Since 1999, the year China’s “Going Out” strategy was first announced, China has dreamed of creating global brands. China’s leaders have chanted the message; companies have toed the line; trade channels were opened; billions in investment have flowed; and slowly, one-by-one, Chinese companies established an expanded footprint abroad and expanded.

However, despite these great accomplishments, has China created a global brand? Indeed, the global presence of Chinese companies has exploded. ICBC, which topped Forbes Top 250 list this year as the world’s largest company, has a presence in six continents, but does this make it a global company? Or is it still a Chinese bank with offices overseas?

Research has shown that despite the huge growth and significant investments being made by Chinese companies, global audiences remain, at best, largely unaware of Chinese brands; and, at worst, deeply mistrustful of their intentions. Despite the fact that 4 of the 10 largest companies in the world, according to Forbes, were Chinese, a recent poll by HD Trade Services showed that 94% of Americans can’t name a single

THE FOUR PRINCIPLES OF BUILDING CHAMPION BRANDS

WHAT CHINA NEEDS TO KNOW TO REALIZE THIS GOAL

Linda Du, Managing Director, Shanghai at APCO Worldwide
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Chinese brand. Perhaps even more ominous for Chinese companies, a third of Americans would not buy a product if they knew the brand to be Chinese owned.

Thus, investment alone is not enough to become a global brand. Companies must create a vision that aligns with customers around the world, connects with them deeply and then persuades them to become a partner. This is clearly a challenge. It is especially a challenge given the rapidly evolving landscape that all companies, including Chinese companies, face.

This is precisely the challenge that APCO Worldwide set out to confront in a first-of-its kind study of global brands. APCO investigated nearly 600 of the world’s largest public and private companies to identify those brands that are performing best—Champion Brands. But, APCO’s research sought to understand more than just who is performing, we wanted to know why. What are these companies doing that distinguish them from their competitors, making them the best, most trusted and most valued brands?

A New Era for all Corporate Brands
Changes in technology and consumer expectations have created a fundamental shift in the balance of power between companies and their key audiences. It used to be that companies largely were in control of their messaging. Companies issued corporate statements and press releases about their practices, and their key audiences either listened or they didn’t. However, with the advent of the Internet and the rise of social media, brands no longer have full control of messages or their reputations, as power has shifted into the hands of their external audiences. This is often described as the evolution from an era of “push communication” into the realm of “push back communication.” Anyone with a computer or mobile device can access information about companies quickly and easily share their opinions and experiences that can start a global conversation about corporate practices.

The Latest Research: Champion Brand
Although nearly everyone agrees that the landscape has shifted, there was no
definitive research to explain precisely HOW things had changed. To learn more about this radical shift, APCO conducted a global study, the Champion Brand survey, of more than 75,000 people in 15 of the world's largest economies. We not only sought to understand current perceptions of hundreds of global brands, but also what drives these perceptions. What we learned was very surprising. All over the world, consumers are now looking for companies to take up roles that were traditionally held by other sectors of society.

While greater access to information undoubtedly enables this heightened attention to corporations, it is not its sole cause. People scrutinize companies because of the perceived influence large companies have over their lives. In essence, people expect companies to share responsibility in a world with finite resources, where governments do less and companies are expected to do more. In fact, seven in 10 consumers (71%) say their expectations for companies have increased in the last 10 years, and corporate expectations go well beyond their products. Today, a strong worldwide majority (61%) say that when evaluating companies, they care more about companies’ practices and policies today than they did 10 years ago; it is as important to them to know how the company operates as it is to know what it sells (66%). Sixteen percent of people report visiting corporate websites specifically to read about a company’s policies and practices, not just the company’s products. In China and the rest of the developing economies (Brazil, Russia, India and Mexico), the number is even higher. There is every reason to believe this trend will continue and even accelerate.

Consumers are also demanding that companies demonstrate leadership in areas above and beyond the corporate sphere. Six in 10 (61%) believe companies now serve functions that were previously reserved for governments and nearly the same number (57%) agree that the best companies are those that are an advocate for issues that are important to the individual.

To succeed in this era of increased expectations and scrutiny, great brands must manifest an explicit corporate brand strategy in every aspect of their business—from business strategy to internal communication and employee policies to more deliberate external

Stakebrokers are unique not only because they care and engage with companies, but also because they are engaging with companies from the perspective and with the interests of all of the traditional stakeholders.
communication with customers, policy makers and society more broadly. Importantly, this corporate brand strategy must explain the social value or mutual interest the company fulfills. This focus on mutual interest is what makes for a strong brand that can create more enduring relationships with key audiences. This is diametrically opposite from the marketing tradition of trying to build brand champions for your products. Instead, the crucial dimension is to create a Champion Brand, one that champions the interest of individuals and society.

**The Role of the Stakebroker**

The rapid changes in technology and growing expectations for companies have empowered a new set of influencers—the stakebroker. Identified through APCO’s research, stakebrokers are a group of highly engaged individuals who act and think in ways that differentiate them from traditional influencers. The new “stakebroker” plays a role beyond what was historically played by “stakeholders.” Unlike stakeholders, who are influenced by the action of a company, stakebrokers not only are influenced by the company, they also HAVE the power and influence, which they wield over what has been traditionally thought of as “elite” and “mass” audiences. Stakebrokers are fully invested in the success of companies, and connecting with stakebrokers is the surest path to becoming a Champion Brand.

The new stakebrokers not only break previously conceived constructs of influence, they also break the previous rules for corporate outreach. Traditionally, corporate communicators conceptualized their target audiences into segmented buckets. They spoke to and devised unique messages for environmental activists, community advocates and internal investors. However, in our analysis of the behaviors and attitudes of more than 75,000 people, this new influencer doesn’t limit their attention to only one or two issue domains. Stakebrokers are unique because they engage with companies from the perspective and with the interests of all of these traditional audience segments simultaneously — consumers, community members, environmentalists, policy influencers, employees and investors.

An example of a stakebroker would be someone who seeks information about a company’s employment and community involvement practices; is a member of a consumer safety organization, environmental group and labor union; attends shareholder meetings; and writes to elected officials.
about a company’s policies and practices. They are engaged on multiple issues surrounding a company and willing to engage with his or her own network to raise attention.

Stakebrokers have a uniquely important role with respect to corporate brands. They engage with companies at a completely different level than the rest of the public and are more equipped to influence others. They are fully invested in the success of companies.

The idea of the stakebroker is significant for corporate communicators because it suggests that the lines between traditional audiences are blurring. The stakebroker is someone who cannot be placed into a single audience category. Moreover, the stakebroker cares about how companies impact everything around them and are most likely to be paying attention to the practices, policies and behaviors of companies. This audience cares as much, if not more, about corporate brands as they do the brands of the products and services they buy.

Our research suggests that if a company wants to future-proof its brand, these are the people it needs to engage. Stakebrokers are the people who are going to shape the future of your company. What is more, there are a higher proportion of stakebrokers in rapidly developing economies, thus underlining their importance as companies seek to create strong global brands.
The Four Key Elements to Building Champion Brands

How should companies engage stakebrokers to build their global, corporate brands? APCO has developed a comprehensive framework that encapsulates what we know through our decades of research and synthesizes some of the best thinking on branding from over the last 20 years. The resulting framework maps out four key elements—Alignment, Attachment, Authenticity and Advocacy—that are directly linked to building a Champion Brand.

Moreover, our global Champion Brand survey of approximately 7,500 hyper-influential stakebrokers has validated these four elements and discovered that there is a hierarchy and interdependence to them. Companies can’t build lasting strength on the later dimensions without first achieving a minimal standard of strength on the preceding levels. Each level is harder to master than the previous one, but they are all necessary conditions working together to create a strong corporate brand.

1. **Alignment** draws upon traditional notions of measuring corporate reputation and measures how well companies meet the expectations of their various stakeholder groups. While alignment is a necessary first step, it is not sufficient to create strong and enduring relationships. If the adage that it takes years to build a reputation and only minutes to destroy it is true, then there must be more to explain how some brands are more likely to withstand crises.

2. **Authenticity** builds upon the work of leaders at The Arthur W. Page Society, a professional association for senior public relations and corporate communications executives in the United States, and their notion of the Authentic Enterprise. This also builds on and encapsulates broader thinking around the importance of “trust” and “ethical behavior” many leading firms use when thinking about measuring their corporate character. Authenticity is the extent to which the company aligns its activities with its stated business objectives and its

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business objectives with its vision and values. Authenticity is achieved through transparency in both word and deed—say what you mean, mean what you say, and do what you say. Companies with solid reputations that also act authentically to meet their stakeholder expectations ultimately build trust. But trust alone doesn’t create enduring brand value.

3. Attachment expands upon the insights from the product and marketing world about the importance of building strong brand relationships. Building a deeper emotional connection is what establishes loyalty and triggers positive behavior. Although key to product marketing, corporate communicators often overlook the power emotion can play in forging bonds with key audiences. Simply think of the very strong and diverse set of emotions tied to these major brands: Siemens, Disney, Tencent, Ford Motor Company and the Agricultural Bank of China.

4. Advocacy draws its roots from notions of shared value pioneered by Michael Porter and Mark Kramer at Harvard University and measures how well a company applies its unique expertise and assets to advocate on behalf of the needs of society and stakeholders. Distinct from corporate social responsibility campaigns in which companies donate to important charitable causes, in this model, companies demonstrate advocacy when the very nature of their business adds value to society.

Advocacy is the top of the Champion Brand model. Our research on corporate brands shows that advocacy is the hardest element of the four to achieve. Companies who advocate on behalf of their key audiences’ interests have stronger, more enduring relationships with these audiences than their competitors. When companies become advocates—champions—for the interests
of individuals and society, they become great brands that can endure through the toughest times and serve as leaders of society. Only then can companies expect their key audiences to become their brand champions.

Chinese business leaders should not mistake advocacy for cause marketing, corporate responsibility or philanthropy. They are all potential subsets of the idea, but not the idea itself. Advocacy is about what you stand for — explaining why you’re in business in a way that works in common cause with your key audiences. It means acting on your shared values. It means building your business while improving society.

It is important to note that companies need not make products that one might think of as “social goods” to be seen as adding value to society. A look at the Honda Hero Motors, the Indian-based motorcycle manufacturer, is instructive on this point. One does not normally think of motorcycles as being much more than a commodity and certainly not something that we’d normally think of as a “social good.” Yet Honda Hero Motors has infused their corporate language with a tone of advocacy, explaining how it helps to fulfill “its customers’ needs and aspirations for mobility,” and thus how the company contributes to “a vision of a mobile and empowered India, powered by its bikes.” Throughout both its company and product marketing, the company tells a consistent and authentic story about how it meets customers’ needs while contributing to and empowering the India of tomorrow. Honda Hero Motors champions the interests of its consumers and thus acts as a Champion Brand.

**The Value of Building a Global Champion Brand**

Some strong corporate brands have already instinctively incorporated many of these insights into how they talk about themselves from a corporate voice. For instance, in addition to its product marketing, the German engineering conglomerate, Siemens, invests in corporate branding that explains that the value of the company as a whole is to find “answers” to the world’s most pressing problems. This can be helping to create cleaner sources of energy for cities, developing more efficient transportation systems to help economies grow in an environmentally sustainable way, or developing innovative medical equipment that saves lives. The overarching point of the corporate branding campaign is to explain the value of the company (providing answers to the world’s most pressing problems) not the value of a particular product or set of products. Similarly, Sberbank in Russia talks about how the company is “by your side” and works toward a more stable and reliable financial system. This is distinct from product marketing that might talk about specific rates of return or the number of ATM machines at a customer’s disposal.

When companies find this Alignment, Authenticity, Attachment and Advocacy with their key audiences, they move from being good brands to becoming Champion Brands. Those companies that become Champion Brands recognize demonstrably better results, including improved sales and customer loyalty, greater employee retention and engagement, a more favorable policy environment, the ability to weather crises, and ultimately greater shareholder value.
In fact, our analysis of the relationship between the Champion Brand model and the financial value of the world’s largest companies empirically demonstrates that being a Champion Brand leads to a greater return for shareholders. More specifically, we applied a traditional econometric market value of equity model to predict the market capitalization of more than 500 corporate brands at publicly traded companies. This model uses traditional financial metrics, including assets, liabilities, earnings, sales and market share, to explain the variance in the market capitalization of a company at a given point and time. Looking at the data points for 2012, we see that these traditionally used financial factors can predict 75 percent of a company’s market capitalization.

In order to determine whether or not the Champion Brand model can help explain market capitalization beyond these financial factors, we added the Champion Brand Index (CBI) into the equation. The CBI is a combined rating from 0-100 that is derived from the metrics along each of the four key elements in the Champion Brand model. When the Champion Brand Index is added to the traditional econometric market value of equity model, we can predict 84 percent of a company’s market capitalization—a 9 percentage points beyond traditional financial metrics.

Further, the analysis shows a statistically significant relationship between the Champion Brand Index and market capitalization at the 99% confidence level. Specifically, we see that for every one-point increase in a company’s score in the CBI, a company’s market capitalization increases on average by $1.5 billion. That means when all of the other financial factors are treated equally, being a Champion Brand gives companies a $1.5 billion market-value premium.

Companies that can demonstrate how they align with the expectations of their key
When companies find Alignment, Authenticity, Attachment and Advocacy with their key audiences, they move from being good brands to becoming Champion Brands.

### The Next Step for Chinese Companies

Chinese companies are certainly able to build brands. Chinese citizens know, love and support many of their local brands. In fact, three of the top 30 regional brands uncovered in APCO’s research were Chinese companies that operate within China. However, it is important to note that all of these companies operate solely in China. Once Chinese companies expand beyond their home borders, their brand ratings do not fare so well.

Chinese companies face unique challenges in their efforts in becoming well-known and respected global brands. The main challenge for Chinese companies “Going Out” is how to remain connected with their home consumers while also appealing to global audiences. This is perhaps exacerbated by the nationalistic focus of many Chinese brands. Anecdotally speaking, 10 out of the 12 Chinese-headquartered companies included within the Forbes Top 250 have “China” in their name. These companies clearly link themselves closely to China’s national development.

Perhaps this is due to the fact that many of these companies are state owned. And while this heritage likely drives the corporate outlook, if Chinese brands hope to truly become global players they must set aside their domestic focus and embrace a truly global vision.

The challenges Chinese companies face can easily be seen in APCO’s Champion Brand research. When you compare the average score of the 12 Chinese companies included in the Forbes Top 250 rankings, their average CBI scores come to 58.0, which translates to a group ranking of 457 of the 600 companies included in the Champion Brand survey. In contrast, the average score of the remaining Forbes Top 250 companies is 61.3, placing them nearly 200 points higher, at 267, than their Chinese counterparts.

When investigating which of the four components—Alignment, Authenticity, Attachment or Advocacy—creates the most significant challenge for Chinese companies, interesting trends emerge. While Chinese companies rank lower across the board, there is a significant gap between Chinese
companies and their global counterparts on their global attachment and global advocacy scores. This gap indicates that global audiences have a more difficult time understanding what Chinese companies stand for and the larger societal value of the company.

As such, Chinese companies are missing on some unrealized brand value. As shown above, there is a financial premium for companies that have higher scores on the CBI. But more importantly, when companies stand for something bigger than themselves, consumers are willing to give that company the benefit of the doubt when it slips.

While Chinese brands are currently largely unknown in developed economies, the good news is that Chinese companies have an opportunity to help shape a new reality—one where Chinese companies are loved and respected by audiences both at home and abroad.

**Where Chinese Companies Will Go…**

**IF** Chinese companies are able to put the 4As into practice, that is …

**IF** they are able to ALIGN with issues that their global audiences care about;

**IF** they are able to demonstrate in word and action that they have AUTHENTICITY, living the principles which they have identified;

**IF** they can build deep emotional connections, establishing loyalty and triggering positive behavior and ATTACHMENT; and

**IF** they can develop programs showing ADVOCACY on behalf of the needs of society and stakeholders, then Chinese companies will be on their way to becoming global brands.

Such actions not only will help China finally realize the decades-long goal of the country, they will also provide true benefit to the companies themselves. These benefits range from tapping into yet unrealized market opportunities, improved market capitalization, enhanced brand value and greater employee engagement and retention. But perhaps most importantly for Chinese companies who face low consumer awareness, skepticism and concern amongst global audiences, such efforts will help build a store of goodwill that could eventually be tapped into should challenges or issues emerge.

These benefits do not apply only to companies with consumer-facing brands. Across industries, those companies that are seen as advocates for society and their stakeholders perform better. The research shows that standing for something bigger than producing safe and innovative products leads to stronger brands.

Chinese companies with global ambitions face a tough landscape. Global citizens are demanding more, and external audiences are more engaged than ever in shaping and influencing brands. With the right vision and tools in place, Chinese companies can move beyond their current status of being Chinese companies with a presence overseas to become truly global Champion Brands.