

## Suggestions on the Domestic Brands Building in Light of China's Current Economic Development

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**Abstract.** With the recovery of China's economy, the national consumption pattern has changed from basic need driven consumption to value driven consumption. Due to the quality problems and insufficient brand building of Chinese products, Chinese consumers rarely purchase domestic products, while their overseas consumption increase gradually. Given the above mentioned background and problems, in order to expand the domestic consumer market and revitalize domestic products, this paper puts forward suggestions for the domestic products' brand building.

**Keywords:** National Consumption, Economic Status Quo, Quality Management, Brand Building

### 1. Process and Status Quo of the Changing Consumption Pattern

After the founding of the People's Republic of China, China's economy was under-developed and the industrial system was incomplete. Built on this basis, in July 1955, the first five-year plan was adopted by the Second Session of the National People's Congress to develop heavy industry and establish the foundation for Socialist transformation of agriculture, handicrafts sector, and private industry and commerce.

In 1978, China implemented its reform and opening-up policy that combines internal reforms and opening up. Although the planned economy has promoted the early economic recovery since the establishment of the P.R.C, it has not been consistent with the law of the market for a long time. The division of responsibilities between the government and the business was not clear. Industrial and agricultural production, commodity management and production materials followed compulsory public ownership mechanism, and the output of laborers will be equally distributed, causing workers to lose their enthusiasm for work. China has established special economic zones, opened up its ports, and carried out education reforms and housing market reforms. Under this series of policies, the first round of consumption structure upgrading took place. The reduction in food consumption and the increase in consumption of light industrial products led to the first round of economic growth.

From the 1980s to the 1990s, port cities were further opened up, and reforms in various fields such as science and technology, education, and culture began to be launched. Influenced by the policy, China was more abundant material-wise and can meet the different needs of consumers, therefore the consumption power of Chinese people was rising. The second round of consumption structure upgrading occurred during this period. In many places in China, there is a concept of "conspicuous/show-off consumption". The main feature of this period is the massive purchase of luxury goods.

Since the 21st century, with the popularization of nine-year compulsory education and the rapid development of China's science and technology, China's GDP has ranked second in the world in 2018. And China has generally become a well-off society. At this time, the Chinese people are experiencing a third round of consumption upgrading. Consumption in education, entertainment, culture, transportation, communications, health care, housing, tourism, etc. is rising rapidly. The growth of IT industry, the automobile industry, and the real estate industry are particularly prominent. The consumption pattern of the people has changed from survival consumption to enjoyment consumption. Among them, the middle class has received good education, has a certain amount of disposable income, and constitutes a major consumer group. They pursue quality life, cost-effective

and valuable consumption.

China's overseas consumption has gradually increased. China mainly implements an export-oriented economic model, which brings certain market risks. The market is becoming more competitive and product life cycle is getting shorter as other countries launched new products. This economic model also makes it difficult for domestic production to meet the consumption needs of Chinese people. Therefore, citizens choose to spend more abroad. In addition, the quality of our products is not up to the standards. There is an interplay between low willingness to consume and the low quality of domestic products. These two factors are mutually influential and cause a vicious circle. "Consumers can't judge the quality, don't believe in the product quality, don't want to pay more, and high-quality goods are difficult to get good price in return for its premium quality. As a result, the company can only produce low-quality products." After many food safety incidents, such as the "melamine" scandal, many Chinese consumers lose their confidence in domestically produced products. So the product quality can't be improved.

## **2. Status Quo of China's Economic Development**

China's labor costs have been rising, Inflation and excessive issuance of currency are one of the reasons. In addition, the relationship between supply and demand also leads to an increase in China's labor costs. The problems caused by aging population went far beyond the reduction of labor, the overall consumption power and willingness also declined.

In addition, the impact of technological innovation on traditional manufacturing and other countries' policies (such as the United States supports its enterprises to develop manufacturing in their own territories) have an impact on Chinese industries. China's industry is confronted with a need for transformation; the resource and the environment are overwhelmed; and the advantage brought by demographic dividend is gradually disappearing. China's economy is facing slow growth in demand, severe overcapacity in some industries, and weakened competitiveness of traditional industries. Accelerating the transformation and upgrading has become a social consensus.

The low quality of urbanization leads to the fact that workers are reluctant to stay and work in one place for a long time, which has caused a lack the "craftsmanship" in many factories. There is no condition for workers to research and reflect in a post for a long time. Advocating the spirit of craftsmen (craftsmanship) is necessary for promoting the transformation and upgrading of China's manufacturing industry.

## **3. Status Issues of Quality Management in China**

1) The supervision and spot check management mode needs to be updated. The current supervision and spot check management mode has been implemented for more than 30 years. The spot check mode and spot check requirements have been familiar with and mastered by the enterprises. Some enterprises use the method of "spot inspection exclusive samples" to cope with supervision and spot checks, so that the results of supervision and spot checks cannot accurately reflect the true product quality. Some enterprises will pretend to suspend production, close down their business or claiming that they have no inventory as an excuse in the form of "two warehouses", and do not cooperate with samplers to complete related spot check work. In addition, according to their industry characteristics, some products are made to order[1]. When random inspections are conducted, there are often cases where there is no sample to be checked.

2) The product quality supervision system needs to be improved and optimized. The on-site product supervision and spot check also needs to verify the products with the 3C certificate on the Internet. And once it is found that the certificate is in a suspended state, but the time limit cannot be determined, this can make it impossible to judge whether the production time is before or after the certificate suspension time, and bringing challenges to supervision and spot check work. The enterprise information in the spot check system database fails to be updated in real time. In the actual inspection, we find that enterprise address information, contact person information, and

production information are inconsistent with the actual status, which makes it a waste of manpower and financial resources, and reduce the efficiency of spot checks.

### 3) Status quo of brand building in China.

Domestic companies are late comers in terms of brand building. Many foreign brands such as Apple's iPhone is the first-mover in the mobile phone market that occupied the smart phone market with a strong brand image and the domestic consumers were deeply impressed by foreign brands. Since the 1990s, China's labor costs have been very low on a world level. For example, 10 years ago, a young labor cost was only 1,800 yuan. The cheap labor cost attracted countries from all over the world to invest and build factories in China. Many Chinese manufacturers focused on the lowest-end of the manufacturing industry. During this period, there were many low-priced, low-quality Chinese-made products, together with some copycat products left a bad impression on global consumers. Even if the quality of products made in China has been increased a lot in recent years, it still fails to change people's stereotypes.

The lack of innovation capability is a common problem among Chinese enterprises. There are many products in China whose quality and taste haven't change much. Although consumers can accept these products, it is difficult for them to link these products with good "brands". The lack of innovation ability is also reflected in the fact that some companies imitate the products of other brands at home and abroad in order to shorten the time of research and development and quickly reap their benefits. However, this kind of imitation may easily violate relevant laws.

Lack of strategic brand management and planning. Like most domestic construction companies, we have not hired any external strategic brand consulting companies or internal management brand managers to carry out strategic brand planning. Nor do they establish a corresponding supervisory management and maintenance mechanism for the brands or for short-term or long-term planning of brand management.

In recent years, Chinese companies have strengthened their brand building efforts. First of all, China's own image and status have been greatly improved. For example, China successfully hosted the Olympic Games in 2008; Shanghai hosted the World Expo in 2010; and Guangzhou held the Asian Games in November 2010, etc., which have changed the world's views on China[2].

## 4. Suggestions on brand building

When the Chinese company is trying to build a brand, one can integrate some traditional Chinese culture elements and increase the global consumer's acceptance of the brand. The tea, silk, ceramics in China, together with Chinese medicine, Chinese food, etc. have a history of thousands of years, and they are of distinct Chinese characteristics. If the company can leverage and promote these products, it will enhance consumers' favorable impression on their products.

Technology-based enterprises should focus on R&D and upgrading of products and technologies, and increase R&D investment. For example, Huawei, which has achieved great success, focuses on the R&D of chips. In 2018, Huawei's international patent applications reached 5,450, ranking first globally. What lies at the center of China's economic transformation is actually three transformations, namely, the transformation from Made in China to Create in China, the transformation from China's speed to China's quality, and the transformation from Chinese products to Chinese brands[3]. When we have a stronger brand identity and image, it will make our products more respected internationally. This is our opportunity, but meanwhile, it also brings many challenges.

Establishing overseas production and design centers: More and more multinational companies choose to establish design centers, marketing centers and even factories in developed countries so as to weaken bad country of origin effect, such as Haier's "three-in-one" strategy in the United States, which is establishing overseas factory and R&D center to achieve "localized design", "localized manufacturing" and "localized marketing". Localized manufacturing led to American consumers' acceptance of Haier; the establishment of the Innovation and Design Center has changed the stereotype of the Chinese brand has "no innovation" and made Chinese design stand out in the

international market[4].

Conduct integrate marketing and communicate with consumers in an all-round manner: Integrated marketing refers to the systematic integration of various marketing tools, i.e., the inclusion of promotion, advertising, public relations, CI, packaging, press release and other communication activities in marketing activities, thus delivering a unified and powerful brand image to the consumers. Chinese brands often used a single method to promote themselves in their internationalization. This left consumers ignorant of Chinese brands and their products. When consumers are not familiar with brands, they will rely on the image of country of origin to evaluate the brand, which is not favorable for Chinese independent brands[5]. When conducting international marketing, Chinese brands should establish a unified brand image in the first place and do a good job in CI design and dissemination. Secondly, they must use a variety of marketing methods to conduct marketing communication globally, such as shooting international advertisements, training sales personnel for target countries, and conducts public relations activities such as news reports, event sponsorships, and public welfare activities in the target countries, and communicate with overseas consumers in an all-round way, thus, making the image of Chinese brands more stereoscopic and clearer[6].

Eliminate internal friction and create internationally well-renowned brands: At present, many multinational companies have entered the Chinese market, which has brought both capital and advanced technology<sup>i</sup>. Meanwhile, they also pose severe challenges to Chinese companies. In response to this phenomenon, we should eliminate the five internal frictions that hinder the development of Chinese brands, namely the internal friction of different companies, the internal friction between the same industry, the internal friction among different regions, and the internal friction between people and the internal friction among industries. These five kinds of internal friction not only hindered the development of Chinese brand, but also damaged the overall interests of the country, providing an opportunity for international multinational companies to gain a foothold in the Chinese market. Therefore, eliminating internal friction should be seen as a strategic measure for the development of Chinese enterprises. The key point here is to form a new concept of competition. The traditional way of competition often aims at smashing opponents, while the modern competition strategy is more about “win-win” and emphasizes Co-opetition[7].

## 5. Summary

With the change of consumption patterns of Chinese consumers, the consumption patterns gradually become more diversified, consumer demand has risen sharply. China's industry is facing a need for transformation. At this moment, we should face up to the long-lasting problem of unqualified quality of our products and strengthen quality management. At the same time, China should pay more attention to brand building, and strengthen brand building with Chinese characteristics. By focusing on R&D and upgrading of products and technologies, establishing overseas production centers, developing global alliances, eliminating internal friction, creating internationally renowned brands, and not changing brands at will, we can create a good brand image, carry forward the brand.

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