

## Five Minutes with Tom Doctoroff, '89

As Greater China CEO at advertising giant J. Walter Thompson, **Tom Doctoroff** has seen marketers of the world's leading brands struggle to sell their products. In *Billions: Selling to the New Chinese Consumer* (Palgrave Macmillan, 2006), he describes how Chinese culture shapes buying habits. Doctoroff, who lives in Shanghai, spoke with *Chicago GSB* about the Chinese middle class, the 2008 Olympics, and market research.

### Why invest in the Chinese market?

This is a once-in-a-lifetime opportunity: the next economic superpower is unfolding before our eyes. Most consumer product categories are blossoming very quickly, but many lack clear established leadership. Ownership of the category benefit is within reach of people who do it right. Buick is a great example of a dead brand reborn in China as a brand with cachet, distinction, and a leadership image. But you have to invest carefully in the Chinese market because it's unformed and there's a lot of risk.

### Who is the typical Chinese consumer?

He's protective, views the world as unsafe, and shields himself from uncertainty. On the other hand, the Chinese are brilliant at spotting opportunities and grabbing them to move forward. That Confucian conflict exists in practically every Chinese person.

Within different market segments there are variations on that theme. The middle class is distinguished by a desire to protect recent wealth, but also to project status. Women have problems balancing different expectations of what they should be as "good Chinese women." Youth try to be individualistic, but in a peer-endorsed way.

### You describe Chinese consumers as unsophisticated in how they look at advertising, like American consumers of the 1940s and 1950s. Is there a parallel?

Yes. Two things unify Americans and Chinese. One is love of bigness, scale, and vast horizons. Think of the American highway system. The same thing is being laid out in China right now. Chinese people like big cars, just like Americans. The other is an optimistic view of tomorrow's possibilities. If there is opportunity, the Chinese are very optimistic and ambitious. This idea of reaching for something with broad strokes defines both America

fifty years ago and China today. In many respects, China is like *Father Knows Best* in color.

### What traits are unique to the Chinese middle class?

They assume that their wealth is not protected and can be lost at any time. They're much more concerned than Westerners with maintaining what they have achieved, and there's a nervous anxiety about the possibility of losing it all.

Another difference is that they use status as a tool. The definition of success is very narrow, and they are profoundly nonindividualistic. Status isn't just showing off for the Joneses; it's something to help you move up a very narrow ladder of success.

### What is the most common mistake that multinational corporations make?

It's assuming the Chinese perceive your product offering the same way Western people do. Another is overestimating the market size while being unsavvy with pricing. People cannot imagine how price-sensitive Chinese people are. They live in a commoditized environment—the lingering effect of a command economy—which is awash in cheap, shoddy goods, and the frame of reference is very cheap. Chinese people don't have a lot of money, so they are very careful about how they spend it. Anything in the house is very price-sensitive, so all of the leading appliance brands are local. Things outside the house are not as price-sensitive; that's why the key mobile phone brands are international.

### How tough is the competition from Chinese brands within China?

There's a lot of competition, and it's ruthless. They deliver reliable quality without any emotional attachment. The difference is that there is still no local brand that is actively preferred. Western brands are still actively preferred because they have emotional equity; they have intangible assets. But if your pricing isn't right, people won't pay for that intangible asset. It's got to be a balance.

### What opportunities do you see with the 2008 Olympics?

This is a way to crawl into the hearts of Chinese people. The Chinese care incredibly about the games' success, so the Olympics are a very powerful emotional hook. For promotional opportunities, it's going to be a carnival. Very few brands already have a cohesive Olympic build strategy for 2005 to 2008. Nike, Adidas, and GE do, but many people are missing the opportunity.

### Is there much Chinese market research?

Absolutely. The research scene is one area that probably has improved most dramatically in the past eight years. Media research is at international standards in many cities, and most second-tier and even third-tier cities have sophisticated audience measurement for consumer research—advertising, tracking, qualitative research, and modeling. You can do practically anything here that you can do in the United States, except with regression. Multivariate modeling is not done so much. And only some Chinese

companies use research. The international companies have a pretty good usage of it.

### You say "The Chinese dragon will ultimately evolve into a productive and affluent member of the world community." Why are you so confident of China's future?

There are three reasons. First, the structure of the economy is incredibly broad-based. It's got a burgeoning consumer market, a clustering of industries, and a lot of high-tech prowess and productivity enhancement. It's an economy of scale. Second, China is playing by the rules much more so than it ever was, so it's free to reach out to the West and establish symbiotic relationships with us because of the WTO.

But the key reason is that Chinese people are brilliant. You have to be here to see not just the ambition and the thrust, but the intelligence. I'm not saying Chinese people don't have weaknesses; they do. They're not creative, not innovative. But take their forward momentum as individuals and their drive and aggregate that; it just boggles the mind. Of course I wasn't around when America was becoming powerful, but it does feel like the same drive—that manifest destiny. In China, it's different manifest destiny, but it's still there.—P.H.

