriously impede the flexibility of navigation. Rather, the brand must understand the priorities of its user-group, and how its mobile solution is uniquely suited to answering these needs. Furthermore, the brand can decide to redefine its brand definition, or only show a particular facet of it, to convince users of the extent to which the brand relates to them. Brands must understand that users expect that a mobile channel be different from a mobile version of the desktop web channel.

Finally, the brand must know its users in order to understand how to bring them from offline to online. Which other channels are effective in grabbing a user's attention, and how can a brand use them to best promote its mobile presence? Which app markets do users most frequent? Which apps do they most use?

Understanding one's target group is essential in order to build a tailored web channel and increase one's brand presence and brand relevance in China.

## **KNOW HOW YOU WILL MOVE YOUR CUSTOMERS FROM OFFLINE TO ONLINE**

One of the major challenges that brands face while building a mobile online presence is creating the mechanisms allowing its target audience to be aware of it.

The first step in ensuring this process is identical for all development options: the brand must ensure that its other channels display the existence of a mobile channel. The TV, the desktop web, the print and the store channels must all promote this mobile web development to build on consumer awareness.

### *A brand must ensure that its other channels display the existence of a mobile channel.*

The second step consists of optimizing one's mobile website or app in such a way that it is search-engine friendly. Thus, consumers can easily find a brand's mobile presence if they are actively looking for it. (see How Mobile Search Engines Work)

The third step however varies depending on the type of development chosen. In the case of a third-party app integration choice, a large amount of awareness will originate from the third-party app itself, and be reinforced by the brand's cross-channel advertising.

In the case of an app development, the appstore platform will allow for a great deal of awareness to be built, again, reinforced by the brand's cross-channel advertising.

It is for full mobile websites and promotional micro-sites that problems arise. Indeed, there is no platform where a simple point and click will allow these users to have access to the brand's mobile website. The users have to type in the address manually, a process so dreary on a mobile device that most users simply don't even try.

Hence the increased use of QR codes in advertising. QR codes are two-dimensional bar-codes that can be read with the use of a camera-phone and dedicated software (now pre-bundled with Android and Symbian). These nifty images are easily recognizable, already widespread in Japan, and come with the distinct advantage of being scannable in a matter of minutes. The result of the scan is text or an html address, which can be simply clicked on to be brought on the website.

Increasingly, companies are using QR codes to bring consumers onto their mobile websites. The Austrian pavilion displayed the QR code next to their announcement of the lucky draw. Similarly, Calvin Klein used billboards with giant QR codes to bring users to visit their promotional micro-site. Hollywood used QR codes to bring users to the mobile promotional micro-site of the 9 movie.

In essence, depending on the nature of the mobile presence they are establishing, brands must ensure that customers are given the tools to access them.

# TOP 5 Fatal Mistakes

Based on our argumentation, we can identify 5 major pitfalls that brands must avoid at all costs when devising mobile strategies. Any of the following 5 mistakes will surely and swiftly kill any attempt to conquer the online playing field:

**1. Generating noise instead of value:** seeing mobile networks as just another channel through which one can scream its brand message to passive customers is the surest path towards mobile oblivion. Mobile networks must be used to create real value for the customer, not assail him with loud and irrelevant ad messages. Going mobile for the sake of it without giving the matter the strategic thought it deserves is a recipe for failure.

**2. Botching up the platform:** the platform might be strategically innovative, fit perfectly into your brand strategy, and answer a critical client need, but if it doesn't display on the phone, no one will use it. Nothing is worse than an ill-designed website, except perhaps an ill-designed mobile-website. Not only will your users immediately leave, since all content will be impossible to view, but your search engine rankings will be heavily affected as well.

**3. Being inconsistent:** as we have shown earlier, mobile networks will put brands in contact with their customers more and more often and in increasingly diverse and unconventional ways. There needs to be a high degree of consistency between touch points. This does not mean that messages must be absolutely uniform in their content. A brand's page on a mobile SNS will serve a different purpose than a push SMS or a branded app. Yet each touch point must be like the piece of a puzzle and fit into a broader picture: the brand promise.

**4. Choosing the wrong partner:** brands often enter the mobile battlefield through partnerships with 3rd party apps. Such partnerships can bear extraordinary fruits or end in complete disaster if both parties were not meant to be associated in the first place. An ill designed partnership not only constitutes a waste of resources, it can also in the worst cases torpedo the brand's image. Brands should always bear this in mind and choose their partners based on their own strategic objectives and identity.

**5. Being Waldo:** your mobile platforms will achieve nothing if your customers can't find them. You must ensure that you not only provide a well-designed presence that will rank highly on mobile search engines, but also a cross-channel advertising to ensure awareness of your mobile channel. Finally, if you are developing an independent mobile website, you must provide tools to your consumer so that access to the platform is both fast and hassle-free. Nothing would be worse than investing significant amounts of money in an empty platform.

# Bonus: 4 Killer Ideas For Using Mobile Networkings In China

Theoretical foundations for strategic thought are only useful if they can be translated into operational ideas. In this white paper, we have made the case for the use of mobile networks in brand strategy. In order to support our claims, we have devised 4 ideas for using mobile networks in China, each corresponding to one of the pillars of brand equity.

## **RELEVANCE: BARCODE-SCANNING TOOL FOR A CLOTHING RETAILER**

Mobile networks can be used to acknowledge a customer's unique needs to the fullest, hence providing a degree of relevance that could become a game-changer for the industry. The retailer could attach scannable barcodes to each of its products. A quick scan would direct the customer towards an item-mobile-webpage which not only gives details about the products, but allows the customer to see which other articles this item could be worn with.

Also present could be a gallery of models or celebrities wearing that particular piece of clothing, to give the customer a better idea of how it would look like once worn. In essence, this is identifying a customer's unique choice of clothing, and providing him with tailored recommendations both pre- and post-purchase.

This strategy not only gives the customer the impression that the brand has a high-involvement in helping him or her choose the best outfits, but also encourages cross-selling of products for the brand itself. This type of mobile network implementation would make customers feel that the brand understands their needs and is providing them with solutions – a sensation much sought-after when trying to establish relevance.

## **DIFFERENTIATION: GEOLOCATION SERVICES FOR A TAXI COMPANY**

As we have shown, using mobile networks can create very strong early mover advantages. In undifferentiated industries where clients do not perceive any difference in value between the different actors in the market, the early use of mobile networks opens the possibility of changing moves that completely shift value perception and instantly make all competitors outdated or irrelevant.

Taxis can be seen as one of the most undifferentiated service category in China. Clients do not differentiate between different brands, rather, they choose whichever one is closest to them. Yet the entire service is based on the concept of location : taxi companies thus have a lot to gain by harnessing the power of Geolocation services.

A taxi company could easily acquire a tremendous competitive advantage and render all of its competitors outdated by creating a branded app that would make the entire client journey more pleasant. The app would allow the user to locate the taxi closest to him, call one by simply pressing a button on his phone and even calculate the cab fare and duration of the ride (based on latest traffic conditions) by inputting his destination. The client experience would be streamlined, more pleasant and more consistent. The company would become the go-to cab brand for anybody having installed the app but

more importantly, it would have completely redefined the very idea of what the product (i.e. a cab ride) can and should be. Competitors would greatly suffer in comparison and would have to catch up or compete on other levels.

### **ESTEEM: BRANDED APP FOR A HIGH END BRAND**

As we mentioned in the introduction, consumption choices are used by the Chinese to project status. The most sought after brands are those that tell a story about the user. Chinese customers are ready to pay high premiums for brands that can earn them the admiration and envy of the people around them.

Therefore, one of the surest ways for brands to be liked by their customer base is to go the extra mile to make them stand out amongst the virtual crowd. A company could therefore start offering a “virtual status” to clients. For example, a luxury brand could take a page out from the old marketing playbook and create a special club for loyal clients who buy in excess of a certain amount. Membership would come with special privileges such as invitations to private sales, sneak peaks into upcoming collections, etc...

Nothing original there, except that the entire program would be packaged into a branded app that only members can download. By doing so, the brand would not only “materialize” the value offer but also make it a status-projecting tool. The app would serve as a virtual membership card, a personalized channel of communication and a subtle yet unequivocal reminder that the phone’s user is a member of a select club.

### **KNOWLEDGE: BRANDED GAME APP FOR A CONDOM BRAND**

Knowledge is achieved when the customer knows and understands the brand’s identity. In some cases, however, regulations and social forces restrain the brand’s liberty to design messages that express its promise. In such cases, getting the target customer to understand the brand’s originality and distinctiveness is a challenge.

In China, condom brands face this challenge on a daily basis. Until 2003, the country had an effective ban on condom ads. Even if things are changing fast, media concentration and stringent regulations on ad content still make it difficult for a condom brand to assert its uniqueness in the Chinese market.

A solution could be attained by creating a branded game app that is edgy, daring and encapsulates the brand’s identity. One of the most addictive types of games on the market is called “Tower Defense”, where wave after wave of invaders try to pass through the screen, and the player must stop them by building ballistic towers. A variation of the game with Condom Towers and little white invaders with a long tail would without a doubt meet significant success, as well as providing a fun and trendy image to the condom brand itself. Like condoms, many brands whose message is tricky to communicate because of social taboos or regulations can find in mobile networks a channel that offers the necessary liberty and segmentation to make their brand messages understood.

# Conclusion

China might well be the country in which mobile branding will be taken to an entirely new level and will go from being a fringe curiosity aimed at early adopters to being a central element of brands' strategies. Technological macro trends, general market dynamics and customer wants are coming together to generate a perfect storm in which smart brands can build sustainable competitive advantages by leveraging the power of mobile networks.

However, the potential is still latent and much will depend on brands' capacity to seize the opportunities at hand. As this paper has amply demonstrated, developing a strong mobile presence is no simple endeavor. It requires not only a keen understanding of the technical issues involved but also strategic vision and high complexity management capabilities. It forces brands to step up their game and redefine their core brand identity and key objectives. A solid online presence is hard to establish but once created, the brand has access to a channel that allows it to completely redefine the customer relationship and strengthen each pillar of its brand equity.

However, many questions remain unanswered, chief amongst which is when brands will give mobile networks the attention they deserve. Much will depend on how quickly the market settles around a limited number of OSs and app shops that will bring about the emergence of a high number of popular applications and make the development of mobile platforms easier.

**Thanks mainly to the rise of Android, this process is well under way and we expect brands to quickly start moving some of their branding efforts on the mobile online space.**

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