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THE SWEET SIDE OF CHINESE CONSUMERS

Challenges and opportunities in marketing
strategies of global chocolate companies

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INDEX

前言	1
FIRST CHAPTER: THE POTENTIAL OF THE CHINESE MARKET	5
1.1 THE CHINESE ECONOMIC GROWTH	5
1.2 THE DEMOGRAPHIC DEVELOPMENT AND THE SEGMENTATION OF CHINESE CONSUMERS	11
1.3 THE DEVELOPMENT OF THE CHOCOLATE MARKET	17
1.3.1 THE SPREAD OF CHOCOLATE FROM THE 16 TH TO THE 20 TH CENTURY	17
1.3.2 THE DIFFERENCES BETWEEN NORTH AMERICAN AND EUROPEAN CHOCOLATE	19
1.3.3 LAST YEARS' DEVELOPMENT WORLDWIDE AND IN CHINA	21
1.4 OPPORTUNITIES AND THREATS FOR WESTERN COMPANIES IN CHINA	26
1.4.1 THE MAIN OBSTACLES IN ENTERING THE CHINESE MARKET	28
1.4.2 NEW OPPORTUNITIES: E-COMMERCE	31
1.4.3 THE ADVANTAGES OF BEING FOREIGN	34
SECOND CHAPTER: PROFILING CHINESE CHOCOLATE CONSUMERS	39
2.1 THE IMPORTANCE OF CROSS-CULTURAL MARKETING FOR ADDRESSING THE CHINESE MARKET	39
2.2 FOOD CULTURE IN CHINA	47
2.3 THE GIFT-GIVING CULTURE	54
2.3.1 <i>MIANZI</i> 面子	59

2.3.2	<i>GUANXI</i> 关系.....	62
2.3.3	A SUCCESSFUL CASE OF <i>GUANXI</i> 关系 RELATIONSHIP: FERRERO'S DISTRIBUTION IN CHINA	68
2.4	CHINESE CHOCOLATE CONSUMERS' BEHAVIOR	72
2.4.1	THE DECISION-MAKING PROCESS	72
2.4.2	INFLUENCES DURING THE DECISION-MAKING PROCESS	76
2.4.3	THE CHOCOLATE SENSORY MARKETING	78
2.4.4	THE SEGMENTATION OF CHINESE CHOCOLATE CONSUMERS	83
THIRD CHAPTER: THE COMPETITIVE SCENARIO OF THE CHINESE CHOCOLATE MARKET.....		87
3.1	THE WESTERN "BIG FIVE" IN CHINA.....	87
3.2	FERRERO	92
3.2.1	FERRERO'S HISTORY AND ITS ENTRY IN THE CHINESE MARKET	92
3.2.2	THE SWOT ANALYSIS	95
3.2.3	THE TARGETING AND POSITIONING STRATEGY	99
3.2.4	THE MARKETING MIX STRATEGY.....	100
3.3	MARS	112
3.3.1	MARS'S HISTORY AND ITS ENTRY IN THE CHINESE MARKET	112
3.3.2	THE SWOT ANALYSIS	115
3.3.3	THE TARGETING AND POSITIONING STRATEGY	116
3.3.4	THE MARKETING MIX STRATEGY.....	116
3.4	THE OTHER THREE "BIG FIVE": CADBURY, HERSHEY AND NESTLÉ	128
3.4.1	CADBURY	128
3.4.2	HERSHEY	130

3.4.3 NESTLÉ	134
3.5 THE LUXURY SIDE OF CHOCOLATE: LINDT AND GODIVA	137
CONCLUSIONS.....	143
BIBLIOGRAPHY.....	145
SITOGRAPHY	153

前言

这本论文的目的在于研究中国的巧克力市场。在中国巧克力是一种新产品，因为这个国家已经封闭数十年了。感谢邓小平，中国在1978年通过四个现代化向西方开放。第一章正是从以下几个部门的四个现代化分析开始：农业、经济学、科学技术、国防。之后，本章介绍了该国从1978年开始经历的人口增长。自开放以来，人口以惊人的速度增长，许多人搬到了城市。城市化进程导致了城市居民的丰富，这些居民已成为“中产阶级”的一部分。该细分市场的购买力不断提高，在80年代和90年代，他们的消费习惯发生了变化：他们不再只购买基本必需品，还开始购买其他类型的产品。此外，“独生子女政策”（正式称为“计划生育政策”）导致了一代人的诞生，他们被称为“小皇帝”，他们习惯于购买和拥有他们所想要的一切。除此之外，近年来，新一代“Z世代”已经发展起来：现今的孩子们接触到了西方文化，并且知道如何完美地使用互联网。他们花了更多钱，这对巧克力公司来说是一个积极因素，因为他们可以瞄准新一代来增加销售。

事实上，尽管巧克力对这个亚洲国家而言是新颖的，但中国的巧克力市场一直在迅速发展。西班牙征服者埃尔南·科尔特斯（Hernán Cortes）发现了巧克力，并将其带到了欧洲法庭中。该产品之前还是液态，随后，由于工业革命和那个时代的发明（蒸汽动力，液压机），它变成了固体。学者们将接下来的几年定义为“巨大的巧克力热潮”，因为巧克力的传播非常迅速。经济改革后，巧克力于1980年到达中国。最早进入中国的公司是Ferrero（费列罗），然后在那几年其他公司也进入了。但是，这些公司碰到了进入该国的困难。第一章的最后一部分讲述了西方巧克力公司在中国的障碍和机遇。关于第一个方面，在1980年，中国的分销和零售部门非常落后。此外，2008年的“食品丑闻”引起了人们对诸如巧克力之类的乳制品的诸多质疑。至于第二方面，由于消费者不再信任中国产品，因此他们从国外公司购买了更多产品。确实，消费者被外国公司吸引，因为它们是质量和信誉的代名词。此外，近年来电子商务的发展使外国巧克力公司能够更好地满足客户的需求。

第二章分析了巧克力的中国消费者。首先，本章解释了Hofstede的维度：个人主义和集体主义，权力距离，避免不确定性，男性气质和女性气质，短期和长期取向，

克制和放纵。然后，本章分析了中国的饮食文化。实际上，中国文化与西方文化大不相同，因为它源于儒家哲学和阴阳理论。食物不仅是基本必需品，而且也是人与人之间关系的基本方面。中国人与西方人的口味一直存在着很大的区别：中国人偏爱咸味和辛辣食物，而不是甜食。但是，近几十年来，中国人在饮食方面已逐渐开始采用西方生活方式。例如，越来越多的中国人正在吃零食，包括巧克力。但是，相对于欧洲人跟美国人来说，中国人的巧克力消费能力要小很多。因此，到2020年，中国人只消费了22万吨巧克力，而美国人则消费了1,525,000吨巧克力。

事实上，中国人很少购买巧克力作为自用，而宁愿将其作为礼物送给其他人。由于中国是一个集体主义国家，因此与他人建立牢固的关系非常重要。建立关系的最好方法之一是通过礼物：中国人会在很多场合，例如在农历新年或情人节期间，以及在次要场合都会馈赠礼物给朋友，亲戚等等。送礼的做法不仅是中国人，还有西方人也会经常采取用礼物，以证明并维持与亲人的关系。但是，中国送礼的含义更深，源于许多文化方面，最重要的是“面子”和“关系”。对于第一个方面，“面子”是人们向他人展示的图像，每个人都试图以积极的方式炫耀自己。“面子”影响着中国人生活的许多方面：他们的行为，他们的着装，以及他们的购买方式。有些东西会增加人们的面子，无论是当人们为他们买东西时，还是当他们买东西赠予他人时。因此，中国人通过礼物来增加声望，而礼物越漂亮，他们的声望就越高。中国人更喜欢送具有西方和西方知名品牌的产品，其包装让人联想到奢侈品。

至于第二方面，“关系”源于儒家的传统，人与人之间存在着关系，因此成为一个群体的一部分是必不可少的。“关系”具有各种规则和细微差别：“人情”，“感情”，“信用”。由于中国是一个集体主义社会，因此人们尝试与他人建立和维持关系。为此，中国人诉诸“关系惯例”，例如礼物。“人情”是两个人互动时交换的东西。当一个人收到一个人情时，他必须将其返回，因此会触发一轮恩惠，随着时间的流逝，这种恩情会持续下去并维持这种关系。同样，在中国文化中，返回的人情必须大于所收到的人情。只有这样，人与人之间的关系才能随着时间的流逝而持续下去。“感情”表示建立持久关系的意愿，因为交换单个“人情”不会创建关系，而“信用”是基于双方的信任。如果不尊重“人情”，“信用”和“面子”将会丢失，不再有任何关系。要想建立持久的关系，必须拥有以上所说的所有价值观。第2.3章总

结于费列罗（Ferrero）在中国的例子：费列罗成功地与中国分销商建立了关系，并成功进入中国市场，因为费列罗（Ferrero）设法根据中国价值观调整了战略选择。

第二章以中国巧克力消费者的行为为研究结尾。本章调查了决策过程以及对消费者的各种影响。尤其是，消费者受公司营销组合的影响。营销的一种类型是感觉营销，它被广泛用于营销巧克力。感官营销是“吸引消费者的感觉并影响他们的感知，判断和行为”的营销。至于巧克力，公司所涉及的感官是嗅觉和味觉，因为它们能够更好地吸引顾客。味道和气味是最能确定巧克力质量和品质的两种感官，因为这两种感官能够说服顾客购买产品。不过，巧克力公司的营销也包括视觉，触觉和听觉。公司使用这五种感官的结合来吸引消费者并说服他购买他们的产品。第二章的最后一个子章节研究了在中国巧克力消费者的细分，他们的巧克力消费习惯和口味。

第三章提出了中国巧克力市场竞争状况的案例研究。首先，本章介绍了中国巧克力市场的发展，其特征在于三个阶段：“实验阶段”，“临界质量阶段”和“分离阶段”。在这些阶段之后，市场已经稳定下来，并由“五巨头”（“Big Five”）主导，即火星，费雷罗，戈迪瓦，好时和雀巢。然后，本章在第 3.2 和 3.3 章中专门分析了费雷罗 (Ferrero) 和瑪氏食品 (Mars)，然后介绍了吉百利 (Cadbury)，好时 (Hershey) 和雀巢 (Nestlé)。

费列罗是中国市场的领先品牌之一。这家意大利公司诞生于都灵，于 1982 年与费列罗·罗彻（Ferrero Rocher）一起进入中国，尽管存在着一些初期问题，（例如官僚作风，经销，假冒等）但还是立即在中国市场站稳了脚跟。费列罗·罗彻是费列罗（Ferrero）最畅销的产品，被中国人买下来，作为送给亲友的礼物等。所以，中国人很少以自消费的方式购买巧克力，但他们会在礼物上花更多的钱。费列罗利用“送礼习惯”将费列罗·罗彻定位为高品质的奢侈品，非常适合在特殊场合送给亲人的礼物。营销组合的每个杠杆都与这种定位一致：该产品具有较高的价格，并且始终在超级市场中处于明显的位置；巧克力采用优质原料，尤其是全球广为人知的独特包装：用金箔包裹着的巧克力球。黄金让人联想到财富，圆形形状更使其完美无瑕。至于促销，费雷罗的广告显示家人或朋友聚在一起庆祝中国新年，圣诞节等。和客人带来一盒费雷罗·罗彻作为礼物。这些广告唤起了一种家庭、团结和幸福的感觉，这可以通过分享像费雷罗·罗彻这样的独特产品来完成。

瑪氏食品 (Mars) 在 1911 年诞生于华盛顿，该公司很快凭借其非常广泛的产品组合向全球扩展。瑪氏在产品，基础设施和广告上投入了大量资金，具有非常大的竞争实力。实际上，瑪氏一直对中国市场的其他品牌采取非常激进的营销策略，很显然，这种选择是成功的，因为它是中国市场的领导者，市场份额超过 34%。瑪氏最初以“M&Ms”进入市场，但随后改变了策略，专注于德芙 (Dove)，这是一种以各种方式做广告的高质量产品。瑪氏广告具有各种场景和设置，从夫妻到家庭。在所有德芙视频中，当一个人吃巧克力时，这个人会被一波巧克力所覆盖，这使他们更加享受体验。

本章继续解释吉百利 (Cadbury)、好时 (Hershey) 和雀巢 (Nestlé)：他们进入中国市场的方式不同，采用的营销策略也不同。吉百利在中国遇到了一段与原材料质量有关的问题，但还是成功地将自己确立为中国市场的“五巨头”之一。好时一直更关注美国国内市场，而不是国际市场。所以，与其他全球品牌不同，好时并没有在中国建立固定生产工厂，而是仅限于销售其产品。该公司已在中国进行了相当大的扩张，但好时仍然继续专注于美国市场，因为它是美国的龙头公司。雀巢是以一家销售健康和高质量产品公司的名义而马上在中国被肯定的，因为雀巢最畅销的产品之一是“婴儿食品”。雀巢拥有非常广泛的产品组合，从婴儿食品到咖啡和巧克力（尤其是 KitKat 和 Nestlé Wafer）。也正是因为这个原因，雀巢在中国巧克力市场上并不出名，但它的名气却是它的所有产品。第三章以奢侈巧克力品牌 Lindt 和 Godiva 结束，以及它们必须保持哪些特征才能成为奢侈品。这两个品牌非常注重包装，以至于产品一关起来就已经很贵了。此外，两个品牌都通过其网站上的礼品栏展示了他们的产品在婚礼等特殊场合的完美表现。

FIRST CHAPTER

THE POTENTIAL OF THE CHINESE MARKET

1.1 THE CHINESE ECONOMIC GROWTH

China, a country which now counts nearly 1.4 billion people, has experienced an economic growth with no historical precedents in the last decades. Until 1978, China had a poor and stagnant economy, with a real per capita GDP which was one-fortieth of the U.S. level. Its economic growth has experienced “the fastest sustained expansion by a major economy in history — and has lifted more than 800 million people out of poverty”¹.

Prior to 1978 Reforms, during the “Premodern” era, China was a leader in the economic and technological sectors, but then it lost its position with the increasing development of Western countries thanks to the Industrial Revolution. Moreover, many researchers think that the loss of superiority was due to the imperial political-institutional system that only focused on the interests of elite groups.

A shift in this trend happened with the establishment of the People’s Republic of China in October 1949. This year marked the beginning of the industrialization process of China, even though the development was still slow with a real per capita GDP growth of merely 3 percent a year. The Chinese communist Party focused on heavy industry like steel or heavy machinery to pursue the industrialization of the country. This strategy was “modeled after the planning system of the Soviet Union”². It also “limited household consumption and set low prices for agricultural foods, that forced savings and surpluses extracted from the agricultural sector could be used for investment in such industries”³. However, these politics,

¹ Morrison W. (2019), *China’s Economic Rise: History, Trends, Challenges, and Implications for the United States*, p.1.

² Chow G. (2004), “Economic Reform and Growth in China”, in *Annals of Economics and Finance* vol. 5, p. 128.

³ Zhu X. (2012), “Understanding China’s Growth: Past, Present, and Future”, in *Journal of Economic Perspective* vol. 26 no. 4, p. 109.

mainly carried out by the Communist leader Mao Zedong, had devastating effects on the agricultural production which not only caused the GDP growth to stop, but also created a period of severe famine which invaded the whole China in the years between 1959 and 1969, also known as the Great Leap Famine. This name comes from Mao's project "The Great Leap Forward" (大跃进 Dàyuèjìn), launched in 1958 with the aim of reconstructing the country by shifting the Chinese economy from an agrarian economy to a communist society through the creation of people's communes. Regardless the severe situation, the Party did not take any step back and kept on carry out a strategy characterized by an unbalanced growth.

Apart from the agricultural sector, which employed more than 70 percent of the population, China also tried to develop the economic sector. The majority of the enterprises were state-owned, so the Party had control over production, prices and resources, while private enterprises only represented one-fourth of the total and foreign-invested firms were very limited. However, thanks to the increasing physical and human capital, Chinese economy was able to grow organically, even though living standards were still poor.

The real change happened in 1978 just after the end of the Cultural Revolution and the death of Mao Zedong 毛泽东 (1893-1976) in 1976. There are several reasons why economic reforms took place in 1978. Mao's death surely played a major role, since its Cultural Revolution turned to be very unpopular, and only when Deng Xiaoping 邓小平 (1904-1997) took control of the situation the real change occurred. Furthermore, the central planning had many limits, such as the shortage of consumers goods which provoked much sufferance to Chinese people. Finally, as stated above, the Soviet Union-based planning system was not sustainable for China, and new tendencies of modernization started to develop in more market-oriented neighboring economies that make Deng Xiaoping aware that a heavy industrialization type of growth was not the right way to go.

Deng Xiaoping took the reins of the economic and political situation: he immediately launched 改革开放 (Gǎigé Kāifàng) "Reform and Opening Up", which completely transformed the Chinese economy, starting with "the Four Modernizations" (四个现代化 Sì gè xiàndàihuà) in the fields of agriculture, industry, defense and science. These modernizations led to the liberalization of prices, the decentralization of the trade with

Western countries and the more and more autonomy in the decision-making of private enterprises.

The agricultural sector was the first to be transformed. The main reforms were the increasing of prices for agricultural goods and the creation of a “household-responsibility system” (家庭联产承包责任制 Jiā tíng lián chǎn chéng bāo zé rèn zhì)⁴. During the Mao era, farmers worked in groups of around 40 persons, and any extra output was divided among components of the group, and people were not motivated to work hard and produce more, since no additional effort was rewarded. During Deng era, the Commune system was reorganized by giving a part of land to each individual household, and the surplus created could be sold by the farmer. The result was immediately perceivable: agricultural output increased very rapidly, by more than 47 percent, and farmers became richer. This successful reform gave the sprint to reforms in other sectors since it demonstrated how the market economy was the right choice in order to have a concrete economic growth in China.

The whole environment of enterprises was also changed: state enterprises were gradually given autonomy in production, marketing and investment decisions, and they were financially independent and also assisted to the introduction of a new “household-responsibility system”. As a matter of fact, before these liberalizations, state-owned enterprises had to carry out the central planning decisions and could not keep any profit. Subsequently, in 1987 the “contract responsibility system” was introduced: “after paying taxes to the government, enterprises could keep the remaining profit for its staff and workers and for capital investment”⁵. Further liberalization was carried out in the 1990s, when small and medium sized enterprises passed into the hands of private citizens, while government continued to have control over large enterprises. The latter were also transformed for the major part in shareholding companies with the highest percentage of shares controlled by the government.

One of the main changes brought about by the Reforms of Deng Xiaoping was the opening up with other countries, since China was a closed economy before 1978. Foreign trade and investments started to grow under the Open-Door Policy, along with strong encouragement

⁴ Zhu X., *op. cit.*, p. 112.

⁵ Chow G., *op. cit.*, p.130.

on imports and exports. In order to direct the investments to specific zones and sectors the government created some special economic zones (SEZs) in Guangdong and Fujian provinces (Shenzhen, Zhuhai, Shantou, Xiamen and Hainan). Moreover, strong effort was done for the liberalization of prices, by letting them be determined by market forces. However, a radical change overnight could not have been possible, so the state decided to adopt a two-tier price system, meaning that some prices were fixed by the government. Once again, the graduality of change resulted to be the best option. This way, enterprises were motivated to “economize on its inputs and to increase its output for profit. [...] Under this system if certain outputs were desired by the market beyond the amounts that could be produced using the centrally allocated inputs, prices would go up and the producers could produce more using more expensive inputs supplied in the market”⁶. Apart from state owned enterprises, there were other three types of enterprises in China: collective, including both urban and rural collectives, overseas founded, established only under the open-door policy and individual.

The Reforms involved also the banking and financial sector, through the establishment of specialized banks such as “Industrial and Commercial Bank of China, Agricultural Bank of China and the People’s Construction Bank of China”. These banks were free to decide on credits, and this factor allowed to supply currency to increase. In addition, “the government formed the China International Trust and Investment Corporation (CITIC) to attract foreign capital”⁷ and established the first stock markets in Shanghai and Shenzhen.

Another sector the Reforms renovated was the educational system, which was controlled by the government. Schools improved very quickly thanks to the positive attitude of Chinese people, who, after the disaster of the Cultural Revolution, were eager to study everything they could have not been able to learn under the Mao era, when China was completely isolated from the rest of the world. Students could also attend foreign universities, many Western books started to be translated into Chinese and universities and schools put great effort in the teaching of foreign modern languages, especially English. Since China was getting more and more involved in the international businesses through

⁶ Chow G., *ivi*, p.134.

⁷ Chow G., *ivi*, p. 136.

foreign enterprises and foreign investments, strong attention was also paid in the modernization of Chinese legal system. New programs for legal education were created, along with the emanation of additional laws and the reorganization of the judicial system.

Lastly, the social welfare system underwent considerable changes and there were two types of insurance systems: “the Government Insurance Scheme (GIS) and the Labor Insurance Scheme (LIS). Financed by government budgets, CIS covers government employees, retirees, disabled veterans, and university teachers and students. LIS covers state enterprise employees, retirees and their dependents”⁸.

Overall, the Reforms of Deng Xiaoping brought about a 360 degrees transformation under every aspect of China, everything apart from politics. As a matter of fact, China did not change its political system, and that is why Chinese economic development is so singular compared to other countries. The Communist Party has been able to control the whole transition and change step by step, by experimenting and trying what the Party thought was best in order to achieve the economic development China has had so much struggle in pursuing. Deng was a crucial character in doing so, he put aside ideology and followed the path of pragmatism. It is in fact well-known his statement “It does not matter whether a cat is black or white as long as it catches the mice” (“不管白猫、黑猫，會捉老鼠就是好猫” Bùguǎn bái māo, hēi māo, huì zhuō lǎoshǔ jiùshì hǎo māo). This implies a strong change from the complete reliance on ideology to a vision which tried to emphasize forces of production.

The opening up led to a stronger integration of China in the global trade, which culminated with the country entering the International Monetary Fund in 1980 and the World Trade Organization in 2001. From 1978, China has been experiencing an uninterrupted and impressively rapid development with its economy grew an annual rate of 9.44 percent from 1978 to 2018. Its share of the world economy also increased from less than 2 percent in 1978 to 16 percent in 2018⁹. China keeps on doubling its Gross Domestic Product every eight years and this leads to the enrichment of more and more people, resulting in an

⁸ Chow G., *ivi*, p.139.

⁹ Yang Y, (2020), “China’s Economic Growth in Retrospect”, in *China 2049. Economic challenges of a rising global power*.

estimated 800 million persons out of poverty. On a Purchasing Power Parity basis, China is now “the world’s largest economy, manufacturer, merchandise trader and holder of foreign exchange reserves”¹⁰. More specifically, China’s demand for consumers goods continues to rise, reaching 41.17 trillion Yuan, which correspond to 5.300 billion Euro circa. This is also because available per capita income keeps on rising as well, especially in urban areas, where it reached 42.359 Renminbi in 2019.¹¹ It goes without saying that China represents one of the most interesting countries to deal with, by offering infinite opportunities to Western companies that intend to expand their business there.

¹⁰ Morrison W., *op. cit.*, p. 2.

¹¹ ITA (2020), *Scheda Paese Cina*.

1.2 THE DEMOGRAPHIC DEVELOPMENT AND THE SEGMENTATION OF CHINESE CONSUMERS

As previously presented, one of the main sources of economic growth in China has been the impressive availability of work force volume. This is due to the increase in population that China experienced: from the opening up in 1978, living standards started to improve and more and more people got out of poverty. As a result, the population grew from 987.05 in 1980 to 1400.05 million people in 2019¹².

Until 1978, the agricultural sector employed more than 80 percent of Chinese population. Later, a massive flow of investments and innovation entered the country, which led to the modernization of agriculture. In addition, more and more townships and village enterprises were established, with the result of a massive migration to other sectors, counting 4.38 million laborers that left the countryside to move to cities¹³. The urbanization of China, meaning the process of people migrating from rural to urban areas, during which towns and cities are formed and increase in size, rose from nearly 20 percent in 1980 to more than 60 percent in 2019, surpassing the number of rural residents in 2011¹⁴.

However, the urbanization did not involve all Chinese areas equally, but some cities developed more rapidly than others. More specifically, the East and South regions represented China's "growth markets". This area included provinces like Guangdong, Fujian, Hainan and Hong Kong, Shanghai, Jiangsu and so on, and were the first to be urbanized and to grow in population¹⁵. To this day, Chinese largest cities are situated in this zone: Shanghai is the biggest one, counting 26.3 million people in 2019, followed by Beijing which has around 20 million inhabitants¹⁶.

¹² <https://www.statista.com/statistics/263765/total-population-of-china/>

¹³ Ercolani M., Wei Z. (2011), "An Empirical Analysis of China's Dualistic Economic Development: 1965–2009", in *Asian Economic Papers* vol. 10 no. 3, p. 1.

¹⁴ <https://www.statista.com/statistics/270162/urbanization-in-china/>

¹⁵ Cui G., Liu Q. (2000), "Regional market segments of China: opportunities and barriers in a big emerging market", in *Journal of Consumer Marketing* vol. 17 no. 1, p. 5.

¹⁶ <https://www.statista.com/statistics/992683/china-population-in-first-and-second-tier-cities-by-city/>

As a consequence of the strong and quick urbanization and new jobs in non-agricultural sectors, a lot of Chinese people became richer and started having more disposable incomes, moving to the so-called “middle class”. However, the influence of this group started to be relevant in recent years, since still in 2006 less than 10 percent of China’s population was in the middle class: it was estimated that around 90 million people met the requirements to enter this group, while in the same period United States middle class already counted more than 200 million. Nonetheless, the following years saw an even more rapid growth, reaching around 730 million middle class people by 2016, with an average growth of 60 million persons per year. This demographic boom was a consequence of millions of people changing their jobs into more productive employments with higher wages, for example in the automobile sector¹⁷.

The well-paid salaries brought a relevant change in consumers’ behavior. Until the end of the Cultural Revolution, Chinese consumers provided for themselves only the most basic of products, but now the needs and wants of consumers have changed¹⁸. “The spending structure has shifted “from ‘necessity’ to ‘discretionary’, [...] so discretionary categories, such as transport, recreation, education, luxury goods and financial products, will benefit the most as they will achieve a higher share of wallet”¹⁹. For instance, “China is the world’s largest smartphone market, accounting for 20 percent of Apple’s iPhone sales as well as providing a large home market for domestic Chinese brands. Chinese citizens took 300 million vacation and business trips in 2019; 166 million of these trips were abroad and 140 million were within China. Over 90 percent of Chinese own their own home” as it is seen as a strong status symbol²⁰. Chinese consumers follow more and more their emotional EoV (Elements of Value) rather than the functional EoV, meaning purchases connected to “enjoyment, social status, self-identity and societal contribution”²¹, and become less price sensitive, with the result of spending more easily. This rising trend brought China to be classified as “the largest middle class consumption market”, with \$7.3 trillion expenditures

¹⁷ Kharas H., Dooley M. (2020), “China’s Influence on Global Middle Class”, in *Global Governance and Norms/global China: assessing China’s growing role in the world*, p. 1.

¹⁸ Frith K. (1995), “The Rising Dragon: Chinese Consumerism”, in *广告学研究 (Advertising Studies)* vol. 25.

¹⁹ World Economic Forum (2018), *Future of Consumption in Fast-Growing Consumer Markets: China*, p. 9.

²⁰ Kharas H., Dooley M., *op. cit.*, p. 2.

²¹ World Economic Forum, *op. cit.*, p. 9.

in 2020 on the total \$41 trillion of global middle class market worth, surpassing the United States which count \$4.7 trillion middle class expenditures in the same year. This is also thanks to the rapid development of Internet and e-commerce in China, with young people as the greatest users²².

In order to understand the incredible potential of the new generations, it is relevant to take a step back to 1979 when the “One Child Policy” – officially called “Family Planning Policy” – was implemented. This policy came from the growing concern Party members and researchers had concerning the impressive demographic increase in China, which they considered to be unsustainable. As a matter of fact, various studies predicted that the natural resources were not enough and that such big increase in population would ruin Chinese economic development instead of nourishing it, so they decided to pursue this incredibly difficult and often criticized “One Child Policy” among Han ethnicity, which however comprehends about 95 percent of the population. This policy authorized Han-race couples to have no more than one child and pushed the legal age for marriage to respectively 22 and 20 years of age for males and females. The penalties for breaking this law were not only monetary but social as well. In fact, the fine for giving birth to a second child was estimated about 3 to 6 times the average annual income of each parent, and families with two children were publicly discriminated and struggled finding jobs or have a decent position in the society. This policy pushed many couples to undertake abortions if they got pregnant with a second child, and uncountable sex-selective abortion were reported as well²³. In fact, male children have always been preferable, so it was not rare that couples expecting females decided to stop the pregnancies. The result is a ratio of 104.5 males every 100 females in 2019, whereas the peak of discrepancy from the implementation of the policy was 106.7 males every 100 females in 2000²⁴.

Due to this radical and artificial restraint on births, the fertility rate dropped from 4.8 in 1975 to 3.1 in 1980, and lowering even to 1.61 in 2005²⁵. As a consequence, Chinese population has become older: data show that the population aged 60 and older grew from 7.5

²² Kharas H., Dooley M., *op. cit.*

²³ Howden D. (2014), “China’s One-Child Policy: Some Unintended Consequences”, in *Economic Affairs*.

²⁴ <https://www.statista.com/statistics/251102/sex-ratio-in-china/>

²⁵ <https://www.statista.com/statistics/1033738/fertility-rate-china-1930-2020/>

percent in 1980s to 17.4 percent in 2020²⁶. This impressive increase is not predicted to stop, as researchers foresee that by 2027 more than 320 million Chinese – 22 percent of the population – will be older than 60 years. Undoubtedly, this will create social pressure as well as a rising demand for products and services specifically addressed to elderly. This segment of customers spends on health-related expenses, while focusing less on housing, clothing and so on²⁷. In fact, on the one hand nutrition, leisure activities such as packaged holidays, wellness and fitness are the most relevant categories where elderly spend their money. On the other hand, this group saves a lot since social safety net is still instable, so their spending power decrease substantially²⁸.

“One Child Policy” did not only make the Chinese population older, but it also created a new generation with unique consumption behaviors. The people who grew up during these politics is called “little emperors”, as a representation of the behavioral and social characteristics this group shares. The parents of the 80s and 90s were extremely focused on their only child, striving to give him or her the best life possible. This oppressive attention towards them also brought strong anxiety, since all the parents’ expectations and pressure are poured over the child. In addition, these never-ending attentions the parents to spoil the children. Therefore, apart from the lack of interaction with siblings, which causes a different type of behavior with friends when they grow up, only children are often used to have everything they want from their parents and are more self-centered. Besides, people of this generation also had the financial support of their parents, which very often try to give them everything they lack in their youth, and grew up in a period of rapid improvements in terms of economy and quality of life, added to the development of new technologies²⁹.

However, “little emperors” do not present the only generation to account for a large part of consumption spending: the so-called “Gen Z” is now emerging as the greatest and most profitable segment. Gen Z includes people born between 1996 and 2010 who are growing up “during the fastest sustained expansion of a major economy in history, and are

²⁶ <https://www.statista.com/statistics/251529/share-of-persons-aged-60-and-older-in-the-chinese-population/>

²⁷ World Economic Forum (2018).

²⁸ Passport (2020), *China Demographics: with challenges come opportunities*.

²⁹ Gangadharan I., Meng X. (2013), “Little Emperors: Behavioral Impacts of China’s One-Child Policy”, in *Science*.

consequently used to rapid improvements in their standard of living”.³⁰ Moreover, they are extremely skilled in the use of technology. This generation has peculiar consumption behavior, different from other generations in China as well as same generations in the rest of the world.

Jia Zhou and other researchers profiled the Chinese Gen Z through a survey of nearly 3.000 consumers in China aged between 18 and 54, and reported them in their study *China's Gen Z are coming of age: Here's what marketers need to know* (2020)³¹. First of all, Gen Z all over the world are “more likely to buy products on the go”, but the most impulsive ones are Chinese. They tend to spend more with the aim of receiving instant gratification and they rely to their emotional EoV, particularly the ones connected to social status and self-identity. This spontaneous spending behavior comes from an optimistic vision of their future: Chinese Gen Z has “robust confidence in their future earnings”, so they feel less pressure on spending more for something they may not really need and even overspending their budget sometimes. They refer to themselves as “the moonlight clan”, often spending their entire salary that same month, thus living “paycheck by paycheck”. This is a new behavior for Chinese people since, culturally speaking, they have a long-term orientation: they focus on the future and do not rely on immediate benefit, so they tend to save their money and not spend it all right away. Globalization certainly plays a great role in this change in behavior, as Chinese seem to be influenced by the American lifestyle, as they have a really short-term orientation and spend money without caring that much about savings³².

Gen Z is attracted by brands that offer them customized products, since they look for uniqueness when buying and showing what they have bought. Personalization will become the key factor for companies to be competitive and meet these generations' higher standards. The focus is on providing personalized products, by abandoning the mass market and focusing on some small niches. Moreover, Gen Z is very loyal to brands they identify with, and, due to their high ability and knowledge of technologies, have no problem buying online. At the same time, they also use omnichannel to shop their products. For example, compared

³⁰ Zhou J. et al. (2020), “China's Gen Z are coming of age: Here's what marketers need to know”, in *China consumer report 2021*, p. 139.

³¹ Zhou J et al., *ibidem*.

³² Pontiggia Andrea (2020), *Organization, People and Culture: Management to China*, Custom Publishing McGraw-Hill Education.

to other countries Gen Z, they are more used to browse in store and buy online or vice versa. Concerning online shopping, “they are also inclined to online commerce sites that allow peer-to-peer transactions such as Taobao and second-hand marketplace Xianyu to a greater extent than their elders”³³. They trust these sites as much as business-to-consumer’s ones, as they see them as transparent and fair.

A more complete and reliable experience online is given by the Electronic Word-of-Mouth. Word-of-mouth is fundamental in China, and it is crucial is the decision of buying a product. Being China a collectivist society, Chinese rely a lot on the considerations of their peers, with the result of being greatly influenced by their opinion. For this reason, Gen Z looks for recommendations and online reviews before buying something, especially on official social media accounts of the brands they follow. Nonetheless, traditional Word-of-Mouth by friends and family still play a major role in influencing Gen Z buying decision.

These new generations’ characteristics, together with elderly and middle class in general, makes it evident that the Chinese market is extremely big and differentiated, and each category has numerous needs to satisfy. Therefore, international companies that enter the Chinese market have to understand this variety of potential customers, study them and develop the best way to address their needs and wants.

³³ Zhou J et al., *op. cit.*, p. 144.

1.3 THE DEVELOPMENT OF THE CHOCOLATE MARKET

The chocolate market has developed during the course of various centuries and many countries took part in the development of what we now consider chocolate. Moreover, countries have evolved in different ways, by producing chocolate their way based on resources and consumers’ tastes. Figure 1.1 summarizes the main events in the expansion and development of the chocolate market that will be examined in this chapter.

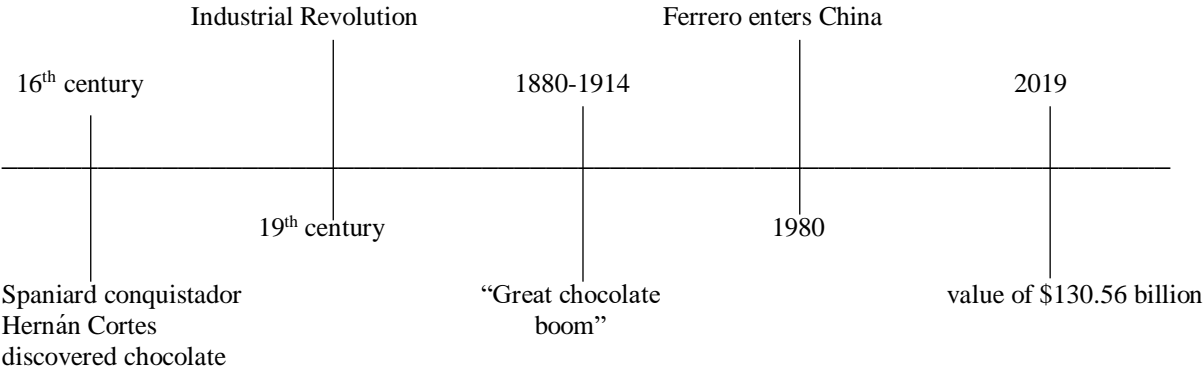


Fig. 1.1. Timeline of the development of the chocolate market

Source: personal elaboration

1.3.1 THE SPREAD OF CHOCOLATE FROM THE 16TH TO THE 20TH CENTURY

Chocolate has a long history: “Cocoa grows on a tree called *theobroma cacao*, which literally means ‘food of the gods’. The cocoa tree only flourishes between 20° North and South, as it needs warm temperatures, year-round moisture, and midges for pollination”³⁴, and this is why it became popular in central America, more precisely among Olmecs, Mayas and Aztecs. These peoples used to mix the beans with water and various spices and drink it.

It was with the Spaniard conquistador Hernán Cortes during the 16th century that this food was introduced to the rest of the world. However, many Europeans did not like the taste of that new drink and used to sweeten it with some sugar. The chocolate spread among Europe

³⁴ Alberts H., Cidell J. (2006), “Chocolate Consumption, Manufacturing, and Quality in Europe and North America”, in *Geography*, p. 4.

very quickly, but it was initially limited to the élite, to whom it became an important ritual. These colonial powers also started growing cocoa plantations in some of their empires, such as in South America, West Africa and Southeast Asia³⁵.

Chocolate became popular also among the general population with the Industrial Revolution, firstly because in this period wages started to rise, new products were introduced, and prices dropped, so a larger number of people was able to afford to buy more than just the basic foods. More importantly, during the 19th century new technologies were invented, for instance the steam power which made the grinding of the cocoa beans more efficient; the hydraulic press that could press the cocoa butter from the cocoa beans, and the leftovers were used as chocolate powder to produce drinking chocolate. These inventions allowed companies to create all types of chocolate products at lower prices, thus selling them to a broader part of the population. Chocolate started to be produced on larger scales and the quality increase along with product diversification, such as different tastes, ingredients and textures. In addition, imported cocoa beans benefitted of lower taxes and transportation costs thanks to improvements in infrastructure.

All these factors put together brought about the “great chocolate boom”, as defined by Clarence-Smith (2000)³⁶, in Western countries during the period between 1880 and 1914. Data show that the imports of cocoa beans of these countries increased nine times between 1870 and 1900, and kept on rising, as by 1940 cocoa production accounted for 632,000 tons, more than ten times higher than in 1900 which reported 53,000 tons³⁷.

Over the years, several countries began to specialize in certain types of chocolate, by adding more milk, sugar or other ingredients. In particular, European countries “established a tradition of high-quality chocolate production”³⁸, in which Switzerland and Belgium were the leaders. Switzerland has been able to emerge as a prestigious chocolate manufacturer which focused on tradition, and this peculiarity is what still allows small-scale businesses in emerging in the competitive scenario. Swiss chocolate companies stress their artisanal

³⁵ Albert H., Cidell J., *ibidem*.

³⁶ Poelmans E., Swinnen J. (2016), “A Brief History of Chocolate”, in *The Economics of Chocolate*, Oxford University Press, p. 21.

³⁷ Poelmans E., Swinnen J., *ibidem*.

³⁸ Squicciarini M., Swinnen J. (2016), *The Economics of Chocolate*, Oxford University Press, p. 2.

production and quality in order to maintain their niche. On the other hand, Belgian chocolates, like Pralines and truffles, have become famous all over the world and became one the main chocolate exporter from 1960. Meanwhile, chocolate demand from Asian countries started to increase. Here, the chocolate was perceived as an exotic product, associated with the idea of high-quality and expensiveness.

Overall, from the 16th century, the demand for chocolate kept on increasing, even though opinions and preferences worldwide differ drastically. For instance, in the first decades of its global development and commercialization, chocolate was considered a healthy food which was good for people's nutrition. On the contrary, it is now seen as a "vice", an impulse that brings self-control problems, and which leads to obesity and other health issues.

Due to this fact, there has always been a strong attention to the quality of chocolate. For instance, in 1867 the Swiss chemist Henrich Nestlé started using evaporation process to produce milk powder to mix with cocoa beans, thus avoiding using fresh milk which is subject to spoil. Another example is Rodolphe Lindt, another Swiss, who discovered in 1879 that "kneading the chocolate with granite rollers broke the cocoa into smaller particles, resulting in a smoother chocolate"³⁹. Later on, German Stollwerck company founded the *Association of German Chocolate Makers* with the aim of improving quality standards and controls. This association "laid the groundwork for the importance of quality in the European chocolate industry"⁴⁰.

1.3.2 THE DIFFERENCES BETWEEN NORTH AMERICAN AND EUROPEAN CHOCOLATE

Even though companies from both Europe and North America try to meet the highest standards possible, both in terms of machinery, hygiene and employees, what really differs European chocolate from North American is quality. For example, during the manufacturing process, North American chocolate manufacturers conch their chocolate for 18-20 hours, far from the 72 hours of the majority of European chocolateries. The ingredients chosen to produce chocolate also differ greatly, as North American companies

³⁹ Alberts H., Cidell J., *op. cit.*, p. 7.

⁴⁰ Alberto H., Cidell J., *ivi*, p. 8.

tend to buy cheaper cocoa beans from Africa and Asia, while European ones prefer beans that are cultivated in Central America. Moreover, a lot of North American manufacturers add more sugar so that they can use less cocoa, as sugar is cheaper.

However, differences in quality do not only exist between North America and Europe, but among European countries as well. In particular, from the admission of the United Kingdom in the European Union in 1973, a strong war started for the regulations on chocolate standards. Countries like Belgium, the Netherlands and Germany did not want to make any change in the lists of chocolate ingredients when other EU members asked for some relaxation. A compromise was reached with a law passed in 2000, which allowed a wider range of products to be used to produce chocolate.

As far as regulations and standards try to keep the quality level as high as possible, consumers opinions play a major role in the success of a chocolate product or brand. As a matter of fact, consumers may prefer sweeter or more bitter chocolate, with more or less percentage of cocoa over sugar and so on. These tastes are in great part determined by traditions; for example, Spanish prefer bitter chocolate while German and Swiss privilege a milkier and smoother flavor. Tastes change also depending on the availability of raw materials and on the manufacturing process which was invented in that particular country. As a result of these differences, international companies like Lindt and Nestlé adapt their products among various countries in order to meet the consumers tastes.

Different habits and traditions do not only influence how quality is perceived, but they are also crucial in influencing the consumers' perception of chocolate as a whole and its consumption. As previously mentioned, in recent years chocolate has been seen as a "sinful indulgence"⁴¹, something to consume moderately. In particular, North American consider chocolate as something bad, while Europeans regard it as healthy and "serious food"⁴². That is why European eat more chocolate than North Americans: North Americans eat about 5 kilograms of chocolate per person per year, while Europeans consume 10 kilograms of chocolate per person per year.

⁴¹ Squicciarini M., Swinnen J., *op. cit.*, p. 2.

⁴² Alberts H., Cidell J., *op. cit.*, p.12.

Moreover, North American chocolate manufacturers do not innovate their products that much. The two giants Hershey and M&M/Mars only add some ingredients like peanuts or peanut butter, they transform the chocolate into ice cream or change size, packaging, or create a healthier line of products. On the other hand, European manufacturers have always pursued innovation of products, experimenting new products. For example, Ritter invented *Ritter Sport*, a “square chocolate bar that would fit into a man’s shirt pocket”, by stressing the slogan “Quadratisch. Praktisch. Gut.” (“Square. Handy. Tasty.”) and showing people trekking or camping in the mountains in their advertisements. The Italian brand Ferrero also pursued a strategy with products specifically addressed to children as their target, by emphasizing that the product is healthy and useful for the children’s’ nutrition through the slogan “more milk, less cocoa,” and “the extra serving of milk”: Kinder. This gap of innovations between North American and European companies is due to chocolate’s popularity in Europe and European companies have always promoted its consumption by relying on tradition and innovation. Moreover, many other snacks started to be consumed in big quantities in North America – like nuts and potato chips – with the result of lower consumption of chocolate⁴³.

1.3.3 LAST YEARS’ DEVELOPMENT WORLDWIDE AND IN CHINA

Although a lot of controversy exist regarding chocolate, chocolate market keeps on increasing and “was valued \$130.56 billion in 2019 and is expected to grow to a compound annual rate (CAGR) of 4.6 percent from 2020 to 2027”⁴⁴. As depicted in figure 1.2, Unites States is the country with the highest rate of consumption, accounting for 1.525 thousand tons in 2020, followed by Russia with 902 thousand tons, United Kingdom with 766 thousand tons and Germany with 635 thousand tons. China is at the ninth spot for chocolate consumption worldwide with 220 thousand tons. However, when looking at per capita chocolate consumption reported in figure 1.3, Switzerland ranks first with 8.8 kilograms of chocolate consumption in 2017, followed by Austria (8.1) and Germany and Ireland (7.9), while China only has 0.1.

⁴³ Albert H., Cidell J., *ibidem*.

⁴⁴ Industry Report (2020), *Chocolate Market Size, Share* <https://www.grandviewresearch.com/industry-analysis/chocolate-market>

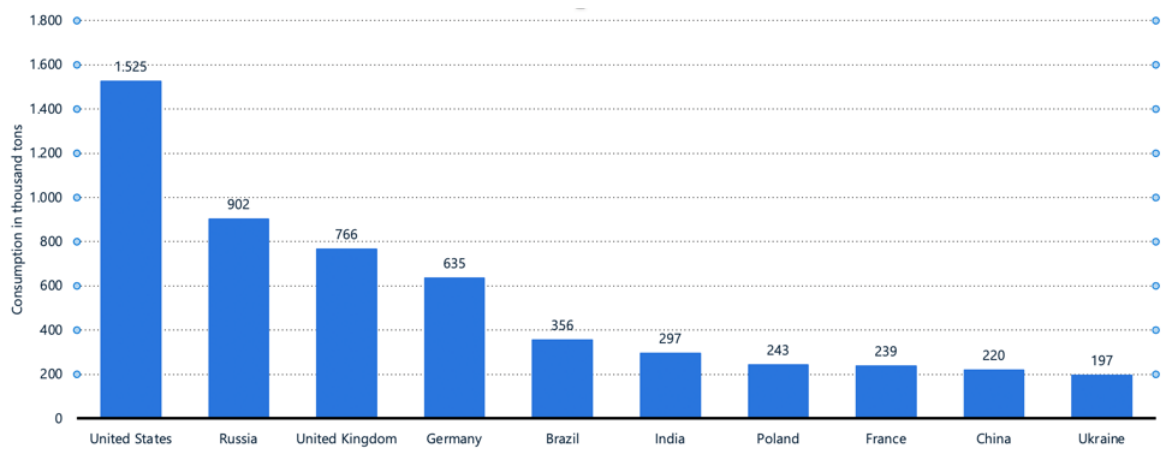


Fig 1.2. Chocolate consumption volume worldwide in 2020, by country (in 1,000 tons)

Source: <https://www.statista.com/statistics/238834/projected-leading-10-chocolate-consumers-by-country/>

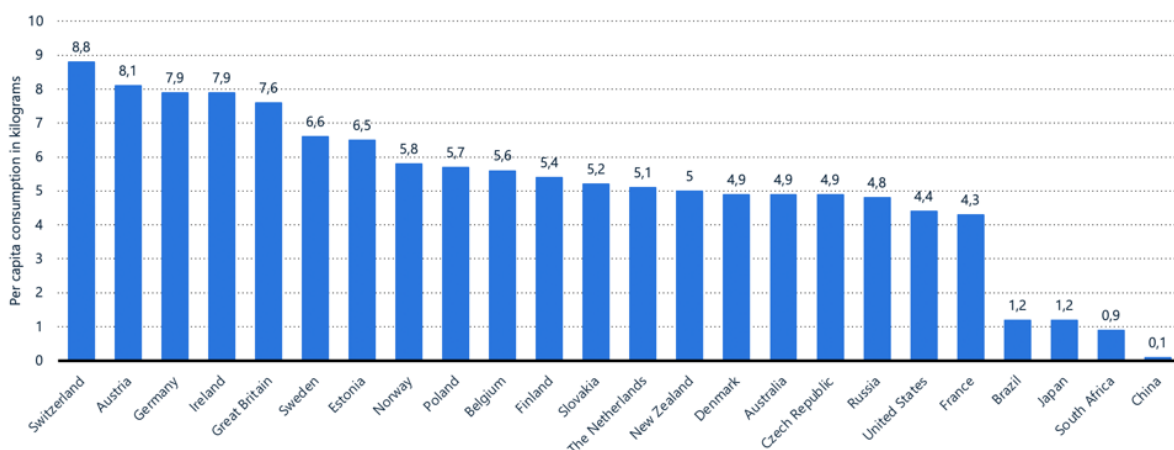


Fig. 1.3. Per capita chocolate consumption worldwide in 2017, by country (in kilograms)

Source: <https://www.statista.com/statistics/819288/worldwide-chocolate-consumption-by-country/>

As we can see from the data, Asian countries are not present in the ranking and have very low rate of consumption: this is due to the fact that chocolate is still a new food in these markets. As a matter of fact, before the 1980s, no Chinese had ever tasted chocolate. Until 1978, the industrial production was controlled by the government through state-owned enterprises (SOEs), while private companies and foreign investments did not exist, as they were prohibited. When chocolate entered the country for the first time, Chinese were “chocolate virgins”, as defined by Lawrence Allen in his book *Chocolate fortunes: The*

Battle for the Hearts, Minds, and Wallets of China's Consumers to describe their lack of knowledge and experience in any kind of chocolate.

The first company to enter the Chinese market was Ferrero in the 1980s and then all the others came in step by step, pushing the consumption of chocolate to grow. The increase in consumption in the first years led to large amounts of investments in the chocolate industry by foreign chocolate companies, which then established production facilities in China. By the 2000s, Chinese market counted more than 70 foreign chocolate brands. As reported in the tables above, China's per capita consumption of chocolate is still quite low compared to Western countries. However, this is due to the fact that the chocolate industry is weaker compared to other confectionary products. Nevertheless, in recent years the chocolate market has been growing at rapid pace, reaching an amount of \$3.41 billion of chocolate products sales in 2019⁴⁵, while the total volume of chocolate confectionary retail consumption arrived at 125.9 thousand tons and with a value of \$3,305.58 million value in 2018⁴⁶.

There are some particular factors that play a major role in the consumption growth, for instance the previously mentioned increase in purchasing power of Chinese consumers. In fact, stronger purchasing power allows Chinese to buy a wider variety of products for themselves and for their families, and younger generations in particular ask for these “new” products. The urbanization is also a factor, considering the number of supermarkets in the urban areas, which make chocolate products more accessible to Chinese consumers.

Moreover, chocolate producers have been actively pushing consumption by shaping consumers preferences. Western brands have been focusing on promoting chocolate as a luxury and exotic food and have been trying to localize their taste or adapt to Chinese culture. In addition, companies have been putting a lot of effort in advertising chocolate “as high quality and representative of a Western lifestyle”⁴⁷. In fact, Chinese people consider foreign product as more prestigious and of higher quality compared to national ones, so the marketing strategies highlight the country of origin and accentuate this idea of luxury and

⁴⁵ Flanders Investment & Trade Market Survey (2020), *The Chocolate Market in China*, p.5.

⁴⁶ Poelmans, Eline; Swinnen, Johan F. M. (2019), “A brief economic history of chocolate”, in *LICOS Discussion Paper*, no. 412.

⁴⁷ Li F., Mo D. (2016), *The Burgeoning Chocolate Market in China, The Economics of Chocolate*, Oxford University Press, p. 392.

prestige. Another fundamental factor in contributing to the development of Chinese consumption behavior are the change in habits and culture, which will be broadly examined in the next chapter.

Countries	2004				2013				2018				Volume growth 2004 - 2018 (%)	Value growth 2004 - 2018 (%)
	Volume (in 1000 tons)	Share (in %)	value (in million US\$)	Share (in %)	Volume (in 1000 tons)	Share (in %)	value (in million US\$)	Share (in %)	Volume (in 1000 tons)	Share (in %)	value (in million US\$)	Share (in %)		
World	4,770	100	52,011.61	100	5,472	100	83,743.64	100	5,597	100	82,936.33	100	+17	+59
Total Europe	2,606	55	32,722.95	63	3,016	55	47,590.08	57	3,056	55	44,803.10	54	+17	+37
Western Europe	1,870	39	27,207.39	52	2,021	37	34,384.80	41	2,080	37	33,284.52	40	+11	+22
Eastern Europe	736	15	5,515.56	11	996	18	13,205.28	16	977	17	11,518.58	14	+33	+109
North America	1,655	35	13,999.23	27	1,509	28	19,873.94	24	1,556	28	22,249.48	27	-6	+59
Latin America	213	4	1,757.16	3	376	7	6,756.95	8	344	6	4,987.98	6	+62	+184
Asia Pacific	158	3	1,524.92	3	373	7	5,850.65	7	422	8	7,147.88	9	+167	+369
Australia	73	2	1,228.65	2	99	2	2,301.48	3	116	2	2,253.57	3	+58	+83
Middle East and Africa	65	1	778.71	1	98	2	1,370.54	2	103	2	1,494.30	2	+58	+92

Fig. 1.4. Chocolate Confectionary Retail Consumption by Region (in 1000 tons and million US\$) and their respective shares of total volume/value in 2004, 2013 and 2018

Source: Poelmans E., Swinnen J. (2016), *A Brief History of Chocolate*, The Economics of Chocolate, Oxford University Press.

These new trends caused a shift in the global equilibrium of chocolate market shares. Chocolate retail volume and value keeps on growing, but the growth is larger in Asia Pacific countries, which registered an increase of +167 percent volume and +369 percent in value from 2004 to 2018, while in Europe it increased of respectively +17 percent and +37 percent in volume and value, and North America reported a negative growth in volume of -6 percent and a positive growth in value of +59 percent. Therefore, Asian and Pacific countries are gaining more and more market shares, whereas rich countries, whose consumption keeps on declining in volume, are losing theirs⁴⁸.

Chinese have now entered the chocolate market as great consumers, thanks to strong economic growth, rising incomes, and a young population. Today, chocolate companies have to face stiff competition in order to get the preferences of their customers. Chinese always want more, they are always looking for something new to desire and to try, and this forces brands to innovate and to create distinctive “consumption moments”⁴⁹. It is no more

⁴⁸ Poelmans, Eline; Swinnen, Johan F. M., *op. cit.*

⁴⁹ <https://daxueconsulting.com/chocolate-market-in-china/>

sufficient to be “foreign” to have the attention and the money of Chinese people, it is now necessary to meet the wants of potential customers by innovating and differentiating even more.

1.4 OPPORTUNITIES AND THREATS FOR WESTERN COMPANIES IN CHINA

The entry in the Chinese market for Western company has been far from smooth. China presents some major differences compared to North America and European countries, the distance is not only geographic but also cultural, administrative and economic as well. Chinese society has shaped in a completely different way from the other countries, with its own habits and rules of the game. Moreover, this country has seen a long period of difficulties and backwardness, since it was considered a third world country until some decades ago.

During the first years of their entering to China, Western chocolate companies immediately had to face social chaos because Chinese just exited the Cultural Revolution. Therefore, companies which decided to establish a shop or a branch in China had major trouble for what concerns employees. On one hand, the firm could send an employee to China, but he or she would have no experience of the market at all. On the other hand, the company could find a local employee, who, however, did not know the company. Moreover, the Cultural Revolution had a devastating impact on the educational system, so students who finished school did not own business, finance, marketing or sales skills. In addition to this, Western companies lacked experience in Chinese market: there were no chocolate companies there, so no information of trends, segmentation, tastes and so on. Companies had to invent their way into the Chinese market, they could not follow any previous experience, because there were none⁵⁰.

As previously mentioned, chocolate arrived in China thanks to Western companies, in particular Ferrero, which was the first ever to start selling chocolate there in the 1980s. From that moment, together with other leading companies such as Mars, Hershey, Cadbury and Nestlé, Western companies dominated the market with a share accounting for more than 80% in 2017⁵¹. From the opening up of China through the economic reforms led by

⁵⁰ Allen L. L. (2010), *Chocolate Fortunes: The Battle for the Hearts, Minds, and Wallets of China's Consumers*, New York, AMACOM Div American Mgmt Assn.

⁵¹ https://www.just-food.com/analysis/global-brands-to-see-stiffer-competition-in-chinas-chocolate-market_id140718.aspx

Deng Xiaoping in the 1980s, Western companies started to see opportunities that they could not ignore, and decided to jump into the market. However, these companies had to face big obstacles in their path of internationalization, due to major differences and some inefficiency of Chinese country.

The main obstacles that will be presented in the following chapter, as depicted in figure 1.4, are to be found in the underdeveloped distribution and retail sectors, which hindered the spread of Western chocolate companies in China. As a matter of fact, China is a huge country and its development was far from homogenous: when foreign chocolate companies entered China, first-tier cities like Shanghai, Beijing or Guangzhou were already modern in terms of economy and infrastructure, whereas the majority of other cities, mainly in the center and Northern part of China, were often not even provided with streets and air-conditioned stores. Moreover, China experienced a food scandal in 2008 which made people more skeptical about dairy products like chocolate. On the other hand, however, this event turned in favor of foreign companies which exported their safe chocolate in China. The fact of being foreign was actually a competitive advantage for chocolate companies like Ferrero, Mars and others, as Chinese people saw their product as safer and healthier, along with the fact that Chinese consumers are more attracted by these brands than by the local ones. In addition to this, the last years have seen an even greater increase of chocolate consumption thanks to e-commerce and to the “New Retail”⁵² which boosted the sales of chocolate.

OBSTACLES	OPPORTUNITIES
Underdeveloped distribution sector	Prestige of foreign brands – Country of Origin Effect
Underdeveloped retail sector	Origin Effect
Food scandal in 2008	E-commerce and "New Retail"

Fig. 1.5. Obstacles and opportunities for Western chocolate companies in China

Source: personal elaboration

⁵² <https://www.marketingtochina.com/what-is-new-retail-in-china-here-is-a-useful-overview/>

1.4.1 THE MAIN OBSTACLES IN ENTERING THE CHINESE MARKET

The first challenge Western companies had to face was a weak supply chain, especially in the first years after the liberalization of the economy⁵³. China's supply chain of chocolate was underdeveloped, in particular concerning the production and the acquisition of raw materials. Apart from the general problem of providing safe and high-quality milk in order to produce chocolate, China was at the center of a food scandal in 2008: it was discovered that some milk suppliers added melamine to their product; this compound boosts the protein-readings of their milk, so it is harmful for the health of people.

The root problem of this scandal came from the fact that melamine was not listed as an illegal additive, and that many dairy companies were not subject to controls. Furthermore, a major role has been played by the whole Chinese dairy sector which experienced a rapid growth from 2000 on. In the period between 2000 and 2008, the production of cow's milked went from an annual rate of 8 million tons in 2000 to over 36 million tons in 2008. Dry milk products also grew exponentially, from one million tons in 2000 to 4 million tons in 2007. This growth is the result of rising per capita income and an active promotion by the government. In fact, the Party's aim was to have milk consumption pattern more similar to the one in the West. However, controls could hardly keep up with such rapid increase, which led the milk scandal to blow in 2008⁵⁴.

Following this scandal, the Chinese government enacted the new food law in February 2009, which contained 104 rules in 10 chapters with the objective of strengthening the controls on the whole food chain. It demanded a "better coordination between national and provincial authorities"⁵⁵ and focused on food producers and operators. The new regulations were stricter than the previous ones, when several dairy companies were inspection-free and there was a strong imbalance between the controls carried out in the urban than rural areas. To meet the new standards, companies had to improve the whole production and distribution environment. They had to keep higher hygienic levels and guarantee clear tracking on the sources of the ingredients which were then transposed in the labelling. The

⁵³ Li f., Mo D. (2016), "The Burgeoning Chocolate Market in China", in *The Economics of Chocolate*, Oxford University Press.

⁵⁴ Pei X. et al. (2011), "The China melamine milk scandal and its implications for food safety regulation", in *Elsevier*.

⁵⁵ Pei X. et al., *ivi*, p. 415.

compliance of these regulations led the costs of production to increase, so the market share of many companies, especially small-scale chocolate producers which used to serve lower-end markets, fell quickly. Simultaneously, the market share of domestic and international large-scale producers increased consequently, resulting in a concentration of the market in the hands of few companies.

Another consequence brought about by the milk scandal was that customers stopped or consistently reduced their consumption of milk, along with other dairy products. This constituted a problem for Western companies with production facilities in China at the beginning, since it became harder for them to obtain essential raw materials to make their chocolate. However, customers did not trust domestic production anymore, but the confidence in foreign food grew, thus pushing imports of chocolate from Western companies and retailers. From 2008 to 2010, chocolate imports skyrocketed to more than 60 percent, which however was due to an imbalance of consumption between domestic and imported products rather than an increase in the demand of chocolate⁵⁶.

Furthermore, the milk scandal led to a change in customer preferences: before 2008, milk chocolate was preferred to dark, white and filled chocolate, with a percentage of sales of 36 percent. After the scandal the demand change consistently: Chinese consumers favored plain dark chocolate tablets and filled chocolate tablets, surpassing the demand for milk chocolate which decreased, since it contains more milk than the other two varieties.

Apart from the problem of high-quality raw material and the precarious trust of consumers, that however only domestic companies had to face, another major challenge that China presented at first were the underdeveloped logistic services. Chocolate is a hard food to transport, it needs an environment of 5 to 18 degrees Celsius and 50 to 60 humidity degrees in order to be preserved⁵⁷. However, China did not have large storage capacity, and the majority of it were used for meat and aquatic products. Moreover, due to the vastity of the country, it has always been impossible for foreign companies to develop a national distribution system and Chinese distributors themselves were countless small businesses which only distributed specific types of products. Therefore, in order to cover the whole

⁵⁶ Li f., Mo D. (2016), "The Burgeoning Chocolate Market in China", in *The Economics of Chocolate*, Oxford University Press.

⁵⁷ Li f., Mo D., *ibidem*.

country, suppliers had to deal with a number of different distributors, which made the logistic service harder and more expensive. Foreign companies also had to face great challenges when deciding one or more distributors which were qualified in order to operate in an underdeveloped and unreliable transportation infrastructure such as the Chinese one. Therefore, the first years of chocolate companies in the Chinese markets were very hard, with fragmented wholesale networks, a lack of adequate storage and transportation which hindered the development of the chocolate market in China⁵⁸.

Not only the logistic services, but also the retail sector was underdeveloped and fragmented. Right after the economic reforms of the 1980s, the only retail environments in China were state owned. “The production and distribution of products were controlled by the central planning bureaus, the Ministries of Commerce and Materials”⁵⁹. Product ranges were very limited, and no effort was put in product development and innovation. This was because in a planned economy such as China was, the aim was to provide the goods people needed, not to explore and satisfy consumers’ wants.

For what concerns chocolate, it was sold mostly in Friendship Stores, which were establishments that only sold to foreign guests or privileged people. Chocolate and other luxury goods were kept behind the counter or under the glass, and to buy them, customers were required to fill paperwork and go through a long and complex process. On the other hand, there were the open-air wet markets which sold live fish and rice or other grains by weight. Some small food stores had sweet and candies that they sold by weight. In this context, foreign chocolate producers could only give their products to traders or importers and have no control on the way they were sold.

From the 1990s, the retail sector started to enlarge and improve very quickly, thus allowing Western companies, especially the “Big Five” (Ferrero, Mars, Cadbury, Hershey and Nestlé), to sell their products in retail stores and develop a marketing approach focused on impulse-purchase, something which was not possible with Friendships stores and open-air

⁵⁸ Jiang B., Prater E. (2002), “Distribution and Logistics Development in China: The Revolution has Begun”, in *International Journal of Physical Distribution & Logistics Management*.

⁵⁹ Hingley M. et al. (2009), “Development of the Grocery Retail Market in China: A Qualitative Study of How Foreign and Domestic Retailers Seek to Increase Market Share”, in *British Food Journal*, p.4.

wet markets. Even so, the development of the retail environment was not homogeneous throughout the country, so companies had to address just first- and second-tier cities.

First-tier cities included Shanghai, Beijing, Guangzhou and others, and were characterized by highest level of economic development and highest standards of living. Here, retail sector, logistics services and infrastructures were more advanced, and allowed a better and more efficient penetration and distribution in the stores. Inhabitants of the first-tier cities had bigger disposable incomes and were more exposed to foreign products. Second-tier cities included a large area, but with limited economic development and purchasing power, whereas third-tier cities did not even have air-conditioned stores to maintain chocolate, so it could not be sold during the whole year. As a matter of fact, just like there was a lack of trucks which were refrigerated, the majority of stores did not have air-conditioning as well. These factors limited the selling of chocolate in these places just to cool months, implying a seasonal selling: the majority of sales were done during January and February – including Chinese New Year – in all stores, while they were limited to shops provided with air-conditioning during the hotter months⁶⁰.

Supermarkets began to spread in second- and third-tier cities in the first years of the new millennium and moved also in areas with lower income and purchasing power. Today, the Chinese retail sector is vastly developed, and its extension surpassed the United States in 2020 thanks to the rapid recovery after the first wave of the Covid-19 pandemic. In fact, in 2019, “Chinese retail revenue amounted to around 13 trillion Yuan while the contribution of merchandise trade to the country’s GDP was around 32 percent”. In particular, “retail sales of consumers goods grew by more than eight percent annually in the past five years”⁶¹. This continuous growth is not only due to an uninterrupted enlargement of disposable income of Chinese people, but also of the spread of e-commerce.

1.4.2 NEW OPPORTUNITIES: E-COMMERCE

E-commerce first started to evolve in China in the last years of 1990, just after the introduction of Internet in China. Internet started to be used in 1994, and it quickly took

⁶⁰ Allen L. L., *op. cit.*

⁶¹ https://www.statista.com/topics/1839/retail-in-china/#dossierSummary_chapter2

over all the sectors and industries of the country. The Chinese Government actively promoted the development of Internet first and e-commerce later, but still trying to maintain the control over both of them through regulations and policies. E-commerce initially grew with some business-to-business (B2B) enterprises, like Alibaba in 1999, and later on with other business-to-consumer (B2C) websites like 8848 and customer-to-customer (C2C) services like eBay. However, e-commerce did not spread immediately due to a consistent lack of efficient and fully developed logistics and distribution networks, a spread distrust by/from potential customers, especially towards online payments, and, more importantly, an extremely limited number of Internet users, who only accounted for 4 million in the first years of 2000.

The situation changed very quickly in the following years, since by 2007 the total number of Internet users in China reached 210 million people, and more than 22 percent of them had been starting to use online sites to shop their products. In these years, e-commerce “expanded from enterprise services to personal services, becoming an important trading channel for a large number of enterprises and consumers”⁶². In fact, the online shopping sales reached 56.1 billion Yuan in that year. From that moment on, e-commerce has begun spreading day by day, as Internet users keep on increasing together with their incomes, which allow them to buy even more online.

For what concerns the B2C market, online retailing has now emerged as one of the fastest growing and most popular form of distribution. The most sold items online are “electrical goods, groceries, clothing/footwear and music/video”⁶³. Online retailing has some advantages that store retailing does not have, for example people can shop online every day of the year at any time they want. Moreover, while offline stores have limited space therefore narrow offer in product type, size and so on, online stores can have an infinite line of products as they usually have unlimited capacity thanks to large warehouses. This means that companies which are present online are able to satisfy the needs of a larger segment. In addition, creating a shop online is way cheaper than establishing a physical store, since companies do not have to worry about locations, sales personnel, electricity and so on.

⁶² Hongfei Y. (2017), “National Report on E-Commerce: Development in China”, in *Department of Policy, Research and Statistics*, working paper 17/2017, p. 2.

⁶³ Vescovi T. (2019), *International Marketing to China*, McGraw-Hill Education Create, p. 371.

Lastly, through an online platform, the company can potentially reach the entire world. The latter is a crucial factor when it involves foreign companies which want to create an initial presence in China but does not have the resources to do it.

All the advantages brought about by e-commerce, especially the one addressed to final customers (B2C and C2C) resulted in a rapid growth of 27.3 percent annually, with almost 80 percent of penetration rate of online shopping⁶⁴. A strong boost of online behavior also came from the Covid-19 pandemic, which obliged shops to close, thus limiting consumption only through online purchase. Moreover, a new era is coming for retail, which Jack Ma, founder of Alibaba, already envisioned in 2016. He defines this new phase of retailing the “New Retail”, “a business model that converges digital and offline experience”⁶⁵. In “New Retail”, the focus is on the experience the company is able to create for consumers when they buy, a high-end and innovative customer experience which “combines the best of both online and offline shopping experiences” creating a “seamlessly integrated shopping experience across channels as well as personalized recommendations and offers”⁶⁶.

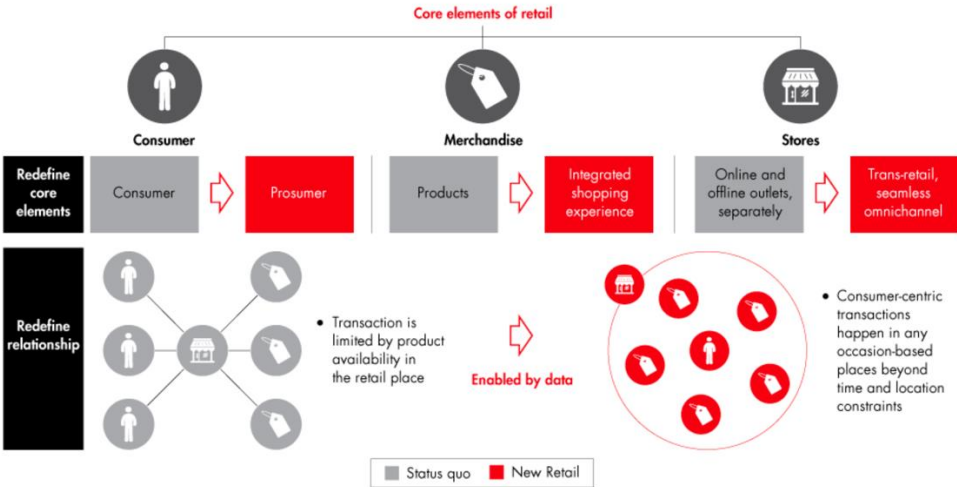


Fig. 1.6. Three core elements of “New Retail”

Source: Brain & Company (2020), <https://www.bain.com/insights/embracing-chinas-new-retail/>

As clear in the picture above, customers now acquired an active role, they became “coproducers”, since brands’ objective is not just to sell their products anymore, but they

⁶⁴ <https://www.statista.com/topics/1007/e-commerce-in-china>

⁶⁵ <https://www.marketingtochina.com/what-is-new-retail-in-china-here-is-a-useful-overview/>

⁶⁶ <https://www.marketingtochina.com/what-is-new-retail-in-china-here-is-a-useful-overview/>

try to dig even more on consumers' needs and make them participate in cocreating and sponsoring the brand. This is what is called C2B, namely consumer-to-business. In the same way, merchandise also change, as products are entering in the whole customer experience, which includes buying a good, experiencing it and talking about it on social media. Finally, physical stores are incorporating online services, thus creating an omnichannel customer experience.

All these innovations in the retail sectors present new challenges but also, and more importantly, new opportunities for companies to better satisfy consumers needs and create a richer shopping experience. In order to do so, companies have to redefine their products and marketing activities as well as to be more flexible, especially in their supply chain. For example, Nestlé unified its own supply chain by creating a “One Set Inventory”: Nestlé ships its product to different channels (business-to-business, business-to-customers and offline-to-online orders) and, through real time data, decides the destination. Thanks to this new approach, Nestlé's logistics costs and delivery time dropped significantly, as well as online product shortage rate, which passed from 22 percent to only 5 percent. Therefore, from a country with large costs of logistics, infrastructures and retail, China is now one of the countries where is easier for company to apply this “New Retail” approach, with advantages not only in terms of stronger customer satisfaction, but also in terms of costs. ⁶⁷.

1.4.3 THE ADVANTAGES OF BEING FOREIGN

Although many challenges still exist for foreign companies when they decide to enter the Chinese market, companies can benefit of many opportunities and advantages that allow them to success in China. Chinese customers are one of the major forces that push Western chocolate brands to internationalize and this is for numerous reasons. Chocolate has always been perceived as a foreign luxurious and exotic food in the eyes of Chinese, so the first advantage Western companies have is the simple fact that they are not Chinese. The Country of Origin is defined as “the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables

⁶⁷ <https://www.bain.com/insights/embracing-chinas-new-retail/>

as representative products, national characteristics, economic and political background; history and traditions”⁶⁸.

However, following studies have discovered that Country of Origin is not the only attribute consumers take into consideration when buying a product. As a matter of fact, the decision is the result of a combination of perception of both the product and the country of origin. Moreover, because of the great globalization and interdependence between countries, the Country of Origin concept has slightly faded away, giving way to “hybrid products”. Therefore, companies cannot rely anymore on the valorization of Country of Origin, but they have to make it interact and intertwine with the brand image. This integration is bilateral: “on one hand, national symbols and attributes characterizing the COO surround the brand contributing to define its image. On the other hand, strong brands may affect the country image and produce spillover effects on other national brands”⁶⁹. As a result, companies have to redefine their strategy to make the best of their country of origin and brand name and image, and successfully create a link between the brand’s attributes and the vision customers have of its Country of Origin.

For what concerns the brand image, it is strongly connected and dependent on the brand name. When internationalizing, companies can decide whether or not to translate their brand name. If the company opt for the translation, numerous studies show different ways of translating the brand name, for instance Alon et al (2009)⁷⁰ identify four methods:

- The brand name is translated in order to have a similar sound, but there is no meaning in the Chinese name of the brand;
- The brand name is translated both pursuing a similarity in the sound and keeping a similar meaning as the original one;
- The brand name is translated just with the aim of conveying the same meaning, but the sound is different;

⁶⁸ Guercini S., Ranfagni S. (2013), “Integrating country-of-origin image and brand image in corporate rebranding: the case of China”, in *Marketing Intelligence & Planning* vol. 31 no. 5, p 509.

⁶⁹ Guercini S., Ranfagni S., *ivi*, p.2.

⁷⁰ Vescovi, Tiziano (2013), “Do Country of Origin and Brand Translation Methods Really Matter in the Chinese Market?”, in *Journal of Marketing Trends*, vol. 2.

- The brand name is translated following an interpretive aim: the sound is quite similar to the original one, and the meaning is given through additional character.

Companies should pay a lot of attention when deciding whether or not to translate their brand names. On the one hand, Chinese should be able to pronounce and recall the brand, since these characteristics are fundamental in the positioning of the company and thus in the willingness of potential customers of buying the products of that specific brand. On the other hand, not translating the brand gives a stronger clue of the country of origin of the brand, thus becoming a competitive advantage for some companies whose country has a positive image. More specifically, emerging economies' purchase intentions are strongly affected by the Country of Origin, because of "the positive symbolic meanings, such as modernity and high social status associated with foreign brands"⁷¹.

However, apart from the decision of translation or not of the brand name, even more important is the integration the company is able to create between Country of Origin and brand image. S. Guercini and S. Ranfagni (2013) in their studies analyzed a specific case of a brand Alpha in its internationalization process in China. Alpha focused on advertising, by creating a brand identity which did not address to the Country of Origin directly, "but it focused on a specific brand identity whose values and attributes, nonetheless, evoked its geographic origin"⁷². The brand attributes that Alpha highlights are quality, authenticity and nutritional values. As a consequence, The Country of Origin that is perceived in the advertising of Alpha's company is not a unique attribute of the brand, but it is the combination of more attributes that instinctively recall the country where the product comes from, and which create a positive perception of the products itself, thus convincing potential consumers to buy it.

In conclusion, taking into consideration the opportunities and threats the companies have to face when entering the Chinese market, it goes without saying that China, as far as it is an economy which developed at a pace like no other country before and whose modernization has reached the ones of developed markets, it still has some difficulties to face. However,

⁷¹ Zhou N., Belg R.W. (2004), "Chinese Consumer Readings of Global and Local Advertising Appeals", in *Journal of Advertising* vol 33 no 3, p. 71.

⁷² Guercini S., Ranfagni S., *op. cit.*, p 513.

the chocolate market is increasing so much that is impossible for foreign companies to ignore the enormous potential China has.

SECOND CHAPTER

PROFILING CHINESE CHOCOLATE CONSUMERS

2.1 THE IMPORTANCE OF CROSS-CULTURAL MARKETING FOR ADDRESSING THE CHINESE MARKET

The enormous economic development China has been experiencing since 1978 has attracted the interest of countless foreign companies, including chocolate ones. Even though the world is more interconnected day by day and barriers to trade keep on falling down, countries present numerous differences that make it impossible for companies to adopt the same approach to each one of them. More specifically, culture is one of the first aspects to be taken into consideration when addressing foreign markets. It is fundamental to study the culture of a country in order create adequate and effective marketing actions that will bring profit to the company.

Culture was defined in 1945 by Ralph Linton as “the configuration of learned behaviour and results of behaviour whose component elements are shared and transmitted by the members of a particular society”¹. Here, culture emerges as unwritten rules which allow people to live together: they define the time to eat, how to behave in different situations, and everyone in a specific culture accepts them and considers them to be the right way to do things, as they are something natural. However, elements of different cultures can be in contrast with each; therefore, comparison could lead to erroneous perceptions, so it is crucial to dig deep into a country’s culture to really understand it.

¹ Usunier J-C., Lee J. A. (2013), *Marketing Across Cultures*, Gosport UK, Pearson, p. 4.

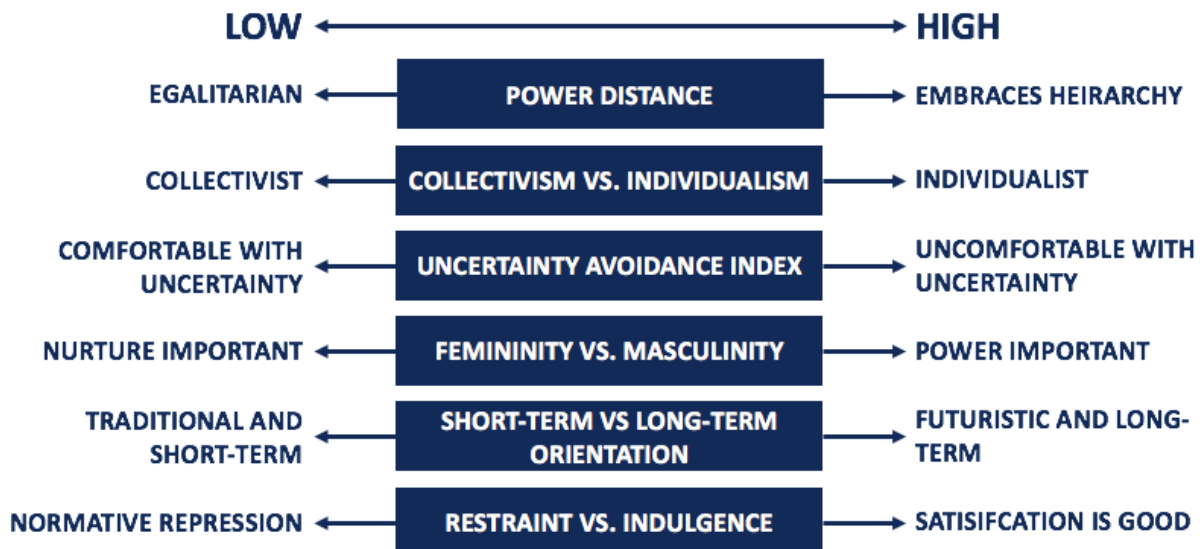


Fig. 2.1. Hofstede's dimensions

Source: <https://corporatefinanceinstitute.com/resources/knowledge/other/hofstedes-cultural-dimensions-theory/>

Gerard Hendrik Hofstede, an anthropologist and psychologist who lived in the Netherlands, broadly studied culture, in particular the relations of people within a society. In his study *Cultures and organizations: Software of the mind* (1991)², he developed a Value Survey Module, identifying six dimensions of culture, measured on a scale from 1 to 100:

1) *Individualism and Collectivism*

An individualist society is a group of people where everyone only cares about his/her own needs and interests and the ones of his/her family. Relationships between individuals are loose and generally very rational, people only do things expecting something in return, and they are generally independent from others. On the opposite, collectivist societies behave as big *in-groups* where people protect and rely on each other, by creating stronger bonds. According to Hofstede, Western countries are more individualist, while Eastern countries are characterized by collectivism.

For what concerns China, Figure 2.2 shows a low score of individualism (20), which classifies it as a collectivist society. This comes from the Chinese long tradition of living in

² Hofstede G. (1991), *Cultures and organizations: Software of the mind*, London, McGraw-Hill International.

extended family: for thousand years, a household have included several generations, from grandparents to great-grand-children, thus creating the first *in-group* people belonged to. In these *in-groups*, the important thing is “we”, not “I”, characterized by trust and loyalty.

However, Wang and Xu³ discovered a new trend of young Chinese people through a survey of 380 Chinese university students. It emerged that the younger generation has more tendencies towards individualism, which is probably due to the fact that globalization has permeated every aspect of life all around the world, and people are in close contact with different cultures and lifestyles every day, which inevitably shape and influence behavior as well as values. In fact, the surveyed students “attach less importance to the causal relationship between family harmony and success”⁴. This is also because the One Child Policy and the social changes that happened in the last decades led the majority of people of the last generations to grew up in restricted families of only three persons, the parents and the only child.

The new values create a modern consumption pattern, characterized by an individualistic approach: the students of the research stated that they seek independence in their shopping behavior, wanting to express their uniqueness through their purchases. Traditionally, members of a collectivist society desire the approval from the group, they want to “save face” by conforming to others, so this new behavior deviates from the customary one.

2) *Power Distance*

Power distance describes “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally”⁵. In high power distance society people accept hierarchy, as they know they have someone above them which exercise power over them. The values of families rely on obedience and respect for adults. China ranks among one of the countries with higher power distance, accounting for 80 (figure 2.2), as Chinese accept to be subordinated by their superiors.

³ Wang F., Xu S. (2009), “Impact of Cultural Values on Consumption Behavior: A Survey of Contemporary Chinese University Students”, in *Intercultural Communication Studies* vol. 18 no. 1.

⁴ Wang F., Xu S., *ivi*, p. 12.

⁵ <https://www.hofstede-insights.com/country/china/>

3) *Uncertainty Avoidance*

Uncertainty Avoidance is “the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these”⁶. It is the way people within a society deal with something they do not know about the future, and there are two ways they can do it: societies with high uncertainty avoidance try to avoid at all costs negative phenomena that could occur in the future. In order to do so, people establish strict rules that prevent anything bad to happen. Studies show that members of high uncertainty avoidance societies also “tend to be better groomed as a way of organizing their world and prefer purity in food, as evidenced by higher consumption of mineral water”⁷.

On the other hand, low uncertainty avoidance societies see ambiguity as something normal and inevitable, so no effort is put in the prevention or domination of it. People are aware they will face difficulties and are optimistic in the way they will deal with it, so member of this type of society result to have a more innovative and entrepreneurial attitude.

China is considered to have a low uncertainty avoidance with 30 of score, and this is due to the pragmatism permeated in the Chinese culture in the last decades. Laws and rules are flexible and may adapt to different times and situations, as truth itself is a relative concept. This ambiguity can also be seen in the Chinese language, which is full of homophonic words that can create misunderstandings. As previously mentioned, people of low uncertainty avoidance societies tend to be more entrepreneurial, and this happens in China as well, where there are many – 70 to 80 percent – small and medium sized enterprises which compete in a scenario of big and powerful multinationals.

4) *Masculinity and Femininity*

The distinction between femininity and masculinity lies in the values a society holds. Masculine society puts success above anything else, so competition is strong from early years and ambition is essential. People struggle to be the best and to show it to other, whom

⁶ <https://www.hofstede-insights.com/country/china/>

⁷ Usunier J-C., Lee J. A., *op. cit.*, p. 51.

they do not care about. Even though masculinity behavior does not take into consideration the benefits of the society but only the one of the individuals who achieve the best results, masculinity can be found in collectivist society such as Japan as well, other than in individualistic ones.

Femininity cultures hold the opposite values compared to masculine ones: taking care of others is the *fil rouge* of this society, where human beings grow up with teaching of empathy and patience towards others. Moreover, people thrive in a life of quality and serenity, far from the need to stand out or be the best. In contrast with masculine society, where role differentiation between males and females is strong, in feminine realities genders are at the same level. Feminine societies focus on the development of well-functioning and equitable welfare and school systems, which are often free.

At 66 China is considered a masculine society. Chinese are very competitive, especially young generations who grew up under the One Child Policy, when parents weighted all their hopes and expectations on their only child. Furthermore, people sacrifice family and time to achieve their goals, so failure is not an option to them.

5) Short-term and Long-term Orientation

This dimension defines the attachment of a society with its history and traditions, and in what measure it is oriented to the future. Short-term orientated societies have a strong devotion to their culture and this latter reflects and influences every aspect of people's lives. At the same time, individuals are suspicious and somewhat afraid about the future. In addition, they focus on instant gratification through short-term goals and objectives, since they are more oriented to the past and present.

On the contrary, long-term oriented societies point to the future and they are more pragmatic in order to face it and be prepared to it. People hold values that won't provide short-term gratification, for instance they tend to save money for the future and pursue their goals through perseverance and resilience. Coming from the Confucian ideology, Chinese are also willing to build long-term relationships with other people through generosity and patience. In fact, gift-giving is one of the fundamental acts of caring between two people.

China belongs to this latter category with a score of 87. As a matter of fact, it was able to achieve such quick development thanks to pragmatism and willingness to enter the future and have an active role in it. Chinese people are able to maintain their traditions by adapting them to better fit the present. Nonetheless, Wang and Xu's study shows a tendency of young generations toward a short-term orientation: even though they still hold values like strong will and hard work, they believe less in the fact that accomplishment only comes from effort. This way of thinking is mainly due to the fact that young Chinese have countless opportunities being in contact with everything and everyone at any time.

6) *Restraint and Indulgence*

This dimension is defined as “the extent to which people try to control their desires and impulses”⁸. Indulgent societies have more freedom to satisfy their needs and desires without feeling guilty, while restrained ones focus on controlling the behavior in order not to fall into temptation. China scores 24 of indulgence, so it is considered a restrained culture. As previously mentioned regarding/concerning masculine and feminine society, Chinese are willing to sacrifice leisure time in order to achieve their goals. Spending time on something which does not make you closer to your objective is a waste and it should be avoided or limited as much as possible.

⁸ <https://www.hofstede-insights.com/country/china/>

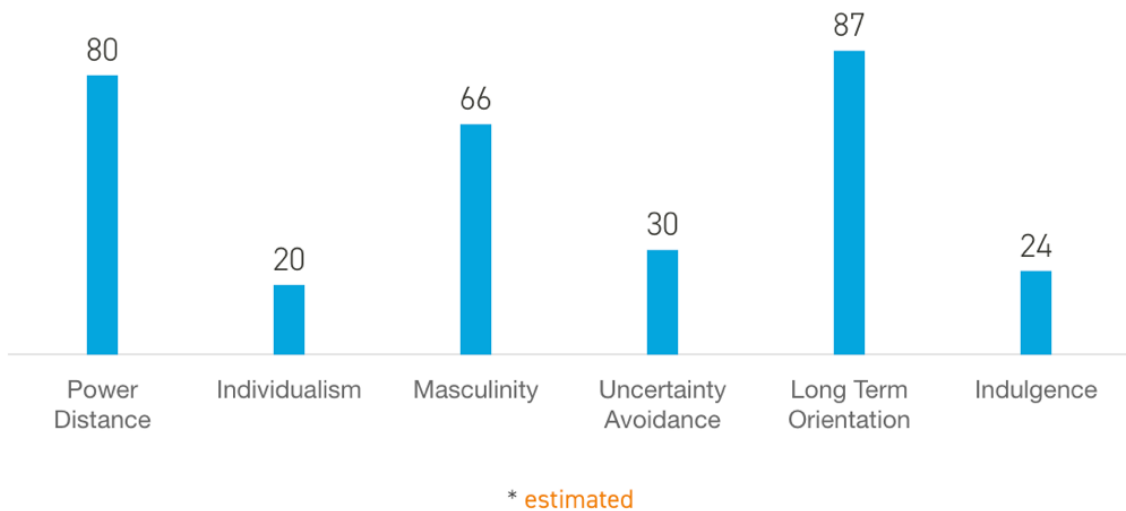


Fig. 2.2. Chinese Hofstede's dimensions

Source: <https://www.hofstede-insights.com/country-comparison/china,the-usa/>

Therefore, every culture has a different combination of dimensions which makes that society unique and knowing these differences and managing them is the first step in order to develop an effective marketing strategy. Cross-cultural marketing, thus, becomes fundamental for the company: the definition of this concept has not been outlined yet, but Mower J. M.⁹ and other researchers identified some aspects that are common to the majority of studies concerning this topic. Socio-cultural aspects are the base of cross-cultural marketing: companies have to distinguish markets with global behaviors and markets whose culture strongly influence consumption pattern. Consequently, a standardized approach can fit global markets, while an adapted strategy which respects local culture is necessary for the others.

In the last years, boundaries and distances keep on falling thanks to globalization, which homogenizes habits, values and ideas, thus creating a phenomenon of “cultural convergence”¹⁰, which means that segments are converging in having same tastes, lifestyles and so on. This happens in particular in young generations which are in contact with foreign

⁹ Mower J. M. et al. (2013), “Concept analysis of “cross-cultural marketing”: an exploration”, in *Journal of Global Fashion Marketing*, vol. 4 no.1.

¹⁰ Wang F., Xu S., *op. cit.*, p. 260.

people and culture on a daily basis. However, some core values still permeate a number of societies and dictate their way of living as well as their consumption behavior. As a consequence, a successful cross-cultural marketing strategy happens when consumers buy the company's products because he/she identifies himself/herself with the product or the brand. Therefore, this type of marketing is a powerful source to address a foreign market the proper way by respecting its characteristics and values. The result is a win-win both for the satisfaction of the clients and for the positioning and profit of the company.

2.2 FOOD CULTURE IN CHINA

Food has always been an important aspect in Chinese people's lives, and the country's culinary tradition has a millennial history. Chinese people say “你吃饭了吗?” (nǐ chī fàn le ma?), which means “have you eaten?”, as a greeting to ask the other person how he/she is doing, so there is a strict relation between culture and food. However, Chinese cuisine has a multitude of variations, since the country covers about 10 million square kilometers, which made it impossible to develop a unique cuisine tradition through the centuries. This is also due to different geographical conformation, climatic condition and vegetation, which all affect the raw materials, the way of working the land and the cooking. Therefore, China can be divided into four macro areas which have peculiar cooking traditions:

- The East: the Oriental and coastal part of China has been the first to civilize and to experience the strongest urbanization and economic development in the last decades, and it is the agricultural region which allows a major variety of food to be cultivated or fished. As cities in this zone are close to the sea and are crossed by various rivers, the main dish is fish, cooked in various ways. Moreover, this zone has always been very fond of Buddhism, which privileged vegetarian meals. The climate of this zone, a combination of monsoon rains and hot temperatures, allows the cultivation of rice and many types of fruits and vegetables. Dishes of the East are not too savory or spicy, few seasons are used. An exception to this cuisine is the city of Wuxi, which has the tendency to add sugar to every dish with the result of covering all the other flavors.
- The South: this region has numerous varieties of foods and flavors, which come from the great exposure the South has had during the centuries. In fact, people and food coming from foreign countries entered China through the coastal zones, so they had a strong influence on the local cuisine. In addition, a humid and sub-tropical climate allows the cultivation of many types of fruits and vegetables. The South China Sea also provides many types of fish and shellfish, but Southern people are used to eat countless spices of animals and insects, therefore this cuisine has a range of flavors which no other region has.

- The North: this zone is characterized by harsh winters, so local people had to find ways to preserve the foods, like “pickling, curing, and drying”¹¹. Northern dishes have usually strong flavors, seasoned with onions or garlic. The most used ingredients are lamb or beef, mushrooms and horsemeat, and a great variety of fruit. More specifically, melons, apples and pears are often eaten at the end of the meal instead of dessert.
- The West: Western area has a long tradition for spicy dishes, cooked with Sichuan pepper, which however was less strong than the expensive imported pepper. Later on, chilies started to be sold in these zones and became the most used spice. Food was also seasoned with “ginger, garlic, green onions and brown peppercorn (*fagara*)”¹². Its climate is hot and humid, and the terrain receives abundant water from the melting of Tibetan mountains, so rice can be easily cultivated.

Although each region has its own culinary habits, Chinese cuisine has its roots in the traditional medicine, more precisely in the *yin-yang* theory, which embraces the whole Chinese culture. According to this theory, the body is governed by two opposite forces: the *yin* and the *yang*. If they adequately compensate with each other, these two can create an equilibrium in the body. The body itself is also subject to external influences, which alter its balance, contrasting or absorbing these forces depending on the food it introduces inside it. In fact, when an unbalance of *yin* and *yang* occur, in particular when *yang* force is stronger, the body is in a state of disease and feels cold. In order to come back to a *yin* and *yang* equilibrium, cooked food is necessary to warm up the body. Therefore, in Chinese culture no food is considered neutral, but each type of food acts on the body towards the *yin* or the *yang* according/depending to its nature and to the body. As a consequence, in Chinese traditional medicine food is seen as the first cure to reestablish a healthy body.

¹¹ Höllmann T. H. (2014), *The Land of the Five Flavors. A cultural history of Chinese cuisine*, New York, Columbia University Press, p. 49.

¹² Lipman J. (2010), “Chinese Geography through Chinese Cuisine”, in *Social Education* vol. 74 no. 1, p. 19.

The first to study and write about the relationship between the property of food was Yi Yin (1520-1030 BCE)¹³. He associated every internal organ with a specific taste, thus connecting them as followed: heart and mind are linked to a bitter taste; the liver is connected to the sour taste; the lung corresponds to the pungent taste; the spleen is the sweet; the kidneys are linked to the salty taste. The five flavors are not only connected to human body, but the two are also intertwined with color, climate and emotion. As with the taste, different colors in food are combined together to create a balance in the human body.

Element	Organ	Taste	Color	Climate	Emotion
Metal	Lung	Pungent	White	Dry	Sorrow
Wood	Kidney	Salty	Black	Cold	Fear
Water	Liver	Sour	Green	Windy	Anger
Fire	Heart	Bitter	Red	Hot	Joy
Earth	Spleen	Sweet	Yellow	Wet	Longing

Fig. 2.3. The theory of the five flavors

Source: Kong, Y. C. (1998), “Food and Medicine: Two is One in Chinese Culture”, in *Flavor and Fortune*, Summer Volume 5.

As we can see, the aim of food is not only to be the source of nutrition for people, but it has a broader and deeper meaning. In fact, food is “an important component of a society”¹⁴: through daily meals, persons have the opportunity to create relationships and interact with each other. This can be done through religious ceremonies or simply because a group of people eat together, which transforms the food ritual into something more, something extremely sociable. It could also be the starting point to get to know someone and establish a new relationship by giving food as a gift to a new friend. Food, in Chinese culture, is a fundamental factor of the whole concept of *guanxi* 关系, the relationship that people maintain between each other.

Food can also express the belonging to a certain group, which could be a religious one as well as a regional or national one. The eating behavior is maintained during a person’s life,

¹³ Kong, Y. C. (1998), “Food and Medicine: Two is One in Chinese Culture”, in *Flavor and Fortune*, Summer Volume 5, pp. 5,6,18.

¹⁴ Ma G. (2015), “Food, eating behavior, and culture in Chinese society”, in *J Ethn Foods* vol. 2, p. 195.

even if he/she moves somewhere else, his/her eating habits and cooking methods remain the same. Food is also a way to celebrate particular events, like religious festivities or significant occurrences. For example, “rice dumplings for the Dragon Boat Festival, moon cakes for the Mid-autumn Festival, and dumplings for the Spring Festival”¹⁵. In these occasions, food is consumed for its symbolic significance instead of its nutrition properties. Moreover, it can be used as a message of punishment or reward on some occasions: parents bring their son or daughter out for dinner as a reward when they receive good grades at school or cook something the children hate for dinner when they misbehave. In particular, some surveys show that “sweets and desserts are the most commonly used foods for these purposes, 62 percent of mothers often use sweets as reward or comfort, and withhold sweets as punishment”¹⁶.

In Chinese culture, women are responsible for shopping and cooking. According to some research, in China 69.8 percent of women go grocery shopping for the whole family, so the decision of what to buy and in which quantities is in their hands. In fact, women are traditionally in charge of the household, while men manage all type of business outside the house. However, from the opening up of China and the modernization of the country, even the distinction of the two roles has started to reduce, leading to a sharing of tasks and responsibilities. In addition, Chinese people traditionally spend an average of 2-3 hours daily cooking, which is a longer time than other countries, but new trends have emerged regarding these habits as well: people do not want to spend a lot of time in food preparation anymore, so they tend to go more often out for dinner, especially those living in cities. Moreover, the cooking has become shorter thanks to new instruments, such as microwave, kneading machine and so forth.

Another important aspect to highlight regarding Chinese food tradition is that for centuries there was a great gap between the rich and the poor, and the latter had to struggle to have something to eat most of the time. During the era of dynasties in China, “only if one is chosen as the Son of Heaven will the tastiest delicacies be prepared [for him]”¹⁷, which means only the elite, while peasants and farmers did not have access to much food. This

¹⁵ Ma G., *op. cit.*, p. 197.

¹⁶ Ma G., *ibidem*.

¹⁷ Höllmann T. H., *op. cit.*, p. 8.

situation led to countless revolts, which most of the times did not produce any effect because the imperial court never did any reform to resolve these problems.

A hope for an improvement arrived in 1949, when the People's Republic of China was established thanks to the victory of Communism over Nationalism. Under Mao's guidance, "peasant associations gained control of rural areas in several provinces"¹⁸, but this situation did not last long. In fact, among the numerous famine disasters China had experienced in the last centuries, the one between 1959 and 1961 was by far the worst. It all started with Mao Zedong launching his plan "The Great Leap Forward", which resulted a failure from the very beginning. In fact, under the establishment of people's communes, where private ownership was denied, the Party had not been able to manage the complexity of the reality, which produced a domino effect that resulted in a huge shortage of food. This situation, often referred to as "The Great Chinese famine" (三年大饥荒, sān nián dà jīhuang, meaning "three years of great famine") saw more than 30 million deaths of starvation.

The situation improved quickly from the 1980s, when people became richer and also started looking for other types of food rather than just the basic ones. They entered more and more in contact with Western foods, which led to a shift in the diet of Chinese. More specifically, some eating habits arrived from foreign countries, and one of the most important one is the introduction in China of "snacks". "Snack" is "all foods and drinks consumed outside the context of the three main meals (breakfast, lunch, and dinner) and are referred to as morning, afternoon, and evening snacks, which make up the 'snack occasions'"¹⁹. Therefore, like the rest of the world, Chinese shifted their eating pattern from consuming three to five/six meals per day including snacks. Some studies show that higher income and level of education are responsible for an increase in the consumption of snacks. These two variables are peculiar of urban residents, so this segment is the one that consumes the larger number of snacks.

Coherently with almost all countries, the age category that most likes eating snacks are children, especially during the breaks at school or in the afternoon. Some other studies show the influence advertising has on children consumption of beverage and snacks, in particular the study of Liu Peng and other researchers "Snack and beverage consumption and

¹⁸ Höllmann T. H., *ivi*, p. 11.

¹⁹ Wang Z. et al. (2012), "Trends in Chinese Snacking Behaviors and Patterns and the Social-Demographic Role between 1991 and 2009", in *Asia Pac J Clin Nutr* vol. 21 no. 2, p. 253.

preferences in a sample of Chinese children - Are they influenced by advertising?” reported in the journal *Asia Pac J Clin Nutr* 2017²⁰. More specifically, groups of children among 12 schools were interviewed regarding the correlation between television advertisement and snacks consumption.

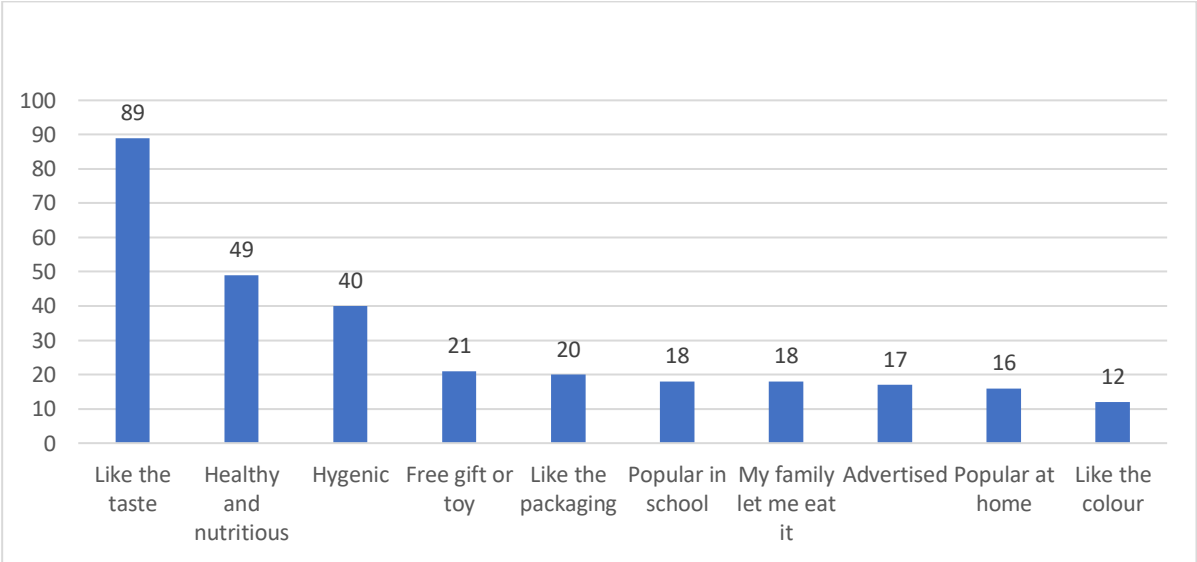


Fig. 2.4. Reasons for snack and beverages preference in children.

Source: re-elaborated version of table from Liu P. et al. (2017), “Snack and beverage consumption and preferences in a sample of Chinese children - Are they influenced by advertising?”, in *Asia Pac J Clin Nutr* vol. 26 no. 6.

The results were the following: “in the four weeks prior to the survey, 100 percent of children reported that they had consumed non-core snacks”²¹. Non-core snacks are not healthy and they are mostly eaten for pleasure because of their taste, such as biscuits, cakes, chocolate, sugar-sweetened drinks and so forth²². In fact, the main reason children consume this type of snack comes from the taste (89 percent of interviewed children), whereas 17 percent of them declared to want to buy chocolate under the influence of advertising. 83.5 percent of the snacks advertised are categorized as non-core foods and beverages; therefore, if advertisement influences children, the majority of snacks bought are the ones that are not

²⁰ Liu P. et al. (2017), “Snack and beverage consumption and preferences in a sample of Chinese children - Are they influenced by advertising?”, in *Asia Pac J Clin Nutr* vol. 26 no. 6.

²¹ Liu P. et al., *ivi*, p. 1126.

²² Johnson L. M., Can Jaarsveld C. H. M. (2011), “Individual and family environment correlates differ for consumption of core and non-core foods in children”, in *British Journal of Nutrition* vol. 105.

healthy for them. Moreover, advertisement works when a specific commercial is shown many times, and that is what happens for snack advertisings, which also insert the product into a fun environment or give toys together with the snack, and all these factors play a major role in influencing the willingness of children to buy it.

Today, “The snack industry is entering the fast growth lane in China, with the combination of consumption upgrades and new distribution channels set to create an industry with an estimated output value of 3 trillion yuan (\$433 billion) in 2020”²³. In fact, the increase of the snack industry was exponential, from 424 billion yuan in 2006 to 2.2 trillion yuan in 2016, which means a growth rate of 422 percent. Among the new distribution channel, e-commerce is one of the most prominent ones, amounting the sales at/to 30 percent. In fact, as explained in the first chapter, e-commerce allows a deeper penetration all over the country. Lastly, Chinese tastes have now evolved, and this factor together with the stiffer competition chocolate companies have to face forces these latter to develop new product, new tastes and perfects their marketing strategies in order to make the best out of a market which is growing day by day.

²³ <https://www.chinadaily.com.cn/a/201906/12/WS5d00536ea310176577230abb.html>

2.3 THE GIFT-GIVING CULTURE

As a collectivist society, building strong relationships with other people is one of the tenets of Chinese culture, and one of the best ways to do so is by giving gifts. Gift-giving is defined by Macklin and Walker as “the evaluation, selection, and transfer of material and non-material objects in a spontaneous mode or in fulfillment of an obligation”²⁴. Instead, Cavanaugh and Kim stress the fact that when someone makes a gift, he/she does not do it with the expectation of something in return²⁵. Numerous studies have identified four main motivations for gift-giving behavior, which are:

- Normative: here, normative is intended as social custom, which leads to two other concepts: reciprocity (*renqing* 人情) and impure altruism. The first one refers to the fact that gifts are not exactly something you give unrequited, but assumes that there is an exchange from both parts. Impure altruism emerges when people feel this reciprocity as an obligation, which means that the spontaneous act of generosity is lacking, as it is a practice that someone have to do in specific occasions (festivities, birthday and so on).
- Functional: gifts should have a practical usefulness, but they can also convey a message or a symbolic meaning which the giver wants to transfer to the receiver.
- Hedonic: giving gifts is something that produces a sense of happiness and satisfaction in the giver even if he/she does not receive anything tangible in return. These feelings have as their result an increase in gift-giving behavior.
- Social: “gifting can be considered as a ‘signal’ of individuals’ willingness to invest in a future relationship”²⁶. Therefore, when someone make a gift to another person, he/she shows his/her interest and dedication in maintaining and growing the relation.

The Chinese habit of gift-giving comes from the millennial Confucianism ideology, whose main contents are benevolence, filial piety and ritual. Benevolence and filial piety refer to

²⁴ Macklin N. C., Walker M. (1988), “The joy and irritation of gift-giving”, in *Proceeding of the Academy of Marketing Science*, Academy of Marketing Science, Montreal, p. 67.

²⁵ Hao C., Hai-tao C. (2020), “Gift giving via social network services: the case of a WeChat mini-program used in China”, in *Data Technologies and Applications* vol. 54 no. 4, p. 482.

²⁶ Hao C., Hai-tao C., *ibidem*.

the respect one should have towards his/her parents and other people, and care about them on a daily basis; the ritual perfectly incorporates the idea to continuously keep up the social relationships through gestures and attentions. In addition, the collectivist culture brings people to be committed to others in order to integrate within a group of persons. Therefore, gift-giving has become a custom for countless occasions, from religious festivities such as the Spring Festival or the Chinese New Year to small or big achievements, for instance if a friend is hired for a new job or if he/she buys a home and so on. Gifts can consist of a great variety of tangible things and could have various functions, for example “practical gifts such as tea wares or table wares; decorative gifts such as celebrity calligraphy and pictures or art wares; durable gifts such as domestic appliances or expensive clothes; emotional gifts such as flowers or cards”²⁷.

Giving gifts is a common practice in Western countries as well, but consistent differences exist in the concept of gift-giving between Western countries and China, which are the result of cultural and religious values. In fact, as previously stated, in China people are used to buy presents or make kind gestures for others very often, whereas for Western countries gifts are limited to particular occurrences, such as religious festivities or weddings. Moreover, Westerns pay more attention to practicality than Chinese and also spend less money when buying something. This comes from the fact that the *mianzi* 面子 (literally translated as “face”) concept plays a major role in the selection of a present for Chinese people. The more someone spends, the better he/she is seen by others, including the receiver of the gift. Plus, an expensive object means that the relationship between the giver and the receiver is close, and traditionally more expensive products are given to people of higher social status. From this point of view, Westerns are more focused on the emotional aspect of the gift, so they choose something that they know will convey a positive feeling to the receiver. Lastly, while Chinese buy presents to fit into the society and have a better relationship with people around them, “freedom, equality and independence are the most important cultural values in most Western countries, and individualism is the essential

²⁷ Li J., *op. cit.*, p. 554.

principle for most Westerners to get along with others”²⁸. Therefore, even when buying something for others, the individual benefits are the first thing Western take into account.

As previously explained, gifts are given on several occasions and for various reasons, and the variety of things donated is very broad, but food, more precisely chocolate, is one of the favorite ones. In fact, since food is a basic need for every human being, giving food as present is very popular and appreciated, and chocolate is preferred in some festivities such as Valentine’s Day. During this occurrence, Alibaba reported a sale of 5 chocolates every 10 items, especially chocolate brands with well-presented packages. For instance, Golden Ferrero Rocher has a unique golden package which enclose a round chocolate praline, giving an idea of expensiveness and luxury. Plus, the shape and the color also bring luck and prosperity in Chinese culture. Therefore, as the food industry analyst Chen Yiming says, “for Chinese, a very original and individual gift is not so important. We prefer choosing well-known premium brands that the recipient knows, so he or she can adequately assess our generosity”²⁹. This statement goes back to the idea that Chinese are very attentive to the image they project to others and they want to choose the best gift possible both to satisfy the receiver and to preserve the face of the giver.

The occasions for giving gifts are often social ones, like parties or situations when many people meet, but these last decades Internet has strongly influenced Chinese people’s way of interacting with others. In fact, nowadays it is also possible to buy gifts through some social network services which directly send the products to the receiver. The most popular one is WeChat through its mini-programs, where a person can enter, choose the gift among many offers, purchase it and send it to the receiver, as depicted in Figure 2.5. These presents can be digital gifts that will be sent directly through WeChat to friends, or physical gifts which require an additional step: the mini-program sends a message to the friend, fill out the mailing address information and finally mails the gift to the receiver.

²⁸ Li J., *ivi.*, p. 557.

²⁹ https://www.chinadaily.com.cn/a/201902/14/WS5c64b22ba3106c65c34e9367_4.html

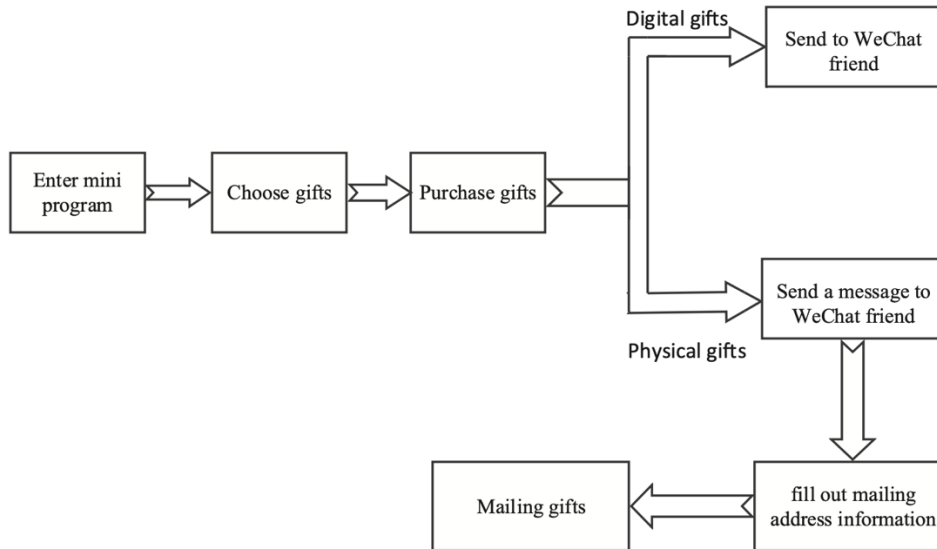


Fig. 2.5. The process of Gift-giving through WeChat mini-program.

Hao C., Hai-tao C. (2020), *Gift giving via social network services: the case of a WeChat mini-program used in China*, Data Technologies and Applications vol. 54 no. 4, pp. 481-502.

These programs and social network services in general allow interaction between people and a gift-giving behavior which is not limited to the occasion when people meet, but they can be done in every moment one's prefer, as the whole process of choosing, buying and addressing the gift can be carried out in only few minutes. Social network services platforms offer a great variety of products, from food to clothing or any type of object. Moreover, customers can find expensive gifts as well as products which cost few Renminbi, so they are able to satisfy any need and are suitable for every occasion. This behavior can activate a gift-giving cycle where people continuously exchange gifts alternatively, thanks to the comprehensiveness and convenience of the platforms and the ease of the buying process. Giving the dynamicity and shortness of this type of purchase, social network services themselves find it easier to update their offers based on market trends. As a result, these websites or appl allow people to abide by their gift-giving obligations with little effort, but always making others aware of their willingness to maintain relationships. Even though

many people still prefer to exchange gifts face to face, a lot of them now have started using mini-programs, since they facilitate personal relationships³⁰.

The Chinese gift-giving habits comes from a multitude of cultural aspects that have shaped some norms that Chinese people have been bringing with themselves for centuries. More specifically, these are the concept of *mianzi* 面子 and *guanxi* 关系 which respectively mean “face” and “relationship”. The latter also branches out into three other concepts: *renqing* 人情, meaning “reciprocity”, *ganqing* 感情, meaning “affectional attachment”, and *xinyong* 信用, meaning “trustworthy” or “credible”. As emerged from a study of Wang Qiang and other researchers³¹ regarding gift-giving in China for the Chinese New Year, these values strongly influence the decision and the value of a gift. The study consisted of a survey of 504 people of various sexes, ages and occupations, who were asked to classify and agree or disagree to a list of items and statements. Depending on their choices, researchers gained information about the most important aspects people take into consideration when buying a gift and which values influenced the purchase the most. As a result, the gift choice depends on the cultural values introduced above, so it is important to know what these concepts are and why are they so relevant in influencing so many aspects of Chinese lives.

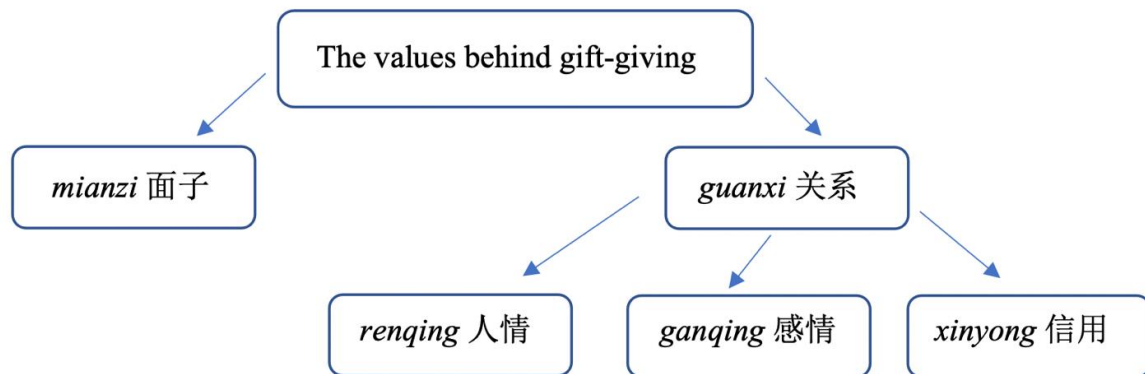


Fig. 2.6. The values behind gift-giving

Source: personal elaboration

³⁰ Hao C., Hai-tao C., *op. cit.*

³¹ Qian W. et al. (2007), “Chinese cultural values and gift-giving behavior”, in *Journal of Consumer Marketing* vol. 24 no. 4.

2.3.1 MIANZI 面子

In general terms, *mianzi* 面子 “face” is the image that people show to others, it is the external layer of someone. The concept of face is universal, as in every culture people have experiences about emotions expressed on the face – embarrassment, angry, sadness and so on – or hidden through the face, for example when someone does not want to show its inner state. However, the meaning and importance of face is specific of each culture. For example, in the Chinese collectivist country, face is not only the image of the individual, but also of his/her family and friends, as Chinese people only exist when taken in relation to others. Therefore, a person is more than a man or woman, he/she is also a brother or sister, a father or mother, a friend and so on. As one’s *mianzi* is not representative of a specific individual, Chinese feel the pressure to maintain the face because other people’s prestige depends on it. As a consequence, a Chinese person tends to “act in accordance with external expectations or social norms, rather than with internal wishes or personal integrity, so that he would be able to protect his social self and function as an integral part of the social network”³² because what he/she feels is subordinated to what he/she shows to others.

Goffman defines *mianzi* as “the positive social value a person effectively claims for himself by the line others assume he has taken during a particular contact”³³. In order to maintain this image, people should actively perform a “facework” focused on two point of views: “a defensive orientation toward saving their own face and a protective orientation toward saving the face of others”³⁴. Instead, Brown and Levinson focused more on the positive and negative aspects of face, stressing the fact that people struggle to maintain a positive face among others to be accepted by these latter and fit into the society³⁵.

³² Li J. J., Su C. (2007), “How face influences consumption A comparative study of American and Chinese consumers”, in *International Journal of Market Research* vol. 49 no 2, p. 240.

³³ Goffman E. (1955), “On face-work: An analysis of ritual elements in social interaction”, in *Journal for the Study of Interpersonal Processes* vol. 18, p. 5.

³⁴ Tao L. (2017), “Face Perception in Chinese and Japanese”, in *Intercultural Communication Studies* vol. 26 no. 1, p. 152.

³⁵ Brown P, Levinson S. C. (1978) “Universals in language usage: Politeness phenomena”, in *Esther N. Goody, (Ed.), Questions and politeness: Strategies in social interaction*, p. 12.

Many scholars studied the Chinese etymology of the term in order to understand its literal as well as cultural significance. For instance, Hsien Chin Hu divides *mianzi* concept into two aspects: *mianzi* 面子 with the meaning of “prestige”, and *lian* 臉 referring to as “a recognition by others of one’s desire for social prestige, reputation, or sanction”³⁶. Therefore, Chinese have to maintain face and their reputation in order to gain the approval of others, and to do so they publicly show their caring for others, often through gifts.

Among many aspects of Chinese people’s lives, *mianzi* influences the consumption behavior in general. Face consumption is defined as “the motivational process by which individuals try to enhance, maintain or save self-face, as well as show respect to others’ face through the consumption of products”³⁷. It has three main characteristics:

- **Obligation:** as consumption is the way to maintain face and get prestige from others, purchasing objects is not only something people do if they want to, but it becomes a sort of obligation.
- **Distinctiveness:** in order to stand for face, people do not only have to buy what the group thinks is a product related to *mianzi*, but they also have to show that they brought something that stands out, which could be a branded or expensive product that is desired by the entire group.
- **Other orientation:** very often others’ opinions result to tip the balance towards the purchase of a product instead of another one, with the result that people buy something because they know others will appreciate it, rather than because he/she wants that particular thing. Moreover, other orientation is also shown through gift giving or by inviting friends or colleagues to dinner.

With regards of these three concepts, the study of Li Lin and other researchers “Public face and private thrift in Chinese consumer behavior”³⁸ shows the dichotomy between the consumption behavior for things that are used in public and those that are used in private, thus showing the importance attributed to *mianzi*. As a matter of fact, the answers and

³⁶ Hu H. C. (1944), “The Chinese concepts of ‘face’”, in *American Anthropologist* vol. 46, p. 47.

³⁷ Li J. J., Su C., *op. cit.*, p. 242.

³⁸ Lin L. et al. (2013), “Public face and private thrift in Chinese consumer behavior”, in *International Journal of Consumer Studies* vol. 37.

choices of the interviewed persons revealed a decision-making process focused on one particular aspect: the praise from others. More precisely, Chinese tend to spend less – or not even buy – home appliances that could be useful and timesaving, such as dishwashers and clothes dryers. This is because these objects are not exposed to others, so Chinese are more thrift regarding their purchase. On the other hand, objects that are shown in public, such as cell phones, are viewed as things that help people gain face. In fact, respondents classified as attributes related to *mianzi* the purchase and use of high-tech products, of authentic brands and of expensive items. Even so, being praised by others resulted the most important factor. As a consequence, *mianzi* is not given by the purchase itself, but by the recognition by others of having something expensive and brande. Therefore, maintaining the *mianzi* and having the approval of friends and acquaintances strongly influence the purchasing decision of Chinese people, making them spend more on some things only because they are used in public.

In the same way, Chinese people want to maintain their prestige also when two or more persons interact with each other. As previously mentioned, Chinese are used to donate presents to their friends, colleagues and family in order to show their attachment to them, and *mianzi* is one of the most important aspects that they take into consideration when deciding which gift to buy. People often spend a lot of money for something mainly to show that they care, and to be well-seen by others and by the receiver himself/herself. The more someone spends, the more prestige he/she has within a group of people. In fact, one of the objectives gift-givers have is to create a positive impression among people around them. This is because the gift giving ritual is something which very often happens in public occasions, like birthday parties, religious festivities and so on. Therefore, gifts are not only a means to create and maintain relationships, but they are also an important factor in making a good impression on others, thus increasing the prestige someone has.

Prestige is acquired through the gesture itself, but the actual gift is also important: there are products that convey a stronger idea of *mianzi* compared to others. For instance, people prefer to donate objects of well-known or luxury brands, as these categories are more attractive for everyone. Moreover, by knowing the brand people are also aware of the value – symbolic or monetary – a product has, so it is easier for the gift giver to make a good impression. Plus, culture wants that more expensive products are required for people of

higher social status, and Chinese accept this as they worry and respect the hierarchy which exist among people. Among the brands that convey the idea of *mianzi* during a gift-giving behavior, chocolate ones, like Ferrero, Lindt, Dove and so on, are some of Chinese favorites. For instance, as previously highlighted, Valentine's Day is one of the most important festivities for chocolate brands, since their sales increase exponentially during this period. Chinese people want to make sure to gift their partner with the best present possible and be certain that he/she will love it. Therefore, they almost exclusively buy Western chocolate brands which they know are well-known and well-perceived by everyone. This is because foreign chocolate brands' positioning, also thanks to advertising, stresses the quality and luxury of their products, so they represent the perfect gift to increase the *mianzi* of the giver³⁹.

2.3.2 GUANXI 关系

Guanxi 关系 is generally translated as “personal relationship” or “social connection”. The world comes from the union of two characters, *guan* 关, which literally means “gate” or “barrier” and *xi* 系 which means “connection” or “link”. Therefore, the two characters put together form the literal meaning of “go through the gate and get a connection”⁴⁰. After some studies and research, *guanxi* has earned the definition of “relationships or social connections based on mutual interests and benefits, which is achieved by exchanging favors and giving social status between *guanxi* partners”⁴¹. Therefore, the exchange is at the base of relationships between two or more people, which are dependent on each other.

The *guanxi* concept comes from the Confucian culture, which is established on values like emphasizing personal relationships, being patient and compassionate toward others. All these are encompassed by the concept of *ren* 仁 which expresses the humanity and kindness for other people. The first manifestation of *guanxi* is created within the household, which

³⁹ <https://www.ukessays.com/essays/marketing/chinese-consumer-behavior-in-retail-marketing-essay.php>

⁴⁰ Zhang C., Hong S-J. (2017), “Guanxi Culture: How it Affects the Business Model of Chinese Firms”, in *The China Business Model: Originality and Limits, Elsevier Asian Studies Series*, p. 19.

⁴¹ Zhang C., Hong S-J., *ivi*, p.19.

represents the *in-group* someone belongs to. Being a collectivist society, individuals exist in relation to others, so they are subordinate to their families and at the same time they represent their family when interacting with external people. Due to this interdependence, people tend to develop a stronger *guanxi* with their kinship and keep other persons on the outside. The bond within groups of people is a habit that developed through many centuries, and it was also strengthened by the lack of legal systems that Chinese often experienced. More specifically, during the Cultural Revolution (1966-1976), rules and laws were insufficient and, in most cases, inadequate to develop a stable economic development, especially in the business sectors. This factor pushed Chinese to rely almost completely on others, from whom entrepreneurs and business people could gain information and resources. Therefore, *guanxi* started to deviate from being a Confucian value, and turned into a way for individuals to look after their own interests.

The relationship among people is not casual, but it can be developed thanks to specific prerequisites and through some phases. It all starts with *guanxi* base, which is a tie that can be inherited – the *guanxi* within the family – or because of sharing commonalities. The first *guanxi* base is also the strongest: for Chinese people, kinship relationship comes before all other types of connections someone can develop. The commonality *guanxi* base, or “relationship by nature”⁴² comes from some external characteristics that people share and that could represent the starting point for the development of a relationship. These could be the neighbors or people living in the same town, which are faces that individuals encounter on a daily basis. Sharing the same native place allows people to feel closer to each other even when they are far from home, since China is an extremely vast country with a myriad of different regional cultures. Going to the same school or working in the same place is also an important *guanxi* base. In the first case, during teen years, young people develop a strong attachment with their classmates, which often lasts over time. The *guanxi* created within colleagues is more utilitarian than emotional, and it is also subject to conflicts and disagreement.

Anyways, as far as the *guanxi* base is present and solid between two people, the development of an actual relationship is not certain. People need to commit to others and

⁴² Fan Y. (2002), “Questioning *guanxi*: Definition, classification and implications”, in *International Business Review* vol. 11 no. 5, p. 547.

show them their willingness to maintain the relationship, and this can be done through *guanxi* practices, which could be gifts, favors, banquets and so on. These gestures become reciprocal obligations and are established through two main questions: what is exchanged and under what rules? These questions imply the recognition of two concepts: *renqing* 人情 and *xinyong* 信用 :

- *Renqing* 人情 is literally translated as “favor”, which is what get exchanged during the *guanxi* relationship. However, it is not a general or tangible favor, but it is a broader concept which also includes intangible things such as opportunity or affection. However, it is also “highly particular because it can be repaid only by a particular person in particular way”⁴³. As reported in the Figure 2.5, Chinese *renqing* concept differs from the Western one in many ways. For instance, *renqing* cannot be measured due to its intangibility, thus making the exchange between the parties always unequal, and very often this unbalance weights more on the person who receives the favor and has to return it. In fact, “if you have received a drop of beneficence from other people, you should return to them a fountain of beneficence”⁴⁴. Nonetheless, the *renqing* exchange does not end with the reciprocal return of favors, but it is an endless process where people keep on giving gifts and making favors one with the other. This process can go on for a long time, also because *renqing* has not to be returned immediately, as Chinese culture is long-term oriented. Another characteristic of Chinese *renqing* which differentiates it from the Western concept of favor is that for Chinese people business and personal favors are not two separated concepts, whereas for Western the two things cannot be mixed.

The exchange of favors or gifts also has to abide by *renqing* rules, which are “the social norms and behavior rules that *guanxi* partners need to follow during their reciprocal exchanges”⁴⁵, and rely on two main concepts. The first one is the reciprocity rule, according to which the person that receives a favor always has to return it with something – tangible or intangible – of higher value. If the favor is not reciprocal, the

⁴³ Zhang C., Hong S-J., *op. cit.*, p. 27.

⁴⁴ Hwang K. (1987), “Face and favor: The Chinese power game”, in *American Journal of Sociology* vol. 92, p. 954.

⁴⁵ Zhang C., Hong S-J., *op. cit.*, p. 29.

guanxi relationship does not exist anymore, since it has meaning only if both parties engage with each other. Moreover, as *guanxi* is extremely important, not respecting it will result in the loss of face (*mianzi*) within the *in-group*. The second concept refers to the way the favor has to be returned, and it is based on the empathy rule, which is defined as “the ability to see a situation from another person’s perspective, which involves understanding, consideration, forgiveness, and *ganqing* 感情 (affectional attachment) toward others”⁴⁶. More specifically, *ganqing* is “a measure of emotional commitment and the closeness of the parties involved; it does not exactly refer to affect, but it reflects positive affect”⁴⁷. *Ganqing* is fundamental for the long-term relationship between two people, as a single gift or favor does not create a durable *guanxi*, but the repetition of it and the emotional attachment between two persons does. For what concern the general value of empathy, it comes from the Confucianism, which, as previously mentioned, emphasizes forgiveness and the willingness to treat others like one would like to be treated. Empathy is fundamental in developing a strong and long-lasting *guanxi* relationship, and thanks to it, a person knows how to behave and how to return the favor in specific situations.

⁴⁶ Wang C. L. (2007), “Guanxi vs. relationship marketing: Exploring underlying differences”, in *Industrial Marketing Management* vol. 36 no. 1, p. 84.

⁴⁷ Zhou X. et al. (2015), “The mediating roles of *renqing* and *ganqing* in Chinese relationship marketing”, in *Nankai Business Review International* vol. 6 no. 2, p. 158.

	Renqing Resources	Common Social Exchange Resources
Value	Unequal value	Equal value
Measurement	Cannot be calculated objectively	Have a certain price
Favor return circe	Long term	Short term
Process	Endless process	Clear start and end points
Transferability	Nontransferable	Transferable
Boundary	Mix business and personal favors	Business and social relationships are separated

Fig. 2.7. Differences between Renqing Resources and Common Social Exchange Resources

Source: Zhang C., Hong S-J. (2017), *Guanxi Culture: How it Affects the Business Model of Chinese Firms*, The China Business Model: Originality and Limits, Elsevier Asian Studies Series.

- *Xinyong* 信用 literally means “trustworthy” or “credible”, and it refers to the ability of a person to return the favor once received. The presence of *xinyong* between two people is the prerequisite for the development of *guanxi*, since no one wants to make a favor to someone he/she does not trust. In fact, if the *renqing* rule is not respected, the *guanxi* relationship cannot be established, and the person loses both *xinyong* and *mianzi*.

The *guanxi* concept is often connected with the relationship marketing that many companies have been adopting the last years. Relationship marketing is a branch of marketing which focuses on creating relationships with customers which does not end with the sale, but lasts longer and create a durable commitment between both parties. *Guanxi* and relationship marketing share some characteristics such as “mutual understanding, cooperative behavior and long-term orientation”⁴⁸. However, the association of *guanxi* as synonym of relationship marketing is not accurate, as the two present substantial differences. The first discrepancy lies in the cultural characteristics of Western countries and China, as the first

⁴⁸ Wang C. L., *op. cit.*, p. 82.

ones depend on written rules and laws, while Chinese society rely on interpersonal relationships.

More specifically, relationship marketing keeps its interests within the commercial sphere, so it is more impersonal and with the final objective of making profit. On the contrary, the base of *guanxi* marketing is the development of an actual and genuine relationship which goes beyond economic purposes. It is more personal and relies on the *ganqing* focused on emotional attachment among people. In China, the relationship is developed in order to create a connection which can be lived outside the office or the environment where two people exchange favors and gifts. Moreover, the relationship marketing approach aspire to include as many people as possible, and, more in general, whoever want to be part in it. In the *guanxi* relationship this does not happen, as it is highly network specific.

Trust is another factor which differentiates the two approaches: it is the tenet for who tries to pursue the relationship marketing strategy, as it helps him/her to focus on long-term relationships rather than being influenced by a situation of immediate achievements. The Western concept of trust is broader than the Chinese one, since it is considered as “the confidence in the reliability and integrity of exchange partners”⁴⁹. In order to have trust between two parties, both have to know that the partner has the intention to behave correctly and reliably, and that he/she will respect the other’s interests; these two characteristics define the concept of credibility and benevolence. On the other hand, trust concept is different in Chinese’s perception. Trust, as previously explained, is associated with the world *xinyong*, and does not only defines the credibility, but also the commitment to do a certain job. If this is not done, the consequences are heavy and comprehend not only the termination of *guanxi* with a specific person, but it also jeopardizes all others potential and existing relationships because of the loss of face (*mianzi*).

Western companies have to be aware of the differences between *guanxi* and relationship marketing, since an understanding of their specificities can help them simplify their entering into the Chinese market. Marketing is something which is done throughout the whole length of the distribution channel, as every actor has his own necessities and approachability. As

⁴⁹ Morgan R. M., Hunt S. D. (1994), “The commitment — trust theory of relationship marketing”, in *Journal of Marketing* vol. 58, p. 23.

a matter of fact, before addressing to final customers, foreign companies have to “pass the gate” with distributors and retailers, as these clients are fundamental in order to penetrate the market in the most effective and efficient way. The word *guanxi* itself means “gate”, meaning that one of the first things to do is to focus on the instauration of a genuine relationship with Chinese business partners. It is true that China is considered a relational society, but this applies only for members of a group which already exists, whereas Chinese tend to be skeptical toward outsiders. Therefore, global companies have to build this network of trust and mutual respect and become insiders, also understanding that for Chinese *guanxi* is not only considered important for business and economic purposes, but it is also – and more importantly – a way to create long-term relationships beyond the commercial environment. In fact, these connections are not made impersonally from business to business, but they are created by real people who meet, exchange ideas as well as gifts, favors and so on, so the social dimension is at the base of every profitable commercial relation. Moreover, *renqing* and *xinyong* dimensions have to be respected, because without them *guanxi* could not exist. In fact, a Chinese businessman would never engage in a business relationship with someone he does not trust and who does not respect the reciprocity of their link.

As a consequence, Western companies have to make an effort in order to adapt and conform to these peculiarities, because they would face a barrier if they tried to adopt the same strategies that they implement in the home country. They should create/develop long-term relationships with Chinese partners which will benefit both parties. Once understand the rules of the game that govern China, meaning once they “passed the gate” and they become insiders, the relationship will surely be long-term and profitable.

2.3.3 A SUCCESSFUL CASE OF GUANXI 关系 RELATIONSHIP: FERRERO’S DISTRIBUTION IN CHINA

Many global companies have understood this, and the majority of them succeeded in make a lot of profit thanks to their ability to develop true *guanxi* relationships with Chinese counterparts. One of these has been Ferrero, the first Western chocolate company to enter

the Chinese market in the 1980s. Ferrero made its entrance in the market by establishing an office in Hong Kong, the subsidiary Ferrero Asia Limited, and by collaborating with Alfa Group, a local importer. The first aim was to make Chinese people aware of the existence of the brand at first, as the great majority of local consumers had not ever heard of chocolate, let alone chocolate brands. Ferrero and Alfa Group reciprocally provided one another with important resources: Ferrero supplied its products, which were gaining more recognition and prestige day by day, while Alfa Group allowed the products to enter and be commercialized in the Chinese market, and, thanks to the reputation the company already had in the market as an insider, increased the brand awareness of Ferrero as well as the consumption of local consumers, as they trusted the distributor that was selling the products.

As far as Alfa Group was of the utmost importance for Ferrero, it could help only in limited – yet crucial – areas like Guangdong and Shanghai, so Ferrero had to find other ways to expand in Chinese market once the sales of its products started getting bigger by the day. Therefore, “the route to market model changed with Ferrero having a direct sales force covering the most important modern trade key accounts and over 80 sub-distributors in order to cover the territory together with Alfa Group”⁵⁰. Through trust and commitment as basis of these new relationships, Ferrero managed to increase the downstream integration thanks to a mixed distribution model. More specifically, the company’s sellers developed relations directly with international retailers like Auchan, Carrefour, Walmart and so on, and through local distributors with local smaller retailers. This decision was almost forced by the huge amount of sales that Ferrero was generating over the years, and because international retailers are culturally closer to Ferrero, so the company did not need intermediaries.

However, these two dimensions overlap with each other, as “in the interaction with international retailers, local distributors support the activities of Ferrero sellers, who have the task of negotiating sale conditions, product management (stock management and freshness), and marketing policies (customer management, store management, promotion) in store”⁵¹. In fact, local distributors act as reseller themselves, by buying products from

⁵⁰ Ranfagni S., Guercini S. (2014), “Guanxi and distribution in China: the case of Ferrero Group”, in *The International Review of Retail, Distribution and Consumer Research* vol. 24 no. 3, p. 304.

⁵¹ Ranfagni S., Guercini S., *op. cit.*, p. 305.

Ferrero and reselling them to final customers, and by organizing all the logistics matters like invoicing, delivery and collection. On the other hand, they also carry out the management of the brand in store when working with local retailers. The main power of local distributors is their local expertise and market knowledge. These two characteristics have been fundamental for Ferrero in order to develop in the Chinese market, to increase its brand awareness and to create even more closer bonds with local distribution network. The intermediaries that make the communication between Ferrero and local distributors are a set of key account managers who know the language and culture and manage to avoid any kind of channel conflict.

All these relations are based on the *guanxi* concept of reciprocity and on shared objectives. In fact, the more Ferrero's reputation increase, the more local distributors expand their coverage and sales; the situation that results is positive and profitable for both the parties. All this has been possible thanks to the initial Ferrero's dependence on local distributors, which later became an interdependence that brought benefits to both of them. In order to keep a *guanxi* relationship going, in fact, the two parties have to rely on each other and gain mutual benefits, and this is exactly what happened in the case of Ferrero, as *guanxi*-based business relations has been the key factor in the success of Ferrero in the Chinese market. As a result, considering Ferrero's experience as an example, once a *guanxi* relationship is created in the business environment, the probability that it will be successful is high, as this value is fundamental for Chinese and they will commit to their goal once defined by the two parties.

In conclusion, in order to be successful in the Chinese market, companies have to pay attention and respect some the core values of Chinese society: *guanxi* and *mianzi*. These two strongly influence every aspects of Chinese people's lives, in particular the consumption behavior and the relationships with all types of clients, both final customers and intermediaries. Therefore, companies have to be perfectly aware of these values which often differ from the Western ones. If companies observe these concepts and are able to find a way to respectfully use them to their advantage, they will succeed in the Chinese market and enter it the best way possible. Moreover, gift-giving behavior is one of the most important aspects concerning personal relationships. Giving gifts is not only a habit, but a

strong cultural value that all Chinese respect and pretend, since it is the key to *mianzi* recognition and *guanxi* creation.

2.4 CHINESE CHOCOLATE CONSUMERS' BEHAVIOR

2.4.1 THE DECISION-MAKING PROCESS

Before buying something, consumers go through a series of step where they evaluate and decide which product better suits their needs and wants. This process is defined decision-making process, and it involves five phases:

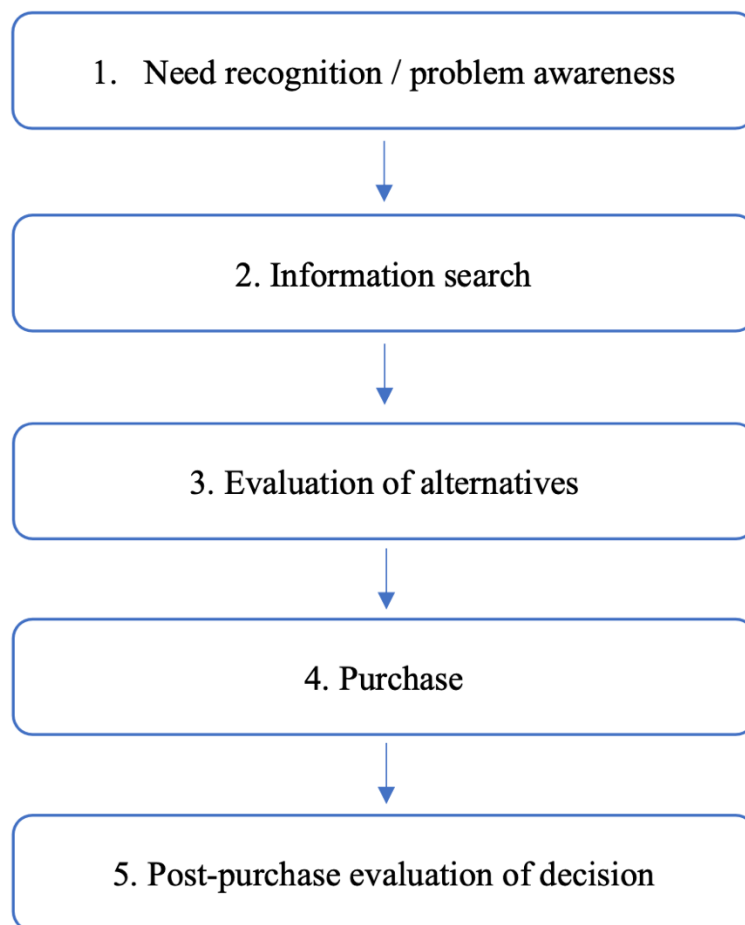


Fig. 2.8. The consumer decision-making process

Source: Vescovi T. (2019), *International Marketing to China*, McGraw-Hill Education Create.

1. Need recognition / problem awareness

During the first phase, the consumer perceives he/she needs something, which could be a routine feeling or caused by an unpredicted phenomenon. Moreover, the need can be emotional, and this latter aspect is the one that marketers make the greater effort to stimulate. In fact, many advertisements focus on the creation of emotions in the viewer in order to trigger the need for something. This initial stage is crucial for marketers as they can intervene in various ways: they could spot new trends by defining the needs of the consumers before they even know they have them, or by directly creating them; they could avoid “need inhibitors”⁵², meaning those factors that make the buyer hesitant on the real need and hinder him/her to step to the next stage, for example shipping costs on online sites; they should be aware that consumption can also come from the continuous repetition of advertisements, so marketers could act this way in order to create the need of consumers to buy a certain product.

2. Information search

After having identified the problem, the consumer looks for all the potential alternatives in order to find the best product to satisfy his/her needs. In doing so, he/she involves internal or external search: the internal search consists of the recall by the consumer of previous purchases; the external search takes over when the consumer is not able to make a decision by himself/herself, so he/she looks for other external sources, which could be personal sources like friends, family or commercial sources like advertisements or commercials. Especially for this latter, people often search information online, so companies can influence the consumers through this channel.

⁵² Vescovi T., *op. cit.*, p. 113.

3. Evaluation of alternatives

Once the consumer gathered sufficient information for his/her purpose, he/she begins to evaluate the alternative, by privileging some products or brands instead of others, with the result of having a small number of alternatives to choose from. This phase could take a long or short time depending on the level of involvement in the purchase the consumer has to make. Involvement is defined as “the degree of perceived relevance and personal importance accompanying the brand choice”⁵³. The higher the involvement, the longer the decision process, and this is due to four main factors that influence the involvement and extend the decision making process: if the product the consumer wants to buy affects his/her self-image; if the risk perceived when deciding whether to buy something is high, which is characterized in particular expensive things like houses or cars; if the purchase influences the social acceptance; if the purchase provides pleasure or hedonistic feelings, for instance holidays or particular experiences. For what concerns Chinese consumers, the most important influences are self-image, defined as *mianzi*, and social factors. As previously mentioned, these two concepts are closely connected with one another, as a lot of purchases are done in order to save face as well as to be accepted by the group. Chocolate consumption, in particular when bought as a gift, is exactly used for this purpose, so the evaluation of alternatives and the following choice of the brand or product is not necessarily determined by the price, the perceived risk or by hedonistic influences, but rather by the willingness to be well-seen and recognized by others.

4. Purchase

The consumer arrives at the purchase phase when he/she chooses the product and brand, and he/she then has to decide where and when to buy it. The consumer can buy in a physical shop or online. More specifically, in the point of sale the consumer could still change his/her mind, for instance because there is a store which offers more favorable sales conditions. For what concerns the choice of when to buy the product, this can be determined by various

⁵³ Blackwell R. D. et al. (2000), *Consumer Behavior*, Orlando, FL, Dryden, p. 34.

things, like the occurrence of a festivity, a period of sales, the urgent need to buy something and so on.

5. Post-purchase evaluation of decision

“The creation of customer satisfaction is the real art of effective marketing”⁵⁴. In fact, marketing managers’ aim is to create positive experience for the consumer who decides to buy their products. However, customers often tend to have some concerns about their purchase, which happens with expensive or high-involvement products, or when the person found it difficult to make a choice, therefore he/she still thinks about the other alternative. This phenomenon is called cognitive dissonance, and companies always try to reduce it in many ways. For instance, many brands send mails to consumers after the purchase in order to convince them even more that they have made the right decisions, or they provide the website with reviews by other consumers so that the person is positively influenced by them.

⁵⁴ Vescovi T., *op. cit.*, p. 114.

2.4.2 INFLUENCES DURING THE DECISION-MAKING PROCESS

As previously introduced, the consumer is subject to many influences during all the phases of his/her decision-making process, as reported in the Figure 2.8.

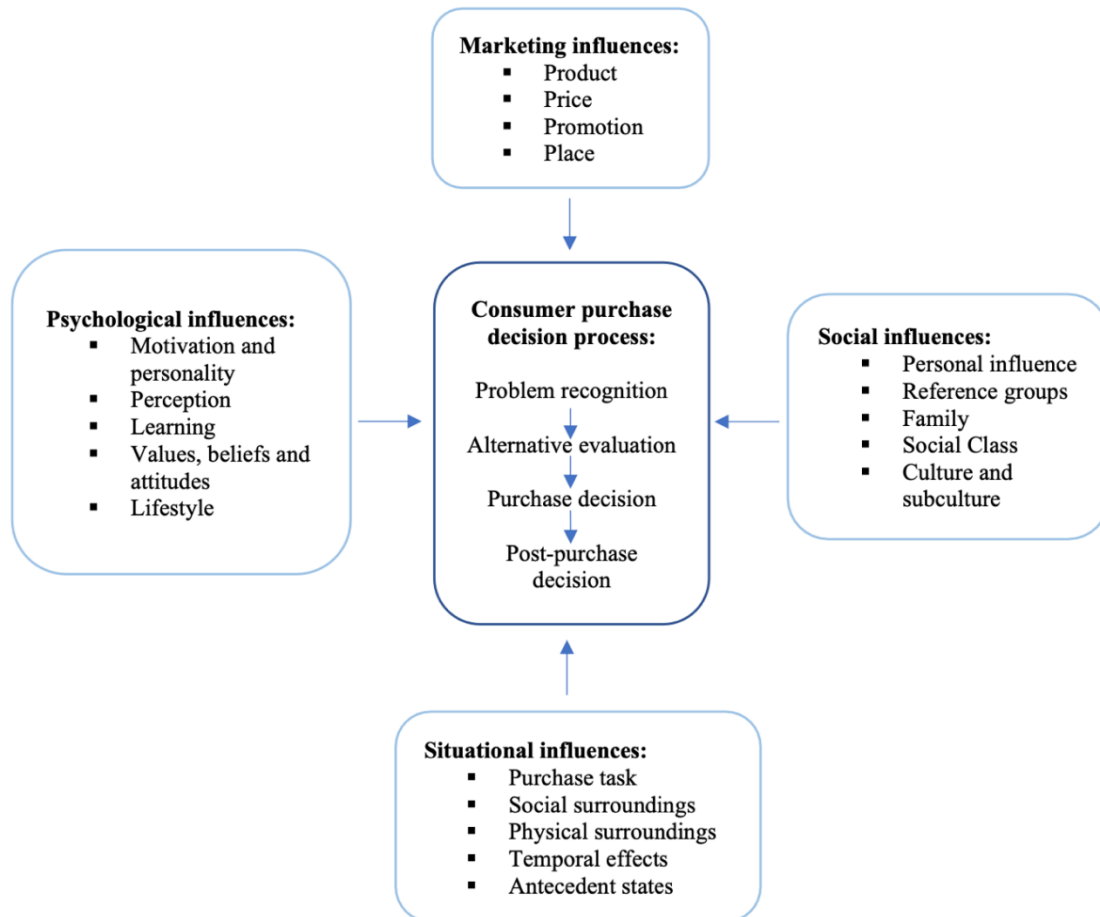


Fig. 2.9. Influences on the consumers' decision-making process

Source: Kerin R. A. et al. (2014), *Marketing*, Milano: McGraw-Hill Education.

Situational influences are those that happen physically in the store when the consumer is about to make his/her purchase. These could be: the purchase task, for example if the person is buying something for himself/herself or if it is a gift; the social surroundings, which comprehend all the people in that particular store (other clients, shop assistant and so on); the physical surroundings involve the atmosphere in the shop, like the colors, the music or the store's layout; the temporal effect influences the consumer's choice and the time it takes

to decide; the antecedent state is particularly relevant, as the mood the person has impacts on his/her decisions.

Psychological influences control the purchasing behavior of the person and are particularly relevant for companies in order to understand the inner need to buy something. Psychological influences are: motivation and personality; perception; learning; values, beliefs and attitudes; lifestyle. More specifically, motivation is a force that pushes the individual to do something in order to satisfy a need or want, while personality is a more personal dimension that impact the behavior. Personal traits are important for marketers because they identify some attitudes a certain category has, which reflect on the consumption purchase choices. In particular, the self-concept portrays the personality of an individual, which means the way he/she sees himself/herself and the way he/she wants to be seen by others. In his/her purchasing behavior, the consumer will tend to buy things that will increase his/her image in front of others, so advertising will try stress these desires. Once again, Chinese consumption behavior is strongly influenced by this aspect, as the image of oneself is crucial in China.

Being a collective society, social influences are some of the most important forces to shape a person's consumption behavior. The first type of social influences is the personal one, which comes from the points of view or behavior of other people, in particular opinion leaders. Opinion leaders are individuals who influence others because they know the product and have experienced it, so their review is reliable. Moreover, they often are famous figures, so people are convinced to buy something only because they have it. However, as far as celebrities have the power to influence others, the majority of Chinese rely on the opinion of people they know, like friends, colleagues or family. In fact, more than 67 percent of consumer products are sold through word of mouth⁵⁵, which is defined as “verbal, informal communication occurring in person, by telephone, email, mailing list or any other communication method regarding a service or good”⁵⁶. Word of Mouth started among groups of people who trusted each other, but in the last years it moved online, through social

⁵⁵ Kerin R. A. et al. (2014), *Marketing*, Milano: McGraw-Hill Education, p. 152.

⁵⁶ Goyette I. et al. (2010), “e-WOM scale: Word-of-mouth measurement scale for e-services context”, in *Canadian Journal of Administrative Sciences* vol. 27 no. 27, p. 9.

networks, chat rooms or forums, where users can read reviews also of people they do not know, and this phenomenon is defined electronic-World of Mouth.

As the country with the largest number of Internet users, Chinese online shopping has its unique characteristics, which go back again to the concepts of face a social value. Face plays a major role in the sense that when people express their opinion on something they expose themselves and risk their face, so they only leave feedbacks online when they are completely sure about what they are saying. Moreover, the more shopping experience a customer has, the more his/her comment is reliable and will influence others to a “WOM behavior”⁵⁷, meaning to buy under the influence of electronic-Word of Mouth. For what concerns social value, it is intended as “the perceived utility of a product or service based on its ability to boost one’s social well-being”⁵⁸. This means that people are accepted by others and gain social approval when they buy online. As a consequence, Chinese will develop a WOM behavior with the aim of making a positive impression on others, and the more they feel accepted, the more they buy.

2.4.3 THE CHOCOLATE SENSORY MARKETING

The last type of influences are marketing mix activities: product, price, promotion and place. Through these four tools, the aim of marketing is to satisfy consumers’ needs and wants. In particular, many studies have identified a great effectiveness on the so-called “sensory marketing”, namely “marketing that engages the consumers' senses and affects their perception, judgment and behavior”⁵⁹. The emanation of senses triggers in the consumer a physiological response which could transform in consumption behavior. Marketers have enriched their marketing strategies with elements that recall one or some of the five senses – haptics, olfaction, audition, taste and vision – in order to drive the consumers attention to

⁵⁷ Zhang X et al. (2019), “Investigating consumer word- of-mouth behaviour in a Chinese context”, in *Total Quality Management & Business Excellence* vol. 30 no. 5-6, p. 582.

⁵⁸ Kim S-B et al. (2013), “The Influence of Consumer Value-Based Factors on Attitude-Behavioral Intention in Social Commerce: The Differences between High- and Low-Technology Experience Groups”, in *Journal of Travel & Tourism Marketing* vol. 30 no. 1-2, p. 112.

⁵⁹ Krishna A. (2012), “An integrative review of sensory marketing: Engaging the senses to affect perception, judgment and behavior”, in *Journal of Consumer Psychology* vol. 22, p. 332.

the company’s product, since nowadays people are bombarded by countless of commercial advertisements. The senses are processed before through sensation, which is a biochemical reaction that happens when a stimulus reaches the receptor cells, while perception takes over when the body recognizes and understands the sensory information. This process then creates an emotion or a cognition, which could result in an attitude, in a recall of a memory or in a specific behavior.

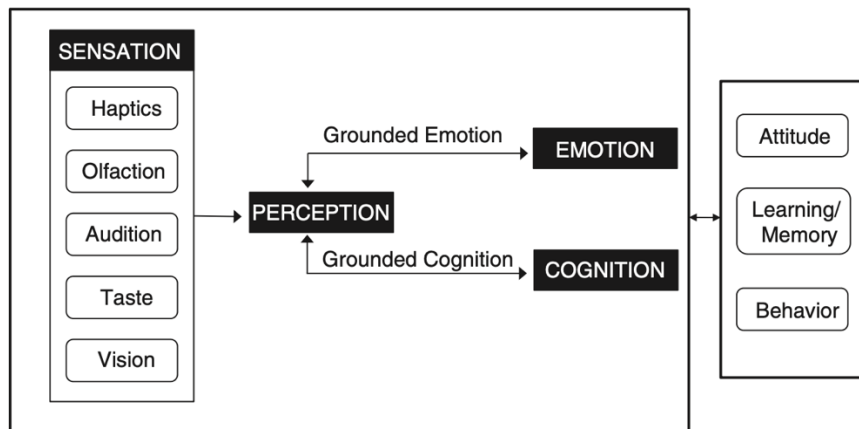


Fig. 2.10. A conceptual framework of sensory marketing

Source: Krishna A. (2012), “An integrative review of sensory marketing: Engaging the senses to affect perception, judgment and behavior”, in *Journal of Consumer Psychology* vol. 22, pp. 332–351.

For what concerns chocolate brands, the two most important senses to activate in order to attract consumers are olfaction and taste:

- Olfaction is one of the most personal senses, due to the fact that people find it difficult to describe, even if they recognize thousands of different scents thanks to the “over 5 million olfactory neurons in our nasal cavity”⁶⁰. Moreover, the mood of a person can change based on scents, because it can create a particular sensation and, most often, bring to mind a memory connected with it. In fact, from a biological perspective, olfactory nerves are more connected to the memory compared to other senses, so it is more likely that a particular smell will evoke a specific memory and

⁶⁰ Morrin M. (2010), “Scent Marketing, An Overview”, in *Sensory Marketing, research on the sensuality of products*, New York: Routledge, Taylor and Francis Group, p. 77.

consequently a change in the mood and behavior of the person, included the consumption one. Although smell and the recognition of a particular scent is a biological process, and every person privilege some perfumes instead of others based on their tastes and emotion associations, there is a significant influence of what is perceived to smell good or bad made by culture. In fact, studies proved that culture influences the perception of scents, and this happens in context where people connect the perfume to their past experiences, so the emotional recall is dominant⁶¹. Marketers have understood the power of scent marketing, and many brands are now using it for food stores as well as for other consumer products stores. In particular, the scent of chocolate proved to be extremely influent on people, as “consumers who were exposed to the scent of chocolate spent more time processing product information and this positively impacted sales”⁶². For example, Godiva, one of the most famous Belgian chocolate brands, organized a multi-sensory event for its 90th birthday, where guests could smell, touch and taste different types of chocolate. This event had a lot of success and highlighted the importance of involving all senses when experiencing chocolate.

- Gustation, the sense connected to the taste of food, comes from the taste receptors people have in their mouth. However, people can only distinguish five tastes, which are sweet, salty, sour, bitter and umami (a flavor which is the combination of “deliciousness” or “savory”⁶³). Considering this limit of the pure sense of taste, all other senses intervene in order to create a complete flavor. In fact, smell is essential in the recognition of some foods which however would taste the same and to create the concept of flavor, which only comes with the combination of gustation and olfaction, and also touch and vision are crucial in identifying perfectly the food we are about to eat, as well as audition which can indicate the consistency of it.

⁶¹ Lwin M. O., Wijaya M. (2010), “Do Scents Evoke the Same Feelings Across Cultures? Exploring the Role of Emotions”, in *Sensory Marketing, research on the sensuality of products*, New York: Routledge, Taylor and Francis Group, p. 119.

⁶² <https://taylaellise.wordpress.com/2019/03/29/the-sight-smell-taste-and-touch-of-lindt/>

⁶³ Krishna A., *op. cit.*, p. 342.

Therefore,

The experience of a bite of chocolate may last for minutes: In the first stages, the sight of the wrapped chocolate, the smell as it is unwrapped, the feel of the chocolate in the hand; then, the bite itself. The initial firm impact, the growing aroma as the chocolate warms in the mouth and coats the inner surfaces, the change in texture from firm to a thick, silky liquid, the slide down the throat, and the enduring after-flavor. A bite of chocolate is a minisymphony of experiences⁶⁴.

However, taste does not only come from the combination and experience of all the five senses, but also from external influences, such as brand, advertising, packaging and so on. Moreover, commercials which include the perception of more than one sense are even more powerful in creating a deeper taste experience. In other cases, psychological feelings can impact on the taste of a food in particular moments, for example people could find a food disgusting if this food is obtained through child labor or through the exploitation of animals, and also the context – the type of restaurant, the ambience and so on – could drive someone to like or dislike what he/she is eating.

As far as food is a necessity for human beings, and people spend the majority of their money in buying it, it is also a pleasure for the great part of people, especially with the increasing purchasing power of Chinese consumers, in particular those belonging to the middle class. In fact, once a food is available and affordable for an individual, the main criteria to choose what to buy is determined by the flavor, which directly produces pleasure. This pleasure can be a sensory, aesthetic or mastery one. In particular, sensory pleasure is the simplest one, which comes from the enjoyment of something a person is eating, and it can be experienced countless of times with the same intensity. Therefore, marketers aim to raise this particular feeling in their advertisings, for instance in many Lindt stores people are encouraged to taste some trays for free, and this influences consumers to actually purchase their products.

⁶⁴ Rozin P., Hormes J. M. (2010), “Psychology and Sensory Marketing, With a Focus on Food”, in *Sensory Marketing, research on the sensuality of products*, New York: Routledge, Taylor and Francis Group, p. 305.

Even though olfaction and gustation are the most important aspects when taking into consideration chocolate, since people recall it first for its taste and smell, all other senses may be intertwined within the marketing strategy of a chocolate brand as well. Vision is the first sense to engage in the process of buying a product, especially in-store. The customer first sees the product he/she wants to buy, he/she then generally approaches it and touches it. In this sense, marketers have to make sure customers are attracted to products, so they can play with bright colors or particular shapes. Vision is also the main sense that is involved when online purchasing or when consumers look at any type of advertisements, such as tv commercials, posters and so on. Touching products allows consumers to learn more about a product and evaluate it. When someone touches an object, he/she “is engaged in goal-directed, problem-solving, prepurchase behavior”⁶⁵. Finally, audition is essential in the atmosphere creation within a physical shop. The sound someone hears when shopping can distract him/her from his/her goal or can create a favorable ambience. In addition, “when used in advertising, music may set a mood, invoke particular brand perceptions, or influence the favorableness of attitudes and consumption more generally”⁶⁶.

Taking the example of Lindt, the inclusion of all senses in the advertisements, especially in-store, results in a more effective involvement/engagement of the clients. In these shops, people are attracted by the richness of colors, from the red of the most well-known *Lindor* to *Lindt gold bunnies* and by the unmistakable aroma of chocolate. Moreover, customers can touch the products, and, according to a research from Ohio-state University, “touching an item for 30 seconds or less creates an attachment to the product and can boost how much a consumer is willing to pay for the product”⁶⁷.

⁶⁵ Peck J. (2010), “Does Touch Matters? Insights From Haptic Research Marketing”, in *Sensory Marketing, research on the sensuality of products*, New York: Routledge, Taylor and Francis Group, p. 19.

⁶⁶ Meyers-Levy J., et al. (2010), “The Sounds of the Marketplace, The Role of Audition in Marketing”, in *Sensory Marketing, research on the sensuality of products*, New York: Routledge, Taylor and Francis Group, p. 146.

⁶⁷ <https://taylaellise.wordpress.com/2019/03/29/the-sight-smell-taste-and-touch-of-lindt/>



Fig. 2.11. Lindt shop in New York

Source: <https://www.youtube.com/watch?v=SYlxF6fiHis&t=194s>

2.4.4 THE SEGMENTATION OF CHINESE CHOCOLATE CONSUMERS

Everyone loves chocolate, but companies should take into consideration that it is impossible to address a market as big as that of China in a homogenous way. In fact, it is crucial for them to segment Chinese chocolate consumers and target the most profitable segments. Segmentation is “the identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy”⁶⁸. The company takes the entire market and split consumers in different groups that can have similar needs, benefits and that respond in the same way to marketing actions. Inside the segment, considering the variables the company is taking into consideration, the segment is homogeneous, while between the segments there’s a heterogeneity strong enough to justify the development of different marketing plans. The criteria to segment are divided into three main groups:

⁶⁸ Vescovi T., *op. cit.*, p. 175.

- Behavioral: it refers to the behaviors, such as benefits sought, purchase behavior, perceptions and beliefs, that determine the reaction to marketing activities the consumer is subject to.
- Psychographic: it mainly comprehends consumers' lifestyle and personality traits.
- Profile: it includes demographic, socio-economic and geographic variables which determine the preferences for certain types of products instead of others.

Once all viable segments have been identified in the targeted markets, the process of selecting the most promising segments, those with the highest potential to generate sales and profits for the company, and deciding how to address their needs, begins. This process is referred to as targeting, and it can be carried out in various ways: undifferentiated marketing (the company uses the same marketing strategies for its target market), differentiated marketing (the company develop multiple marketing mix strategies for each target), focused marketing (the company address a single segment, the so-called niche), customized marketing (the company tailor the marketing mix strategies to each customer).

The chocolate market is dominated by global brands like Mars, Ferrero, Hershey, Cadbury and Nestlé, which have been addressing the Western market for a long period of time. In recent years, however, Western countries tastes and consumption behaviors shifted towards a more conscious behavior. In fact, these markets now look for healthier or organic chocolate and they often want to be sure the product they are willing to buy are adequately certificated and went through fair trade practices. This does not happen in developing economies like BRIC (Brazil, Russia, India and China) countries, where chocolate is still a new product, but which in 2017 accounted for 70 percent of the world's confectionery growth⁶⁹.

Chinese chocolate consumers are even more singular in their choice of chocolate products. The first characteristic is that Chinese cuisine is traditionally oriented toward spice foods and food is liked for its texture (crispy, sticky, gelatinous and so on), so taste is not the main factor. This explains why, when it comes to chocolate, the favorite type is the dark one: the flavor is much more bitter than the milk chocolate, so it suits better the tastes of Chinese.

⁶⁹ Morris J. A. (2014), "A taste of the future, the trends that could transform the chocolate industry", in *Haymarket Network Ltd*, p. 3.

Moreover, Chinese people recently began to pay attention to health, and chocolate and sweets in general, like in any other country, are seen as unhealthy products. Therefore, Chinese consumption of chocolate is merely derived from pleasure motives. In fact, the consumption of chocolate is mostly limited to some occasions where people exchange gifts, but it is rarely included in the every-day diet. To meet these needs, new types of chocolate shops have emerged, for instance DIY chocolate stores. Here, people can choose the percentage of each ingredient to add to their chocolate, this way customers can create their product according to their tastes and preferences. Moreover, this type of stores is a great way to spend valuable time with the family and learn about the preparation of the chocolate. For what concerns chocolate destined to gifts, the majority of company offer special packages for every type of occasions in various period of the years – St. Valentine’s Day, Chinese New Year and so on – so that people can exchange high-end and well-presented gifts to the receivers⁷⁰. These, like many other examples, highlight the importance to really understand what Chinese consumers want and try to satisfy it in the most effective and original way possible, as competition is very stiff and Chinese consumers are becoming more sophisticated and expert day by day. Being a well-known brand and having a good positioning certainly helps chocolate companies, but with the increasing modernization and evolution of Chinese customers, chocolate companies have to constantly look for alternatives and ways to attract them.

⁷⁰ <https://www.straitstimes.com/lifestyle/food/chocolate-is-big-business-in-china#:~:text=According%20to%20the%20Association%20of,7kg%20per%20person%20per%20year>.

THIRD CHAPTER

THE COMPETITIVE SCENARIO OF THE CHINESE

CHOCOLATE MARKET

3.1 THE WESTERN “BIG FIVE” IN CHINA

The Chinese chocolate market has a recent history, as the first company to enter China was Ferrero in 1980, while no chocolate brand existed in China yet. From that moment on, many other chocolate companies entered the country. The development of the chocolate market in China has unfolded through three main phases: “experimental phase”, “critical-mass phase” and “break away phase”¹.

The “experimental phase” started in the 1980s and lasted until the beginning of the 1990s. This was the most difficult phase for Western chocolate companies, as China was an unexplored country with many barriers, for instance the bureaucracy was very long and complex, and it was worsened even more by the fact that companies had no contact in China that could help them; the language was a huge obstacle and costs were expected to be very high, even for a single phone call; supply and distribution networks lacked the basic infrastructures. During this phase, companies experimented and tried to address Chinese market but, since chocolate was not yet arrived in China, they had no guideline to see what move would be the best for them. However, thanks to the rapid economic development of the country, Chinese people began to get richer, and, as years passed, they became more and more curious and open to new products. As a matter of fact, people progressively gained purchasing power, which allowed them to enlarge their spending from basic needs to other products which satisfied pure desire or the want to taste something new.

¹ Allen L. L., *op. cit.*, p. 14.

These conditions – gradual improvement of infrastructure and increasing interest by Chinese consumers – led to the “critical-mass phase”, which started in the 1990s. Companies started to actively be part of the market, as many of them previously limited to exporting products to China, whereas now they could establish shops. In these years, the retail environment was improved, and this step was crucial for Western companies in order to make their products accessible to consumers. In addition to this, marketing strategies and distribution management were implemented, and global chocolate brands awareness kept on increasing, resulting in a growing prestige and credibility.

The “break-away phase” followed from the beginning of the 2000s, and it was a period where improvements enabled companies to firmly stabilize in the market and exponentially grow their sales and revenues. Differently from the previous phases, companies with establishments in China now enjoyed experienced and competent employees, managers and so on. As a matter of fact, in the first years of the opening up of China, the working market was very poor, since the Cultural Revolution had hindered the whole education system, resulting in the creation of young people who did not have any competence or experience at all. Thanks to the rapid development of China, the global perception of the country drastically shifted, from considering it a “cheap export”² to recognizing its potential as an economic power.

The chocolate market in China grew rapidly during the last decades, even though the consumption is still quite low compared to Western countries, since Chinese people consume 220 thousand tons of chocolate in 2020, against the 1,525 thousand tons consumed by Americans³. Chocolate is for the majority part distributed through retail channels and, in the last years, through e-commerce. Online shopping is extremely popular in China, considering that people under 40 years of age are the major consumers of imported food. For what concerns the favorite chocolate products, table 3.1 shows that Chinese people prefer tablets and boxed assortments. However, due to the differences in tastes Chinese have, many companies have adapted their products to better satisfy Asian desires. One of the greatest examples was the wide range of chocolate flavors created by Oreo, the famous

² Allen L. L., *ivi*, p. 19.

³ <https://daxueconsulting.com/chocolate-market-in-china/>

biscuits commercialized by the American chocolate multinational Mondelez International. Oreo (AO Li AO 奥利奥 in Chinese) has 9 different flavors of its most famous sandwich cookie, and 10 types of snacks, reaching up to 19 variations. Apart from the basic flavors like vanilla or chocolate cream, Oreo also introduced flavors like Wasabi, Hot Chicken Wings, Red Bean Cake, Green Tea Cake and so on. Overall, these singular tastes had great success in China, since it is now the second biggest market for the company⁴.

	2015	2016	2017	2018	2019	2020
Chocolate Pouches and Bags	17.4	16.6	16.1	15.8	15.4	13.2
Boxed Assortments	36.0	34.2	33.3	33.5	33.5	29.5
Chocolate with Toys	5.9	6.7	7.4	7.9	8.4	7.7
Countlines	24.1	23.5	23.4	23.3	23.1	20.2
Seasonal Chocolate	-	-	-	-	-	-
Tablets	49.4	47.3	46.0	45.7	45.3	39.4
Other Chocolate Confectionery	-	-	-	-	-	-
Chocolate Confectionery	132.7	128.3	126.2	126.0	125.6	109.9

Fig. 3.1. Sales of Chocolate Confectionery by Category in volume (1000 tons) from 2015 to 2020

Source: Chocolate Confectionery in China (2020), *Euromonitor International*

Some local chocolate brands exist in China, but have always struggled to survive, as many of them had to close or were sold to multinationals, for instance Le Conte was shut down, whereas Xu Fuji has been acquired by Mars. The few brands that remain are still facing the same problems as when they were established, like “improper selection of chocolate processing equipment and incomplete supporting facilities”⁵. In fact, the gap between local and Western chocolate manufacturers is to be seen in low quality products by Chinese companies, also due to lacks in research and development and to the fact that Chinese companies used replacements of cocoa butter rather than genuine ingredients. More precisely, according to International standards, the lower percentage of cocoa butter to be added in a chocolate product is 35 percent, whereas the Chinese standards only require 20 percent, which results in a lower quality and unhealthy product. Lastly, local chocolate companies were established only when chocolate started to be imported in China 50 years

⁴ <https://kotaku.com/the-wonderfully-weird-world-of-chinese-oreos-5947767>

⁵ Flanders Investment & Trade Market Survey, *op. cit.*, p. 9.

ago, whereas Western brands have a longer history and tradition. As a matter of fact, Western brands keep on thriving in the Chinese market: it is dominated by foreign companies which own almost 80 percent of the market share, and the leaders are Mars and Ferrero which together make more than 50 percent of the market.

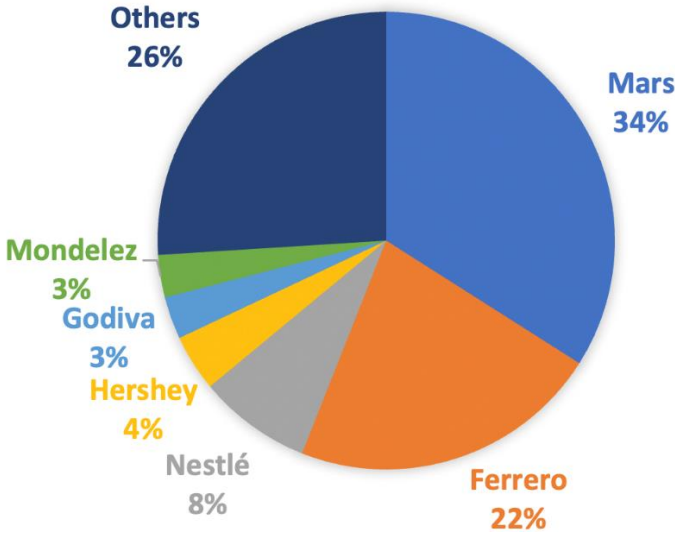


Fig. 3.2. Company Shares of Chocolate Confectionery in China

Source: <https://daxueconsulting.com/chocolate-market-in-china/>

Allen. L. L., in his book “Chocolate Fortunes: The Battle for the Hears, Minds, and Wallets of China’s Consumers”⁶, defines the Western brands in China as “Big Five”, taking into consideration Mars, Ferrero, Cadbury, Hershey and Nestlé. These companies own a relevant market share in Western countries too, even though many other competitors exist. In fact, Mars owns 14.4 percent of the market, Mondelēz International 13.7 percent, followed by Nestlé with 10.2 percent, Ferrero with 9.5 percent, Hershey which accounts for 7.2 percent and Chocoladefabriken Lindt & Sprüngli 5.1 percent. The remaining 40 percent is in the hands of other companies. Therefore, the global market share is not concentrated as much as the Chinese one, and this is why global companies try so hard to win the hearts of Chinese

⁶ Allen L. L., *op. cit.*

consumers, which, with almost 1.4 billion inhabitants, represent one of the most attractive country.

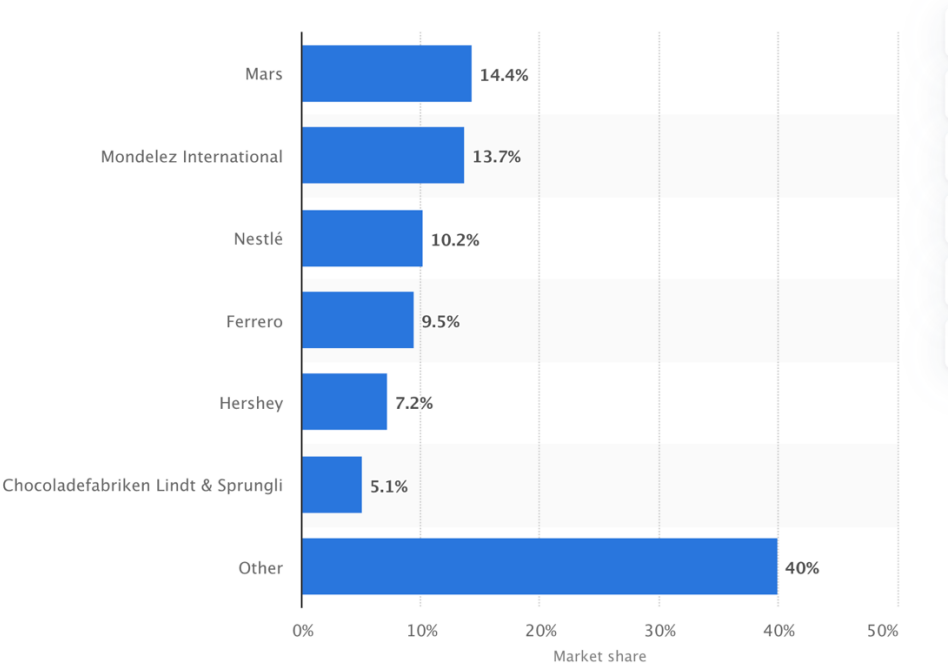


Fig. 3.3. Market share of leading chocolate companies worldwide in 2016

Source: <https://www.statista.com/statistics/629534/market-share-leading-chocolate-companies-worldwide/#:~:text=The%20Hershey%20chocolate%20company%20controls,to%20688.7%20million%20U.S.%20dollars.>

3.2 FERRERO

3.2.1 FERRERO'S HISTORY AND ITS ENTRY IN THE CHINESE MARKET

The history of Ferrero starts in the 1940s, when Pietro Ferrero opened his pastry shop in Turin. He then moved to Alba, Piedmont, with his wife, where they started working together and experimenting with ingredients, which resulted in the creation of “Pasta Gianduja”, a paste made of hazelnuts, cocoa butter and vegetable oil. The product had immediate success and brought the company to expand and to sell directly to final customers through delivery vehicles with Ferrero logo on them, since the company initially relied on distributors. This way, Ferrero could reduce the costs and advertise the company at the same time.

While keeping on improving the recipe of its now nationally known product, Ferrero's Gianduja was gradually changing Italians' habits: Italians began eating sweets – including Ferrero's product – on a more daily basis and not only on special occasions. Moreover, shopkeepers offered children who came out of school a slice of bread with some Gianduja on it. In the meantime, Ferrero expanded even more throughout Italy, created a new chocolate product, Mon Cheri, and changed the name of its product to Nutella, which comes from the word “hazelnut”, the most important ingredient⁷.

When Michele Ferrero, Pietro's son, took over the company in the 1950s, his first goal was to spread outside Italy. He began to grow in Germany and France, and then expanded in all Western Europe through sales and production subsidiaries. He initially sold Nutella under different names, such as Cremabla or La Tartinoise respectively for German and French markets, but the company started to adopt the only name of Nutella for all the countries in 1964.

The strategy for the expansion in North America was slightly different, since Ferrero knew Nutella would have been a competitor to American peanut butter, so it initially entered the market with Tic Tac, the new product Ferrero developed in those years. Tic Tac had instant success, while Ferrero kept on opening subsidiaries in Canada, in many South American

⁷ <https://www.referenceforbusiness.com/history2/21/Ferrero-SpA.html>

countries and in Asian ones as well. At the same time, the company expanded its product line thanks to the new brand Kinder, a chocolate specifically addressed to children – Kinder means children in German –, and developed a multitude of products like “Kinder Brioss, Kinder Cereal, Kinder Colazione, Kinder Delice, Kinder Bueno, Kinder Fetta al Latte, Kinder Pingui and Kinder Paradiso”⁸. In particular, Kinder Surprise, a chocolate egg with a small surprise inside it, was one of the most successful products, sold nearly everywhere and desired by every child. Lastly, Ferrero developed its new product, Ferrero Rocher, in 1982, with the aim of positioning this last brand to a more high-end sector.

Considering the wide range of products Ferrero now had, the company decided to treat each brand – Nutella, Kinder, Ferrero Rocher and Tic Tac – as different companies, thus allowing Ferrero to develop specific marketing strategies for each brand. As a matter of fact, the positioning and the target market of Kinder, that is children who eat these chocolates as snacks, is far from the positioning and aim of Ferrero Rocher, which is limited to special occasions consumption and with a higher price. This latter in particular is what allowed Ferrero to successfully enter the Chinese market through Hong Kong in the early 1980s.

After the establishment of the People’s Republic of China in 1949, the British colony became the center where businessmen and industrialists fled, bringing Hong Kong to a rapid industrialization and economic growth. This city was central for import and export in China and it specialized in the tertiary sector, thus becoming a service economy. In fact, labor was cheaper in mainland China, so only banks and trading companies remained in the region, along with businessmen who were well-connected and spoke Chinese and several foreign languages. Due to the rich people who inhabited the city, it quickly became “a place known for its conspicuous consumption and excess”⁹. In this context, along with high-end consumption and luxury restaurants and hotels, Ferrero Rocher was a perfect product to be introduced in such environment, thanks to its positioning and prestige which it had already gained around the world. Ferrero started selling its chocolate in Hong Kong through J. D. Hutchison, one of the leader food distributors in the region, which, in the occasion of Chinese New Year’s festival, brought Ferrero Rocher in almost every supermarket. The

⁸ <https://www.referenceforbusiness.com/history2/21/Ferrero-SpA.html>

⁹ Allen L. L., *op. cit.*, p. 45.

success was immediate, as it quickly became a gifting tradition in Hong Kong: Hong Kong businessmen used to bring gifts to clients in the mainland China to develop relationships and to their families – many businessmen living in Hong Kong were Cantonese – during Chinese festivities. The most popular gift was, among some other types of candies and sweets, the gold box of Ferrero Rocher.

Due to the widespread success Ferrero had in China, it also had to face some difficulties in the Chinese market: counterfeit. Ferrero Rocher entered China in 1982, and the company immediately filed the import registration and the trademark. However, while the first was registered both in the original language, Ferrero Rocher, and in the Chinese one, Jinsha, the latter was registered only under the foreign name. Therefore, the Chinese competitor Zhangjiagang Dairy Factory One used Jinsha name under legit trademark to sell its copycats of Ferrero's chocolates. Moreover, Zhangjiagang Dairy's positioning was the same, since it "targeted the same first-tier cities and high-end retail stores as Ferrero, even selling in China's international airport duty-free shops"¹⁰. However, the price of Zhangjiagang Dairy's products was lower, so the competition between the two brands and the risk for Ferrero was much higher.

At first, Ferrero did not file a lawsuit, because it knew it would face too many risks by pointing the finger at a local company which Chinese consumers liked. Therefore, Ferrero initially tried to persuade retailers to give more visibility and separate the two brands in the shelves, but most retailers kept on selling both the brands since the demand for both was very high. This was due to the fact that many Chinese consumers used to buy Jinsha chocolates because the price was lower, and they would have not purchased them at the price of Ferrero's, so the two brands, as far as deeply similar and in competition with one another, satisfied the needs of two segments: one which was willing to pay more for a premium product and one which was not. Nonetheless, Ferrero saw that Zhangjiagang Dairy was taking away too much market share and was damaging the brand's image, so it filed a lawsuit against the Chinese company in 2005 "on the basis of its similarity to Ferrero

¹⁰ Allen L. L., *ivi.*, p. 59.

Rocher causing consumer confusion”¹¹. The lawsuit was ruled in favor of Ferrero Rocher, but Jinsha chocolate eventually kept on being sold to Chinese consumers.

Despite some obstacles like the one previously mentioned, Ferrero kept on and still keeps on growing in the Chinese market, and the company established its first plant in Hangzhou, Zhejiang province, in 2015. Ferrero now has 13.5 percent of the worldwide chocolate confectionery market and “sold €10.7 billion worth of packaged confectionery goods in 2017/2018”¹². According to Mauro De Felip, general manager of Ferrero China, “Chinese consumers’ demand for quality products, the expansion of the middle-income group in the country, and the sophistication of its consumers were the major reasons for the growth momentum of the Chinese confectionery industry this year”¹³.

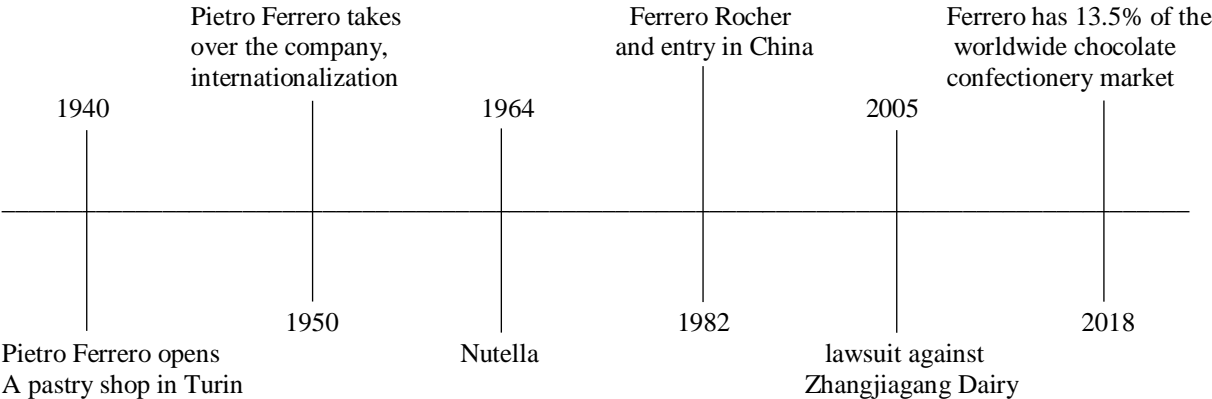


Fig. 3.4. Timeline of Ferrero’s history

Source: personal elaboration

3.2.2 THE SWOT ANALYSIS

SWOT stands for Strengths, Weaknesses, Opportunities and Threats, and assumes that strengths and weaknesses are internally related, whereas opportunities and threats are more commonly external. The internal analysis pinpoints “resources, capabilities, core competences and competitive advantages inherent to the organization. The external analysis

¹¹ Allen L. L., *ivi*, p. 61.

¹² <https://www.ferrerocareers.com/int/en/about-ferrero/key-facts>

¹³ <https://global.chinadaily.com.cn/a/201812/12/WS5c10633ba310eff303290794.html>

identifies marketing opportunities and threats by looking at competitors’ resources, the industry environment as well as general environment”¹⁴ .

	Helpful	Harmful
Internal analysis	<p>STRENGTHS</p> <ul style="list-style-type: none"> - Quality of products - Quality of raw materials - Advanced machinery - Reputation - Patents - Advertisement - Sales network - Innovation - Respect for the environment 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> - Severe legislations for what concerns toys - Seasonal product - Search for tax benefits at the expense of the brand image
External analysis	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Increasing demand from developing countries - Renewable energy 	<p>THREATS</p> <ul style="list-style-type: none"> - Strong competition in the confectionery industry - Imitation by Chinese brands - European Union's food standards - Possible miseducating advertisement - Evolution of consumers' tastes

Fig. 3.5. Ferrero’s SWOT analysis

Source: translation from <http://michaelmarketingworld.com/analisi-swt-ferrero/>

As presented in the Figure 3.5, the quality of products and raw materials are one of the most important strengths of Ferrero. As a matter of fact, Chinese consumers trust the quality of Ferrero more than the one of local companies. This is because food regulations for European Union countries are stricter, and the sources of raw materials are subject to controls and must be labelled appropriately in the product. The reputation is also fundamental for Ferrero, which is also gave from the brand’s Country of Origin, Italy.

¹⁴ Sammut-Binnici T., Galea D. (2015), *SWOT Analysis*, Wiley Encyclopedia of Management, p. 1.

Among the weaknesses of Ferrero there is the seasonality of its products. For what concerns Chinese most favored product, Ferrero Rocher, its sales skyrocket during the festivities, in particular during the Chinese New Year and Valentine's Day, as these are the festivities during which people exchange presents the most. Chinese people buy gifts for any type of reason, but sales peak during certain period and lower on others, for example during summer, when the consumption of chocolate drops. Apart from this, some rural areas still have major logistic and infrastructural services problems, like the lack of air-conditioned stores where chocolate cannot be sold during hot months.

Ferrero's most relevant opportunities comes from the increasing demand from developing countries, which offer a pool of potential consumers which makes these market far from saturated. In fact, even though China has a low chocolate consumption in general – 220 thousand tons in 2020, compared to United States' 1,525 thousand tons –, it is “the world's second-largest sugar and chocolate market after the US”¹⁵. Therefore, investing in China is a great move for Ferrero in order to enlarge its target and increase its sales.

As previously explained, some of the threats of Ferrero lies on the imitation of its product by Chinese brands, like Zhangjiagang Dairy's chocolates. These replications not only steal consumers from the legitimate brand, but they also compromise the image of Ferrero itself. On the other hand, Ferrero is also subject to strong competition by other foreign brands, like Mars, Hershey, Cadbury and so on. In fact, even though Ferrero has a great success in China, it is not the leading firm, but owns the 22 percent of the market share, compared to the 34 percent of the leader Mars.

¹⁵ <https://daxueconsulting.com/chocolate-market-in-china/>

	Helpful	Harmful
Internal analysis	STRENGTHS <ul style="list-style-type: none"> - Quality and luxury of the product - Brand and product awareness - Different box sizes to target different needs and occasions - Positioning for gift-giving 	WEAKNESSES <ul style="list-style-type: none"> - Highly priced - Scarse advertising - Often perceived to be an unhealthy product
External analysis	OPPORTUNITIES <ul style="list-style-type: none"> - Take advantage of Internet and e-commerce to better advertise products - Increasing demand of specific box sizes and tastes 	THREATS <ul style="list-style-type: none"> - Imitation of Ferrero Rocher - Competition from other brands - Competition from other products (other confectionery products or protein bars or nutri-bars)

Fig. 3.6. Ferrero Rocher's SWOT analysis

Source: personal elaboration from <https://www.marketing91.com/swot-ferrero-rocher/>

Ferrero's most sold brand is Ferrero Rocher, which has its own SWOT analysis, since some characteristics are peculiar of Ferrero Rocher only. Ferrero Rocher's strengths are to be found in the quality and luxury of the product, which presents itself with the same packaging, aspect and taste all around the world, so it is widely recognizable, which leads to a high brand awareness. Moreover, its chocolate boxes of different sizes – 3, 12, 18, 24 pieces – can target different needs and preference of expenditure, so people can decide which box to buy based on the importance of the gift he or she is making. Moreover, Ferrero Rocher has a variety of different packages based on festivities or events. Therefore, the most powerful strength of Ferrero is its positioning in the market as a gift. On the other hand, Ferrero is highly priced in every market, which can represent a limit when it comes to competing with other brands which may adopt lower prices. Moreover, other brands advertise more than Ferrero, so they enjoy brand recall that Ferrero often does not have, even though it is widely well-known. Another limit for Ferrero, which is however common of every chocolate brand, is that chocolate is perceived as being unhealthy, and this fact can limit the willingness of people to buy these products.

For what concerns opportunities and threats for Ferrero Rocher, it can take advantage of internet and e-commerce to better advertise its products. Moreover, the demand for three piece boxes is increasing, along with the demand for different varieties of chocolate that Ferrero produce, like Cappuccino or dark chocolate. Threats are to be found in the imitation of the brand by Chinese companies, the stiffer competition in the market arena from other companies and of replacing products, such as protein bars or nutri-bars¹⁶.

3.2.3 THE TARGETING AND POSITIONING STRATEGY

As previously introduced, Ferrero divided its brands and treats them as different companies in order to pursue a combination of marketing strategies specific for each one of them. For instance, Nutella, one of the most famous of Ferrero's products all around the world, is positioned "as a key ingredient to a nutritious and balanced breakfast, as an alternative to jam, peanut butter and other breakfast spreads"¹⁷. Even though Ferrero tried to advertise the product to convince consumers Nutella can be eaten at any moment, it then focused on making Nutella a staple in every person's breakfast. Moreover, advertisements always depict a family with children excited and happy to eat some Nutella spread on a slice of bread, conveying the idea that Nutella is something good for the entire family.

Ferrero Rocher's positioning differs from the other Ferrero's brands. Ferrero Rocher was introduced in China in 1982 and advertised from the beginning as a gift. As a matter of fact, self-consumption was very low in the first years, so the strategy of Ferrero was to limit the positioning to a product made and thought as a present to others. This was not possible for Nutella, which never took off in China, because Chinese are not used to eat bread in general, so the ritual of eating slices of bread with Nutella or any other kind of spread did not even exist. Moreover, Chinese consumers are willing to pay more for Ferrero's high-priced Ferrero Rocher, but only if the product is destined to others as gift, whereas they are more thrifty when it comes to self-consumption. This led Ferrero Rocher positioning to stuck to a high-quality and high-price luxury product which is used for gifts in special occasions.

¹⁶ <https://www.marketing91.com/swot-ferrero-rocher/>

¹⁷ <https://www.referralcandy.com/blog/nutella-word-of-mouth-marketing/>

Ferrero focuses on enhancing these characteristics through all the marketing mix variables, from the attractive packaging to the premium price which gives the product prestige. Moreover, its advertising underlines the importance of Ferrero Rocher as a gift for specific events in order to create or strengthen the *guanxi* 关系 between two or more people, which also gives *mianzi* 面子 to the person who buy this luxury and famous product. Even though Ferrero Rocher would rarely be bought for self-consumption in China, it “succeeded in establishing a first impression of chocolate as a luxurious and exotic foreign confection that not only reflected the buyer’s (giver’s) good taste but also became a symbol of permissive indulgence for people emerging from lifestyles of extreme thrift”¹⁸.

3.2.4 THE MARKETING MIX STRATEGY

- **Product**

Ferrero owns many brands, so its product line is very wide. However, Ferrero does not sell every product in every region, but it limits certain products to some countries based on the consumers’ preferences. Nutella is the first and most long-lived Ferrero’s product, and the one that launched the company during its first year of business. Nutella can be found online and in the stores and supermarkets of 75 countries all around the world. The ingredients come from a multitude of countries: “the hazelnuts come from Turkey, cocoa from Nigeria, palm oil from Malaysia, sugar mainly from Brazil (but also from Europe) and the vanilla flavor from China”¹⁹. Ferrero Rocher is one of the most famous Ferrero’s products and it is Ferrero Rocher is “the worldwide leader in boxed chocolate with a 10.1 percent global market share in 2017/2018”²⁰.

¹⁸ Allen L. L., *op. cit.*, p. 62.

¹⁹ <https://www.businessinsider.com/nutella-map-2013-12?IR=T>

²⁰ <https://www.ferrerocareers.com/int/en/about-ferrero/key-facts>

“Ferrero Rocher is a chocolate praline consisting of a single whole hazelnut floating in Nutella, a hazelnut-chocolate spread invented by family patriarch Pietro Ferrero, enclosed within a spherical wafer shell. The shell and its contents are dipped in chocolate and topped off with a sprinkle of hazelnut bits. Each individual treat is wrapped in a distinctive gold foil wrapper and sits in a chocolate-brown ruffled paper cup. The top of the plastic box in which they are sold is clear, allowing customers to see the lavishly wrapped delicacies within”²¹.



Fig. 3.7. A Ferrero Rocher box

Source: <https://www.marketing91.com/marketing-mix-ferrero-rocher/>

The package of Ferrero Rocher is the most recognizable and the one that captures the attention of consumers the most. The praline is wrapped in a golden foil with a tag with the name of the brand positioned at the top. As in the Western culture, also in the Chinese one gold symbolizes wealth and prosperity. Moreover, the round shape stands for perfection, since this figure is almost impossible to reproduce with bare hands. It represents unity – like the *yin* and the *yang* that intertwine together to form a circle – and completeness, and that is why people celebrate the day of full moon, the Mid-Autumn Day. In this occasion, since Ferrero Rocher resembles a full sparkling moon, this praline is commonly given as present to relatives and friends to celebrate. Lastly, the size of Ferrero Rocher is perfect for Chinese

²¹ Allen L. L., *op. cit.*, p. 41.

people who are not used to eat chocolate, so they can enjoy the taste of this praline without exaggerating.

Ferrero Rocher has the same appearance and taste all around the world, as no adaptation is made, so the product that is sold in Europe is the exact same of the one sold in America and in Asia. Ferrero did not see the necessity to alter the formula of its products because consumers want Ferrero just like that. Moreover, all Ferrero ingredients are top quality, since the company puts a lot of effort in controlling every raw material along all the production process. In fact, Ferrero's goal for what concerns quality is "to reach the highest level of quality, as perceived by consumers"²². In order to do so, Ferrero carries out quality control of raw materials first, and then in the point of sale as well, where final products are sold. Here, the staff checks the temperature and the conditions of the product, following a "general list of flaws". In fact, Ferrero sometimes stops the distribution of its products during hotter months in some countries, since it cannot ensure the quality of the product during the transportation as well as in the shelves of the stores, and could even remove them from the market due to potential damages to the product, with the result of compromising the whole quality. Lastly, Ferrero carries out some "taste test" of the final product: taste testers evaluate the chocolate based on both how it looks and how it tastes, this way Ferrero can assure the maximum control over the quality of its products.

For what concerns the brand, Ferrero usually keeps its brands with the original name in the foreign markets. Ferrero name recalls Italy, while the other brands are mostly in foreign languages, like the Kinder product line. For what concerns the Chinese market, Ferrero initially used the Chinese name "金莎" (Jin Sha) which literally means "gold sand", even though it now markets its products with the original name which is more recognizable and gives it more prestige simply from the fact that it is foreign.

²² Ferrero Group (2017), "Sharing Values to Create Value", in *Corporate Social Responsibility Report 2017*, p. 31.

- **Price**

For Ferrero Rocher, Ferrero adopted a premium pricing strategy, which means that the price of the product is always high in order to maintain the brand's prestige, as lower price is synonym of poor quality. This way, Ferrero circumscribe its target to only people who are willing to spend more for a premium quality product. In fact, in the case of Chinese consumers, this happens when people purchase Ferrero Rocher as a gift to give to other people, but they are more thrift in buying this product for self-consumption. People tend to spend more when buying something as a present because gifting well-know and prestigious products enhance their face (*mianzi* 面子). This limitation results in a low consumption of chocolate in general, as all the Western brands try to sell their products by marketing them as high-end and luxury products, thus adopting high prices. Therefore, Chinese people do not incorporate chocolate in their daily consumption habits, both for cultural preferences – Chinese prefer other tastes like sour, bitter, salty and so on – and for the way global companies, including Ferrero with its Ferrero Rocher, market their product, leading Chinese consumers to be willing to spend a premium price for special occasions, but not for a daily consumption.

- **Distribution**

The entry of Ferrero was far from smooth, as in the 1980s China applied import duties and a series of regulations which hindered and, in some cases, stopped the importation of Ferrero in China. This was done for a great part of foreign companies, which were not allowed to have the license to sell their products in China. In this initial phase, Ferrero distribution strategy in China completely depended on Chinese distributors, in particular J. D. Hutchison, one of the biggest distributors based in Hong Kong, where Ferrero could be imported. Hong Kong freelance traders managed to develop relationships with distributors in mainland China by creating a gray market which went from Hong Kong to close port cities like Shenzhen and Zhuhai. The situation changed in 1993 when Inchcape JDH – the company which acquired J. D. Hutchison – established a representative office in mainland China. Inchcape JDH representatives were responsible for “what was termed ‘distribution

pull-through marketing’, which consisted chiefly of building relationships with local distributors and retailers and encouraging sales of the products they distributed”²³. Then, in 1995, Inchcape JDH acquired a trading and wholesaling license, so it could start legitimately selling in China, even though Ferrero could not, so the company still needed intermediaries such as importing agents. Therefore, in order to allow its products to reach Chinese consumers, Ferrero would sell Ferrero Rocher to Inchcape JDH in Hong Kong, which then would sell them to a Chinese import agent with the license who would sell them back again to Inchcape JDH subsidiary in China. Lastly, the latter would spread the products to local wholesalers and distributors.

In the first years, the best retail outlets where Ferrero could sell Ferrero Rocher were “high-end state-owned department stores and supermarkets”²⁴, but in the 1990s new hypermarkets, mostly foreign companies like Carrefour and Wal-Mart started to spread in China, and these places allowed a better penetration in the market and an enlargement of consumers, since more and more people could get access to a wider variety of products. Ferrero also established a representative office in China and kept on collaborating with local representatives, whose main responsibility was “to direct marketing and promotion activities in these retail stores”²⁵. Due to an initial widespread lack of air-conditioned stores, Ferrero could sell in almost every store during cold months, but would limit its distribution on the stores which were provided with air-conditioning in warmer months – usually first-tier cities such as Beijing, Shanghai and Guangzhou – in order to guarantee the best quality of the chocolate and avoid damages or deteriorations.

The distribution and retail sector developed quickly in China, and now consumers can find Ferrero in many hypermarkets and stores. Moreover, in the last years Ferrero also focused on the sale of its products online, since Chinese are the consumers who buy through e-commerce the most. In fact, thanks to e-commerce, Ferrero’s sales in China grew of 15 percent during the year 2018, but “according to De Felip (the general manager of Ferrero China) the average contribution rate is 25 percent, which indicates more growth potential”²⁶.

²³ Allen L. L., *op. cit.*, p. 51.

²⁴ Allen L. L., *ivi*, p. 52.

²⁵ Allen L. L., *ivi*, p. 53.

²⁶ <https://global.chinadaily.com.cn/a/201812/12/WS5c10633ba310eff303290794.html>

Ferrero sells its products through e-commerce platforms like Alibaba and JD, not through its official website, ferrero.com.cn, where all the products are presented, along with the history and the values of the company.

- **Promotion**

“You probably remember the childhood joy of spreading Nutella on a slice of bread, or the way our chocolate bars fit perfectly in your little hand. For most of us, Ferrero has been at our side from childhood to adulthood, from Kinder and Tic Tac to Ferrero Rocher. These same emotions, shared across generations, are experienced every day by our extended Ferrero family when crafting the iconic brands that make us feel at home”²⁷.

These are the words in Ferrero international website, which makes it clear how much Ferrero is engaged in transmitting emotions as its advertising strategy. Due to its positioning as a high-end chocolate to give to friends, loved ones and family, Ferrero’s advertisements focus on gift-giving Chinese tradition. The company’s advertising often depicts families or friends with gather for special occasions and some of them bring a box of Ferrero Rocher which they then share. The aim is to make people see how much Ferrero Rocher brings joy to people and how this product is able to strengthen the relationships (*guanxi* 关系) among them.

In China, the promotion of Ferrero Rocher increases during peak-season, which means the months which go from the mid-Autumn Festival and passes through Christmas, the Chinese New Year and Valentine’s Day, festivities during which chocolate is one of the most favorite products to buy. In-store promotions consists of large retail displays and in-store promoters. For example, from the very beginning of Ferrero’s introduction in the Chinese market, some retailers, such as Watson’s, would “stack boxes of Ferrero Rocher floor to ceiling in spectacular displays that occupied a large share of its precious retail space”²⁸.

²⁷ <https://www.ferrerocareers.com/int/en/about-ferrero/our-brands>

²⁸ Allen L. L., *op. cit.*, p. 46.

Moreover, some time before a specific festivity, retail merchandisers “put seasonal sleeves over Ferrero Rocher gift boxes in order to ‘seasonalize’ them for the Mid-Autumn and New Year’s festivals”²⁹. These sleeves are papers which portrayed messages or images that recall the festivity, and, when the holiday is over, they put them off or replace them with new themed ones.



Fig. 3.8. Ferrero Rocher’s “193 Moons for you” 2019 campaign

Source: <https://www.tbwa.com.cn/en/work/193-moons-for-you>

As portrayed in figure 3.8, by playing with the resemblance of Ferrero Rocher to a moon, in 2019 Ferrero launched the “193 Moons for you” campaign for the Mid-Autumn festival, creating a limited edition of premium boxes inside which every Ferrero Rocher moon represented a specific “theme of thoughtfulness”³⁰. The aim was to increase Ferrero Rocher’s sales instead of Mooncakes, as these sweets also recall the moon. 193 is the number of moons in the Solar System, and Ferrero and the advertising agency TBWA\Shanghai created a story behind it and also designing a new product: a small lamp

²⁹ Allen L. L., *ivi*, p. 55.

³⁰ <https://www.thedrum.com/news/2019/10/10/ferrero-rocher-push-special-edition-packs-during-tmall-super-brand-day>

with a round shape with different graphics, which lights with the weight of six Ferrero Rocher pralines positioned at the base. Ferrero then sold this new product and the limited edition box to e-commerce platforms like Alibaba. Moreover, the company collaborated with a famous singer, Leah Dou, who also launched a new song and produced a music video where Ferrero Rocher was present. Ferrero and TBWA\Shanghai also pressed the song on vinyl and sold it together with Ferrero Rocher boxes. Lastly, they organized an event involving press, digital campaign and also spread the advertising and the products through social media like Weibo, Douyin, Zhihu, WeChat, QQ and so on. The result was impressive, with an increasing in sales of 4.5 times higher than the previous year 2018³¹. The general manager of Ferrero China, Mauro De Felip, explained the aim of this campaign saying: “To further capture the opportunities of e-commerce, Ferrero is now accelerating its digital transformation through the leading big data platform and brand marketing system of Alibaba, which has been one of our major growth strategies in the China market”³².



Fig. 3.9. Ferrero Rocher Chinese New Year commercial 2018

Source: https://www.youtube.com/watch?v=lBsPVDmrr_o

³¹ <https://www.tbwa.com.cn/en/work/193-moons-for-you>

³² <https://www.thedrum.com/news/2019/10/10/ferrero-rocher-push-special-edition-packs-during-tmall-super-brand-day>

For what concerns digital and SEA advertising, Ferrero posts many types of videos to promote Ferrero Rocher during the festivities. The video for 2018 Chinese New Year (figure 3.9) portrays a couple who gather with their parents and other relatives to celebrate the new year together, and they bring a box of Ferrero Rocher as a gift, which they all share. The advertising defines Chinese New Year “a precious time, made perfect with Ferrero Rocher. Make every celebration a golden one” and it ends saying “precious like the people we love”. The advertising focuses on the value of gift-giving in order to show people the importance of their relationship, and it depicts Ferrero Rocher as something which is essential during important moments like these.

The other commercials also play with the word “gold” as definition of “precious”, “special” to characterize the relationship with other people, and how perfectly Ferrero Rocher incorporates this idea of closeness and unity. Advertisings often end with phrases like “A golden gift for your golden moment”, “The golden gift that brings people together”, “Ferrero Rocher: precious like the people we love” and so on.



Fig. 3.10. Ferrero Rocher’s Christmas 2018 commercial

Source: <http://mob.radioitaliacina.com/news/view/3016>

The commercial of Christmas 2018 (figure 3.10) is different from the other ones, as it focuses more on the emotional aspect of gift-giving rather than the luxury displayed through the other commercials. The video shows two Chinese parents that welcome their son who just came back from Italy with his new Italian girlfriend. She is handing them the Chinese Knot Rocher pack, a limited edition box whose form and characteristics recall Chinese Knots (中国结, Zhōngguó jié). Chinese Knots consist of a single cord or rope tied several times and shaped as a rhombus. It is usually red, as it symbolizes good fortune, and it is often hanged on the wall and represents family unity. Comments under this commercial reveal the emotions aroused by the video, and one comment in particular highlights how much he/she appreciates the fact that Ferrero moved away from the depiction of people well-dressed in fancy houses gifting and consuming Ferrero Rocher, but it now focused more on normal people staying together humbly. As the comment goes “今年的广告很接地气，不再是以前那种只有高端奢华的感觉了，给费列罗点赞”³³ (“Jīnnián de guǎnggào hěn jiēdì qì, bù zài shì yǐqián nà zhǒng zhǐyǒu gāoduān shēhuá de gǎnjuéle, gěi fèilièluō diǎn zàn”) which translates as “this year’s commercial is truly close to common people, it does not make me think about the extravagant taste of luxury, I would like to congratulate Ferrero”. As much as Chinese people look for the luxury of Western products, Ferrero included, this commercial succeeded in infusing the real meaning of festivities and not just the superficiality of luxury and materialism. This way, Ferrero is not only associated with the prestige of giving something which represent richness to some extent, but which can also convey true emotions and bring people together.

³³ <http://mob.radioitaliacina.com/news/view/3016>



Fig. 3.11. Mauro de Felip, General Manager of Ferrero China and Qiu Yue, Director of Tmall Food Retailing, at “Ferrero Golden Wonderland”

Source: <http://www.urban-family.com/articles/detail/news?id=5082>

For what concerns event marketing, Ferrero organized “Ferrero Golden Wonderland” at BUND ONE Art Museum in Shanghai to celebrate the 2021 New Year. Participants to the event could immerse themselves in four countries’ New Year scenes, more specifically the event “enable visitors to feel as if they were visiting the classic and artistic Leaning Tower of Pisa, walking on a dynamic summer beach in Australia, watching the romantic aurora borealis in Iceland and wandering through the modern streets of New York City”³⁴. The immersion in these cities was made more real by dance, music and lights which made participants live a complete sensory experience. The idea came from the fact that, due to the Covid-19 pandemic of 2020, Chinese people, especially young ones, were not able to travel outside of China to experience the New Year’s celebrations of foreign cities, so Ferrero decided to bring this experience to China. Along with the physical event, Ferrero also organized the digital event for people who were not able to participate to the offline one. On the event page, people could open “a virtual Grand Rocher ‘blind-box’”³⁵ and experience the digital representation of one of the scene of the festival. Moreover, Ferrero

³⁴ <http://www.urban-family.com/articles/detail/news?id=5082>

³⁵ <http://www.urban-family.com/articles/detail/news?id=5082>

launched on Tmall new Ferrero Rocher limited edition boxes with illustrations of the same theme of the festival. Mauro De Felip himself participated to the event together with Qiu Yue, Director of Tmall Food Retailing, and said that “Ferrero cherishes the festivals’ emotional value to people and hopes to make Ferrero a bridge that connects people and conveys their feelings. Ferrero integrates its heartfelt and sweet wishes with various countries’ festival atmosphere at this event, hoping to bring fantasy experiences to young consumers and to better communicate with them and understand their needs”³⁶.

³⁶ <http://www.urban-family.com/articles/detail/news?id=5082>

3.3 MARS

3.3.1 MARS'S HISTORY AND ITS ENTRY IN THE CHINESE MARKET

The history of Mars goes back to 1911, when Frank C. Mars of Tacoma, Washington, established the Mar-O-Bar Company, which originally only sold butter cream candies. The company grew quickly, and moved to Minneapolis in 1920, where more than one hundred people were employed, and Snicker and Milky Way bars were created and commercialized. Moreover, the company changed the name in Mars Candies in 1926. The following years saw an even more rapid development of the company despite being the years of the Depression, and Mars Almond Bar and Snickers Bar were introduced in the market. Frank's son, Forrest E. Mars, worked for the company but moved to England as soon as he started working for the father's company, as the relationship between the two was difficult. In England, Forrest diversified the company's production by manufacturing canned pet food, which was an instant success. When Forrest came back to the United States, more precisely in New Jersey, he also founded M&M Limited, a name coming from the initials of Mars and Bruce Murrie, his associate. M&M's were "chocolate candies in a sugar shell"³⁷ and the aim behind these candies was to create a chocolate which would also be resistant to high temperatures and would not melt. As a matter of fact, the slogan to promote M&M's Peanut Chocolate Candies from 1954 on was "the milk chocolate melts in your mouth--not in your hand".

At the same time, Mars started to commercialize rice, "which includes a wide selection of rice products, including whole grain, savory, boil-in-bag, fast cook, instant, and frozen rice as well as other products"³⁸. Mars started selling its rice products to the U.S. Army throughout the Second World War, and then he also sold them to the common people under the name Uncle Ben, which is the leader of rice products to this day, selling to more than one hundred countries. Forrest's business and Mars company merged in 1967 with Forrest taking over company's operations. Mars company was extremely diversified, selling pet products as well as rice and chocolate and candy products, so the company was not defined

³⁷ <https://www.referenceforbusiness.com/history2/16/Mars-Inc.html>

³⁸ <https://www.referenceforbusiness.com/history2/16/Mars-Inc.html>

as a chocolate company. A shift happened in 1986 when Mars acquired Dovebar ice cream, “a premium product consisting of rich ice cream covered in a thick layer of high-quality chocolate”³⁹.

Mars has always had an international orientation, starting with Forrest moving in England to carry out family’s business. From 1932, Forrest had the rights to manufacture Milky Way, which then became the well-known Mars Bar in the United Kingdom and in Europe. Mars entered the Chinese market with a different approach from the one adopted by Ferrero: while Ferrero initially limited to exporting its products in Hong Kong, Mars directly entered mainland China by establishing a representative office in Beijing in 1990. That same year, Beijing hosted a famous sporting event, the Asian Games, and Mars managed to make M&Ms the official snack of the event. Mars however did not see the Chinese market as a unique market for which a specific strategy was needed, but it circumscribed three main characteristics: “highly complex, extremely dynamic, and enormous in geographic scope”⁴⁰. Therefore, in order to succeed in the Chinese market, Mars had to focus on “the establishment and development of its (the Chinese market) in-country organization and the field execution of its product’s distribution, in-store merchandising, and marketing activities”⁴¹. The strategy of Mars was to pursue achievable opportunities by start selling in first tier and coastal cities, where the infrastructure and the distribution network were more developed, so Mars would not face too many difficulties in dealing with these zones. Then, as other cities’ supply chain and economy would develop, Mars would follow, always keeping in mind that the main object was to satisfy consumers.

Mars made its first appearance in China by making M&Ms the official snack of the event, but it was not a success. As a matter of fact, the cartoon characters that embodied the candies made the product look like a food specifically addressed to children, so Chinese people were not attracted by M&Ms. On the contrary, Dove chocolate’s positioning was coherent with the one that other global chocolate brands were adopting, which was focused on highlighting the premium quality and the exotic feeling coming from the taste of chocolate. Soon after the Asian Games, Mars decided to better develop Dove brand accordingly. Dove

³⁹ Allen L. L., *op. cit.*, p. 181.

⁴⁰ Allen L. L., *ivi*, p. 184.

⁴¹ Allen L. L., *ibidem*.

success came right away, primarily thanks to three main factor that Mars focused on: “striking the right value- for-money balance, consumer communication that resonated well with chocolate consumers, and aggressive extension of the brand’s cachet across the breadth of China’s chocolate market through extensive product proliferation”⁴².

Right from the beginning, Mars adopted a quite aggressive marketing strategy against the other Western competitors in order to gain the greatest possible market share in China. As a matter of fact, after having seen that the Chinese consumers preferred a more prestigious positioning of the chocolate products, it switched its attention to Dove brand, and also created its line of Dove brand gift-boxes which strongly competed with Ferrero Rocher’s gift-boxes. In the same way, Mars created bite-size chocolate similar to the Hershey’s one, which was starting to get a lot of success in the Chinese market. Mars also challenged Cadbury with its China-made Dairy Milk Chocolate bars, and Nestlé with Crispy Delicious Rice. It is evident that Mars wanted to stand out in the Chinese market at all costs, both through direct competition with other foreign brands and through in-store promotion. As a matter of fact, Mars’s products were widely present in the store’s shelves, extremely visible and with a broad variety.

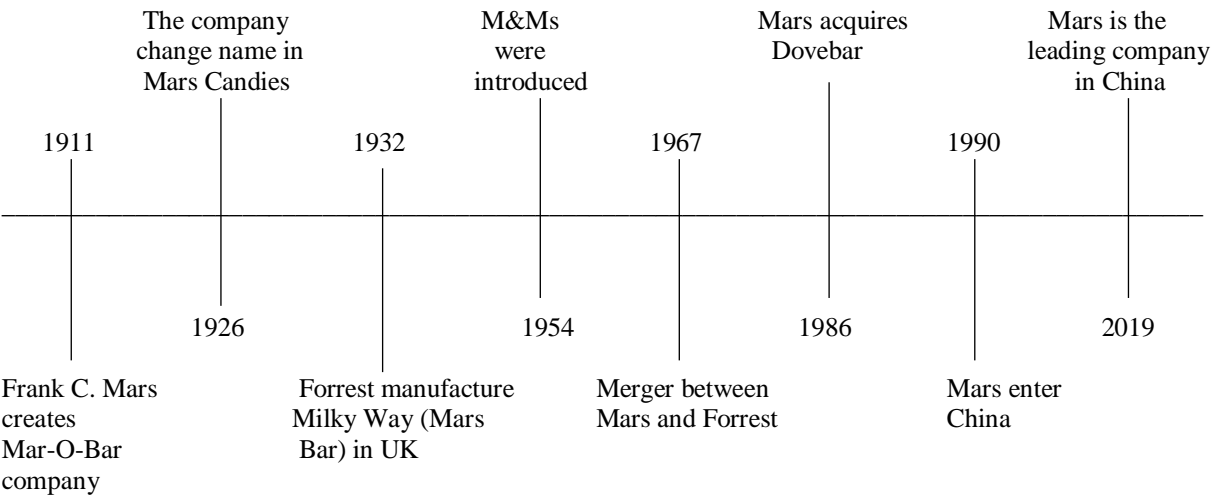


Fig. 3.12. Timeline of Mars’s history

Source: personal elaboration

⁴² Allen L. L., *ivi*, p. 185.

3.3.2 THE SWOT ANALYSIS

	Helpful	Harmful
Internal analysis	STRENGTHS <ul style="list-style-type: none"> - Geographic presence - Sustainability initiatives - Strong product portfolio - Focus on offering nutritious products 	WEAKNESSES <ul style="list-style-type: none"> - Product recalls hamper image - Opposition for using animal rennet
External analysis	OPPORTUNITIES <ul style="list-style-type: none"> - Growth in confectionery - Growing Petcare industry - Improving lifestyle in emerging markets - Combining Mars and Wrigley businesses - Mars and Alibaba partnership 	THREATS <ul style="list-style-type: none"> - Intense competition across categories - Increasing health consciousness - Increasing wages in the US

Fig. 3.13. Mars's SWOT analysis

Source: personal elaboration from <https://www.marketing91.com/swot-analysis-mars/>

Among the strengths of Mars chocolate there is its global presence, which allows the company to reduce its business risk. Mars sells its chocolate in over 21 countries, and it is continuously expanding in emerging markets, which represent a great potential. Moreover, Mars is a diversified company which mainly sells Petcare and chocolate. This wide range of products allows the company to target many segments based on each type of needs, thus enlarging its market penetration. Weaknesses are to be found in the fact that Mars had to recall certain products, for example in 2017 it had to recall some Snicker bars because a German customer found a small piece of red plastic in its bar. Episodes like this hamper the brand image and make customers question about the quality of the company's products.

Mars has to face stiff competition by global chocolate brands, both globally and in China, which also own a relevant market share and keep on improving their products and marketing strategies. Moreover, all around the world a new trend of health consciousness has emerged: people pay a lot more attention to what they eat than before, and this can hinder the sales of Mars, since chocolate and candies are one of the first things to be perceived as unhealthy

and to be limited. However, Mars can exploit opportunities in the confectionery market, since it registers a positive growth every year, especially in markets like the Chinese one, where more and more people enter the middle class and adopt a Western-oriented consumption behavior. In fact, the improving lifestyle of emerging market is a great opportunity for Mars, which has what it takes to dominate in China.

3.3.3 THE TARGETING AND POSITIONING STRATEGY

Mars has always been extremely committed to succeed in the Chinese market, and in order to do so it focused on satisfying the consumers. As “the consumer is our boss”⁴³, Mars has always followed the economic growth and the changings in consumers’ trend in deciding how to position its products and target its clients. The company knew from the beginning that it had to really understand and learn Chinese consumers, and it was willing to do that, by sending company executives to retail stores. Here, they could see what consumers bought more often or where they spent more time in deciding which products to buy, and were also in close contact with salesmen and retailers. The targeting of Mars consists of “couples and girls from 16 to 28 years old including college students and young white-collar workers”⁴⁴. Moreover, it addresses to couples or people who want to buy chocolate to make a gift to someone, thanks to the positioning of a high-end and quality product with an exquisite packaging.

3.3.4 THE MARKETING MIX STRATEGY

- **Product**

Mars is greatly diversified, as the company sells both Petcare products and chocolate products. For what concerns chocolate products, the brand which had the greatest success

⁴³ Allen L. L., *ivi*, p. 185.

⁴⁴ <https://specialchocolateship.wixsite.com/website/post/why-dove-so-successful-in-china>

in China is Dove, since it is the one which better satisfies the consumers' want to buy a high-end product. On the contrary, Snickers and M&Ms have had more difficulties in finding their place in the Chinese market.

Dove brand was born in the 1950s by Leo Stefanos, a Greek-American, and it was then acquired by Mars in 1986. Dove is now the best seller in China, and this success is derived mainly from its taste and its packaging. First of all, Dove taste is extremely delicate, obtained through “the combination of fine milling and a right combination of ingredients of which cocoa butter plays a significant role giving a unique and silky texture to the candy”⁴⁵. Moreover, the package itself gives the idea of a high quality and tasteful product. Package is well-finished, the image over the box is based on the real product so that people immediately trust that they will find inside exactly what they expect from the outside. The main color of the package is brown, which recalls chocolate, but there are different colors based on the taste of the pralines on the inside in order to distinguish the variations. The design is characterized by brown waves which recall the smoothness of the chocolate inside it. The packaging is fundamental for Chinese people who buy the product with the aim of giving it as a gift, since people want to make a good impression with their friends and family by giving something which is not only of a well-known brand, but which is also attractive from the outside. Therefore, the better the product looks from the outside, the more it will be appreciated by consumers.



Fig. 3.14. Chinese Dove Chocolate gift boxes

Source: <https://daxueconsulting.com/chocolate-market-in-china/>

⁴⁵ <https://daxueconsulting.com/chocolate-industry-in-china/>

Snickers was considered “as a quick snack that would satisfy hunger and provide an energy boost”⁴⁶ and Mars focused on advertising the product that way all over the world. However, American consumers eat a whole bar without any problem, whereas Chinese people are not able to do that and are used to eat pieces of the bar during a longer period and not just at one time. Moreover, since the first generation of Chinese chocolate consumers were not used to consume a great amount of sugar, they found it unnatural to satisfy hunger through the consumption of Snickers, and they were also concerned about health problems derived by it. Mars reacted to this need by reducing the size of its chocolate bars, but the first generation remained still quite reluctant to eat these products as much as American already did. The situation changed with the emerging of the new generation of consumers, young people born between 1990 and 2000. These consumers were more open to the West, since by those years Chinese was having a lot of influence by foreign cultures. Teenagers played videogames and rode skateboards, and were subject to strong advertising by Mars which displayed its commercials on TV or at basketball courts and so on. The result was that the new generation adopted Snickers into their daily diets, and Snickers sales kept on increasing year by year.

M&Ms path for success in China was slow as well, since from the beginning of its introduction into the market during the Asian Games, the product was seen as a candy made for kids. This is mainly due to the fact that Mars advertised M&Ms through its already famous cartoon characters, which hindered people from thinking it was addressed to adult people as well. Like it happened for Snickers, M&Ms success began in the early 2000s too, with the emerging of the “little emperors”, which were attracted by this product. However, the package of M&Ms too had to be made smaller according to the preferences and habits of Chinese people.

In 2019, Dove also launched a new chocolate line in collaboration with Labbrand, the leading global brand consultancy: Dove Artés 德芙·爱缇诗 (Dé fú · ài tí shī). The name aims at creating “a feeling of warmth and intimacy to consumers”⁴⁷, as 爱 means love, 缇 describes a particular orange color which is almost red, the color of love par excellence,

⁴⁶ Allen L. L., *op. cit.*, p. 189.

⁴⁷ <https://www.labbrand.com/news/dove-launches-chocolate-line-artes-with-chinese-name-ai-ti-sh-created-by-labbrand>

while 诗 is translated as poetry. The name already describes the emotions aroused by the chocolate, which, like all Mars's products, are characterized by a smooth texture and sweet taste.



Fig. 3.15. Dove Artés

Source: <https://www.labbrand.com/news/dove-launches-chocolate-line-artes-with-chinese-name-ai-ti-sh-created-by-labbrand>

Mars is currently the leading company in the Chinese market with a market share of nearly 37 percent, which is distributed as follows: Dove is the most sold brand and represents 23.8 percent of the sales of Mars, followed by M&Ms with 6.8 percent and Snickers with 5.7 percent⁴⁸. Mars never adapted the product to the Chinese market, and used the same recipe and ingredients for all its products. As a matter of fact, since the regulations for chocolate products in China are less rigid, some other companies, such as Nestlé, used compound chocolate which would lower the costs and allowed the company to adopt a more competitive price. Mars wanted the quality of its products to be the same all over the world, so it never changed the raw materials for its chocolates.

⁴⁸ <https://www.confectionerynews.com/Article/2017/09/01/M-M-s-Dove-and-Snickers-maintain-chocolate-market-lead-in-China>

- **Price**

Considering the positioning of chocolate as high quality products in China, Mars, like the other Western competitors, adopted a premium pricing strategy. This was accepted by Chinese consumers, which were willing to pay a premium price in return for the gratification provided by the chocolate. Moreover, other chocolate products, such as the Swiss Lindt and the German Ritter Sport, were priced higher than Mars, whereas local chocolate brands adopted a low pricing strategy. Therefore, the price of Mars, which was not the highest in the market, allowed the company to be accessible to the majority of Chinese consumers.

- **Distribution**

Like Ferrero, Mars started its distribution strategy by supplying big retail outlets, such as hyper-markets, supermarkets and convenience stores, in first- and second-tier cities due to a widespread lack of efficient distribution network. However, the company soon realized the necessity to expand even more into the Chinese market, and went deeper in a number of small stores, mom-and-pops and kiosks in smaller cities in China. In doing so, it employed a large number of bicycle sales force, whose aim were to make direct delivery in “approximately 250,000 point of sale across China”⁴⁹.

Mars has then also started to sell its products online, through big e-commerce platforms like Alibaba. In particular, in 2016 Mars has made a global strategic business partnership with Alibaba Group. Thanks to this partnership, all Mars’s brands, both chocolate and Petcare, are available on Alibaba’s platforms Tmall and Taobao, which allowed Mars to satisfy the needs and improve the shopping experience of millions of Chinese consumers. The presence is both online and offline, and enables clients to experience a shopping which is “one stop” and more convenient. Alibaba’s help is essential for Mars in the distribution of its products, as “Alibaba’s supply chain management and logistics network will also help expand Mars’s

⁴⁹ Allen L. L., *op. cit.*, p. 197.

efficiency and reach”⁵⁰. Moreover, the partnership between Alibaba and Mars also includes the creation of an e-commerce safety program “through a collaboration with Mars’s Global Food Safety Center (GFSC) in China”⁵¹. The aim of this program is to educate consumers regarding food safety topics, in order to raise a consumer generation informed about this matter. Thanks to the resources of both the companies, they have the power to improve safety standards and the controls.

- **Promotion**

Mars invests a lot of money in the promotion of its products, especially the best-seller Dove, far more than how much Ferrero spends. As a matter of fact, the advertising spending of Dove in 2018 was 3.5 billion yuan, whereas Ferrero’s spending was less than a half, 1.4 billion yuan⁵². Large scale advertising is positive for the brand awareness and image, and has the potential to influence consumers towards the purchase of the most advertised brand.

Dove is often promoted in non-TV media, such as high-end fashion magazines or outdoor advertisings, for instance on the bus body, which makes the advertisement visible to thousands of people every day without being too expensive. In addition to this, Dove allocates its advertisements in subways and waiting rooms, which especially white collars can see often every day. For what concerns TV advertisings, both Dove and Ferrero insert their promotions in “TV dramas, movies, news and entertainment programs in terms of program types”⁵³.

Dove’s advertisements aim at enhancing the main characteristics of the products itself, which are its silky and smooth texture and its delicious taste. In order to convey these sensations, strong attention is payed to the atmosphere created. As a matter of fact, the scenarios of its advertisings inspire romanticism and luxury, for example using British-

⁵⁰ <https://www.mars.com/news-and-stories/press-releases/mars-and-alibaba-group>

⁵¹ <https://www.mars.com/news-and-stories/press-releases/mars-and-alibaba-group>

⁵² Du J. (2020), “Analysis of Dove’s Brand Communication Strategy in the Chinese Market”, in *Journal of Educational Theory and Management* vol. 4 no. 1.

⁵³ Du J., *ivi*, p. 34.

styled buildings or fairytale parks. The choice of music also plays a major role in the emotions aroused by the commercial, and Dove usually use a relaxed music which can calm the viewer and create a memory for that sound connected to the product. Moreover, in almost all Dove's advertisement there are "images of flowing, chocolate-brown silk fabric"⁵⁴ which embrace the person who is eating the chocolate, in a way to make the viewer perceive that the taste of Dove is so entrancing that he or she perceives the smoothness of the product with all his/her body and not just with the mouth, creating a complete sense of satisfaction and enjoyment.



Fig. 3.16. Dove Chocolate commercial, 2016

Source: https://www.youtube.com/watch?v=OF_jTueiHFI

The commercial starred by Yang Ying and Li Yifeng takes place in a magical park with the Eiffel Tower visible in the background. The two young persons have never met, but it is clear that they are attracted to each other. The landscape is cold and snowy at first, but as soon as the girl opens the Dove Chocolate, the whole scene takes the colors of spring like a magic happened, and the music itself makes it understand likewise. The girl then tastes a piece of chocolate and gets covered by a wave of chocolate which makes her smile and

⁵⁴ Allen L. L., *op. cit.*, p. 187.

enjoy more what she is eating, while the guy looks at her amazed. The commercial ends with the two seated close to each other and a voice over saying “Dove, indulge in new silky smooth pleasure”. The fact that the whole scenario changes with a simple taste of chocolate makes the viewer feel like Dove is something made for sharing and that, as soon as it is opened, it brings joy to people.



Fig. 3.17. Dove’s Commercial for Chinese New Year 2017

Source: <https://www.youtube.com/watch?v=UPcOiV65i4s>

The commercial for the 2017 Chinese New Year is a short film of five minutes created by BBDO Beijing and directed by David Tsui. The story tells the relationship development of a mother and her daughter. When the daughter was a kid, the two used to write the character

福 (*fú*) which means “good fortune”, “blessing”, “happiness” on a piece of red paper, but as time passes the daughter does not want to do it anymore and she also leaves home, which breaks the mother’s heart. This scene resonates a lot in the Chinese audience, as many young Chinese leave their homes to build a career, sacrificing the families’ affection and the celebration of important moments like Chinese New Year. After some time, however, the young girl realizes how much she misses her mother, and she decides to come back home. Here, she finds no one, but she notices a golden box of Dove chocolate on the table, and when she opens it she finds all the papers where the two used to write the 福 character. The fact that the mother put these memories inside the Dove box makes the viewer think that she has done it because her memories, like Dove, brings joy and good sensations. The girl then decides to write the last one in a new paper and hang all the red papers on the wall. When the mother comes home, she sees her daughter and what she has done, and the two hug each other, happy to be together again. They then share the box of Dove chocolate and the girl is embraced by a chocolate wave, as it was a warm hug from her mother.

Arthur Tsang, the chief creative officer of BBDO Beijing, said, “This year, we wanted to tell the story of everyone; the importance of family love and how it lingers no matter how distant we become as life carries us away from our parents. Being headstrong, feisty and independent is one thing, but what is it as young people that we are really rebelling against? Our goal was simply to touch upon this nerve and remind our audience, there’s always someone that loves you back home.”⁵⁵

Dove experimented with a different type of commercial, which uses ASMR (Autonomous Sensory Meridian Response): “calming, pleasurable feeling often accompanied by a tingling sensation, ASMR occurs in response to certain stimuli and has also been likened to a ‘head orgasm’”⁵⁶. These stimuli can be created in any way, but the most common ones are through whispers, the smacking of lips, brushing or tapping. Dove created two videos, one with a woman and the other with a man, and before both of the video it reported some instructions: “现在，选择一个舒服的姿势坐好。洲呼吸，放松。然后，戴上耳机，

⁵⁵ <https://www.thedrum.com/news/2017/01/19/mars-targets-families-with-emotional-chinese-new-year-campaign>

⁵⁶ https://www.huffingtonpost.com.au/2017/10/23/asmr-what-is-it-and-why-are-people-into-it_a_23251929/

用心去感受。您的极致感官体娜即将开启。” (Xiànzài, xuǎnzé yīgè shūfú de zīshì zuò hǎo. Zhōu hūxī, fàngsōng. Ránhòu, dài shàng ěrjī, yòngxīn qù gǎnshòu. Nín de jízhì gǎnguān tǐ nà jíjiāng kāiqǐ) which translates as “Find a quiet spot and sit down comfortably. Take a deep breath and relax. Then put on your stereo headphones and get ready. Your sensorial experience is about to begin”⁵⁷.



Fig. 3.18. Dove’s ASMR video – Li Yi Feng

Source: https://www.youtube.com/watch?v=PQ5JSs2Rr_Q

The video starring Li Yi Feng sees the man selecting and grinding some cocoa beans. The beans falling into the grinder and the man stirring them create a variety of sounds which accompany the viewer to the process of Dove’s creation from the raw and hard cocoa beans to the smooth final product. The beans which revolve inside the grinder also create a visual sense of loop which hypnotizes the viewer. Li Yi Feng speaks quietly and invites the viewer not to talk and to just listen to the sounds he produces. This video has also the aim to create a closer connection with consumers, who can have a glance at the chocolate’s process.

⁵⁷ <https://asmruniversity.com/2015/11/10/dove-chocolate-asmr-commercial/#more-4566>

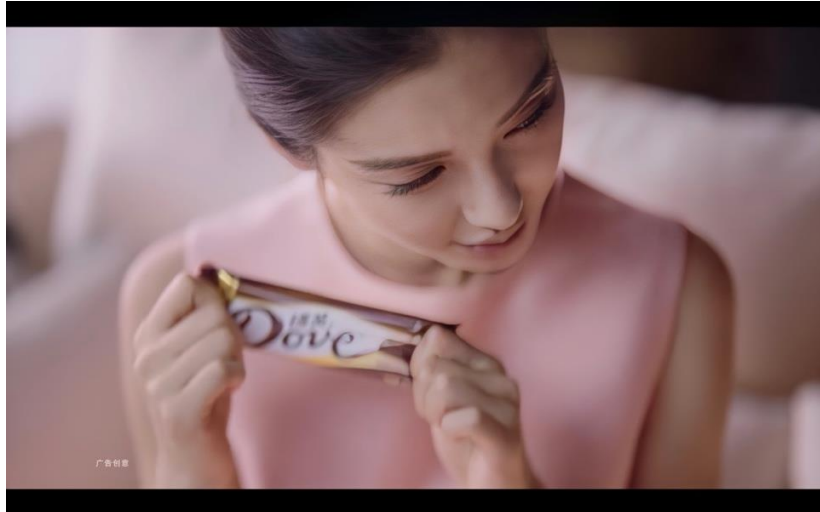


Fig. 3.19. Dove's ASMR video – Angelababy

Source: <https://www.youtube.com/watch?v=EhwYbH5n15c>

In the video with Angelababy (pseudonym of Ala Angela Yeung), she perfectly arranges some Dove chocolates, producing sounds through the movement of the hands and the plastic crinkling. She then opens it and taste a small piece, so the viewer can hear the sound of the chocolate bar which breaks and the initial hardness of the food, but she soon feels the chocolate melting on her tongue, saying “the ultimate enjoyment should be as silky smooth as this”⁵⁸. All the senses and the whisper of her voice bring the viewer to an intimate scene where she involves everyone in enjoying this chocolate experience.

In producing these new types of video, Mars partnered with Guokr, a famous Chinese community for science and technology education. The aim was to make the viewer perceive in every way possible the “silk smooth” Dove has always advertised. These feelings “not only refers to the product experience but also the feelings of happiness that female got what she is looking for”⁵⁹. This new form of sensation marketing involves many more senses than just the visual one, as people can get closer to the actual experience of eating chocolate through the stimulation of sounds which make people live first hand every detail of taking, opening and eating the chocolate.

⁵⁸ <https://www.youtube.com/watch?v=EhwYbH5n15c>

⁵⁹ <https://asmruniversity.com/2016/04/25/dove-chocolate-asmr-commercial-advertisement/>

Apart from video advertisings, Dove also engaged in the public relations communication, which plays a great role in the building of the brand image and reputation. One relevant event has been the “Dove on Journey” for the Spring Festival of 2012. During this period families reunite, so a lot of people take trains, planes and so on, but many others do not make it in time and remain without a ticket. Therefore, Dove organized a charity event and provided transportations to allow people to go back home. People could win, through an online contest, air or bus tickets and a Dove package. The event had a great success, nearly 30,000 people participated, famous figures spread the event on social media and in return the company increased its brand awareness and made people aware of the commitment of Dove for social issues.

3.4 THE OTHER THREE “BIG FIVE”: CADBURY, HERSHEY AND NESTLÉ

The other three “Big Five” in China have all adopted different strategies to enter the Chinese market, and have competed with each other ever since. These companies are Cadbury, Hershey and Nestlé, each one with a different story and specific ways of seeing and approaching the Chinese market.

3.4.1 CADBURY

Cadbury is one of the most long-lived chocolate company among the “Big Five”, as it started selling chocolate beverage at the beginning of the 19th century. The company started under the name Cadbury Brothers – John and Benjamin Cadbury – who were the first to make and commercialized the first versions of solid chocolate in England. However, it was with John’s sons, Richard and George, that the famous Cadbury Dairy Milk Chocolate was invented thanks to a particular cocoa press imported from Holland. Cadbury entered China in the first years of 1980s through Hong Kong’s distributor Inchcape JDH – the same distributor Ferrero had –, but the company felt the need to establish a manufacture facility in China, which the company did a few years later in Beijing. In 1993, Cadbury signed a joint venture with Beijing Farm Bureau, Beijing Cadbury Corporation Limited⁶⁰. This move, however, proved to be a misstep, as the chocolate taste of Beijing Farm Bureau’s milk was not loved by Chinese people, who questioned the quality of the milk contained in Cadbury’s products. As a matter of fact, Chinese chocolate consumers were used to the imported Cadbury’s chocolate taste, whereas they felt clear the differences with the new ingredients proposed to them, even if Cadbury itself though Chinese were still unexpert. Cadbury could have easily used powdered milk, but the company was so attached to the “a glass and a half of milk in every half pound of milk chocolate”⁶¹ slogan due to its tradition that it never

⁶⁰ Allen L. L., *op. cit.*, p. 75.

⁶¹ Allen L. L., *ivi.*, p. 77.

wanted to use it. This fact hindered Cadbury's expansion in China and compromised its brand image, at least for the first generation of chocolate consumers.

Differently from Ferrero, Cadbury's products are purchased for self-consumption, so the sales are steady throughout the year. Therefore, in targeting Chinese consumers, Cadbury had to study and understand people's habits in order to position the products at best. For example, Chinese consumers were not used to eat a high amount of chocolate, so the bars' size had to be reduced. In addition, another mistake that Cadbury made was thinking that the consumption habits of mainland China was the same of Hong Kong and Singapore, and that the distribution infrastructures were as developed as those of the first two cities. The result was an excess of production capacity and a damage of many products due to the lack of chilled supply chain. In order to make up for its mistakes, Cadbury tried to discount the chocolates by selling two bars for the price of one, but this move also damaged the company's image.

The shift happened at the end of the 20th century, when Cadbury committed to a better control over the quality of milk, choosing only the highest-quality milk suppliers. For what concerns the overcapacity, the company decided to develop the export markets by selling "gift boxes to Japan and drinking chocolate to Hong Kong and Australia"⁶², even though the export volume was still small and could not cover the excess in capacity. The company then refocused on the domestic market by expanding in first- and second-tier cities, especially Beijing, Shanghai and Guangzhou, which were all provided with air-conditioned stores and international hypermarkets like Carrefour. In these cities, a huge group of merchandisers and salespersons were entrusted with making sales grow, which actually happened in those years.

Even though Cadbury managed to grow in the Chinese market, it has never been able to stand up to Mars, with which the company has always been in strong competition. As a matter of fact, Mars spent more money on advertising than Cadbury, and it made its products visible and present everywhere at every time both on television and in the shelves. Moreover, Mars's "Silky smooth taste" slogan attracted more than Cadbury's "A glass and

⁶² Allen L. L., *ivi*, p. 86.

a half of milk in every half pound of milk chocolate”, as it resonated more in the emotional side of Chinese clients rather than to be just informative like Cadbury’s slogan was.

Despite the stiff competition from other companies, Cadbury has made its space in the Chinese market, even though it does not represent one of the most profitable ones for the English company, as United Kingdom, Australia and India are Cadbury’s top markets. It is available in more than 30 countries and has manufacture facilities in more than 10 countries. In 2010 the company was acquired by Mondelez International, which owns other famous chocolate brands like Milka and Oreo⁶³.



Fig. 3.20. Cadbury’s packages in a Chinese store

Source: <https://www.dailymail.com.uk/>

3.4.2 HERSHEY

Hershey’s story starts in Pennsylvania with Milton S. Hershey who, in 1894, started manufacturing chocolate products under the name Hershey Chocolate Company. The

⁶³ <https://www.mondelezinternational.com/our-brands>

business was an instant success, so Milton constructed a chocolate factory in Pennsylvania and extended the product line by creating Hershey's Bar and Hershey's Kisses. Hershey's family, which consisted only of Milton and his wife, also created the Milton Hershey School Trust orphanage in 1909, which, after Milton's death, inherited 30 percent of the stock of the company. The Hershey company kept on growing even after Milton passed away, by expanding its product line through Reese's Peanut Butter Cups in 1963.

However, the main focus of the company was the domestic market, which constituted more than 90 percent of its business. Hershey tried its expansion in the European market in the 1970s, but without success: the marketing strategy of Hershey was focused on selling "good-quality chocolate to the masses at an affordable price"⁶⁴, more precisely 5 cents per Hershey's bar, as the products were mass-produced. This pricing strategy did not convince European consumers, which were used to high prices due to the long chocolate tradition which emphasized craftsmanship and high quality. Because of this situation, the only choice available to Hershey was to look for other markets' opportunities, so the company sent three teams made of sales, logistics and finance experts to explore potential markets. Hershey then decided to expand in Latin America, where it acquired the Brazilian brand Visconti in 2001, and in Asia, more specifically in Indonesia, India and China. China was full of potential, even though very difficult to access, but Hershey initially decided to export the finished products from North America to China, following "the company's 'build the business first, then build the infrastructure' international business approach"⁶⁵. Contrary to the other foreign competitors, Hershey did not establish a manufacture facility in China, so it could have a substantial gross margin by selling its products at the same price of competitors, but without having to pay back the investment of the factory.

Hershey then decided to create a representative office in Shanghai, a city which was developing at high speed and which was the perfect metropolis to place expatriates from the company, given the openness to the West. Moreover, the inhabitants of Shanghai had a higher purchasing power than the other cities in China and were used to see and try foreign products. The main responsibility of this representative office was "to monitor the 3PL

⁶⁴ Allen L. L., *op. cit.*, p. 99.

⁶⁵ Allen L. L., *ivi*, p. 108.

(third-party logistics) company, guide implementation of strategy, and conduct market research and brand development activities”⁶⁶, whereas the rest of the activities – import, distribution, sales and collection - were in the hands of the 3PL chosen by Hershey.

After having settled in Shanghai, Hershey’s next move was to organize and implement the marketing mix. For what concerns the product, Hershey decided to sell a product line which the company was already selling in the other markets: “the Hershey’s Bar, the Hershey’s Bar with Almonds, Hershey’s Kisses, and Hershey’s Kisses with Almonds”⁶⁷. The decision of which product to sell was dictated from market research and tests, so the company eventually launched in the Chinese market the products which resulted to be the favorite ones for Chinese consumers. Moreover, in the stores’ shelves, the chocolate bars were the preferred products to buy for self-consumption, so Hershey introduced many types of bars in order to satisfy these wants. The packaging of the company’s products was predominantly gold, which recalled the premium quality of the products, like Ferrero Rocher did. Contrarily to the choices on the products, Hershey did not have much room for manoeuvre to decide on the price of the products, because the other brands like Mars and Cadbury had already settled their own premium price. Hershey could not adopt a discount pricing because Chinese people would have thought its chocolate was of lower quality, so the company’s only choice was to adopt prices similar to the other companies.

For what concerns the distribution, Hershey followed the same strategy of all its competitors: it started allocating its products in air-conditioned stores, or in non-conditioned stores by distributing only on a seasonal basis. Hershey had to change its promotion approach compared to the way the company advertised its products in the United States, since in China the brand awareness was lacking. Therefore, Hershey decided to educate consumers by creating television advertisings which would unfold the company’s history from the founder Milton Hershey and the traditional ways of manufacturing chocolate in the first years. Even though television was the best way to create brand awareness and credibility, Hershey also used other promotional tools, for instance it targeted some stores where it would offer free samples of chocolate, or even used some local celebrities to hand out

⁶⁶ Allen L. L., *ivi*, p. 110.

⁶⁷ Allen L. L., *ivi*, p. 114.

chocolate tastings. Lastly, Hershey always highlighted the fact that its products were made in the United States as a competitive advantage over competitors which manufactured their chocolates in China, since Chinese people perceived foreign products as being of higher quality.

In the following years, Hershey expanded to numerous other cities and some of its products have had a great success in China, like Hershey's Kisses, since they have the perfect size to satisfy Chinese consumers' low need of chocolate. Moreover, they are often purchased as gifts, which "makes 30 percent of the Chinese confectionery market"⁶⁸, so Hershey can both sell products for self-consumption, Hershey's Bars, and for gift-giving. Even though Hershey is one of the "Big Five" in the Chinese market and has made lot of investments in order to exploit the market at its best, China is far from being one of the most profitable markets for the company, as it accounted for 0.6 percent of sales, whereas Hershey itself is the leading chocolate company in the United States with 43.3 percent of the market share in 2018, followed by Mars which holds 29.8 percent⁶⁹.



Fig. 3.21. Hershey's Kisses Deluxe packaging in China

Source: <https://www.businesswire.com/news/home/20140311005254/en/Hershey%E2%80%99s-Kisses-Brand-Hits-100-Million-in-China>

⁶⁸ <https://www.candyindustry.com/articles/86106-hersheys-kisses-reaches-100m-in-sales-in-china>

⁶⁹ <https://www.statista.com/statistics/238794/market-share-of-the-leading-chocolate-companies-in-the-us/>

3.4.3 NESTLÉ

Nestlé is one of the biggest food company, with a product portfolio much wider than the other “Big Five”. The history of Nestlé starts in 1867, when the Swiss pharmacist’s apprentice Henrich Nestlé invented the Infant Food, a formula for babies in order to contrast the high infant mortality Switzerland was living in that period. In 1905 the Anglo-Swiss Condensed Milk Company – which Henri founded to sell its breakthrough invention – “merged with Anglo-Swiss, to form what is now known as the Nestlé Group”⁷⁰. Nestlé entered the chocolate business through its friend Daniel Peter, who combined its milk chocolate formula with the dehydrated milk of Nestlé. Right after, the company began expanding through acquisitions and the introduction of new products, such as instant coffee, soup mix and seasonings, which made the company extremely diversified.

Nestlé entered in China in the 1980s with the aim of providing Chinese people with good food, considering the health and nutrition problems China had experienced the previous decades. Thanks to this, Nestlé gained the image of a company which sells safe and healthy food of high quality. Before doing any big step into the Chinese market, Nestlé established a liaison office in China in 1984 in order to introduce its brand in a gradual way. At the same time, Nestlé carried out marketing tests which went on for several years, which ended up with the decision of building manufacture facilities in China. The first one has been the plant built in Heilongjiang Province to produce “milk-based infant formulas and powdered milk”⁷¹, which gave work to many people and modernized the province through investments in infrastructure and the construction of ancillary businesses. The second plant was built in Guangdong Province for the production of coffee, which had a great potential in the Chinese market. Chocolate and confectionery facility was the last to be built in Tianjin in 1996, after the seasoning plant in 1994.

Even though Nestlé had a wide range of chocolate products, it decided to enter China with KitKat, so the factory in Tianjin was built to manufacture this product. This decision was dictated by the awareness of Nestlé that Chinese people were used to eat small portions of

⁷⁰ <https://www.nestle.com/aboutus/history/nestle-company-history>

⁷¹ Allen L. L., *op. cit.*, p. 147.

chocolate, so a product which was constituted by 70 percent of chocolate – not 100 percent like many other competitors – seemed to be the better option. However, just like it happened to the other competitors, the factory was not as profitable as Nestlé had hoped, so the company had to find a way to resolve this situation. It could not change product because it would have required too much time and money, so it opted for a change in the raw material: compound chocolate started to be used to produce Nestlé’s products, since it was less expensive and safer too, since it could better protect and keep freshness of the chocolate. In order to further save costs, Nestlé abstained from advertising, and “implemented a low-price distribution-driven strategy as the way to attract China’s emerging chocolate consumers”⁷².

Some years later Nestlé introduced Nestlé Wafer, a bar with only 30 percent chocolate, the opposite of KitKat, and had a great success right away. This new product was manufactured in the Tianjin factory previously dedicated to KitKat, which, thanks to this change, became profitable, since all its capacity was always sold even without the need of advertising. The success of Nestlé Wafer was also due to the fact that the product was quite limited and it was hard to get, and this was a positive sign for people because it gave Nestlé the credibility, thus increasing the desire to buy its products. Moreover, the price was not as high as the one of the competitors, so it mainly targeted as many consumers as possible for self-consumption. Like KitKat, Nestlé Wafer was made using compound chocolate and was packaged in boxes of two dozen pieces.

In the first period after its launch, Nestlé Wafer boosted KitKat sales, but it eventually ended up cannibalizing it. This was because Nestlé used a “unified branding and packaging”⁷³ strategy, which means that all the products of a brand present packaging which are similar. As a matter of fact, inside the stores, Nestlé Wafer and KitKat created the so called “Great Red Wall”, which was actually positive to initially attract consumers, but it then created confusion in their mind since they could not even tell the two products apart. The result was that they almost always decided Nestlé Wafer because it was less expensive and yet larger than KitKat.

⁷² Allen L. L., *ivi*, p. 159.

⁷³ Allen L. L., *ivi*, p. 165.

Soon after, Nestlé also tried to come back to cocoa-butter formula chocolate products, and launched its bar in 2006 with no advertising, but it did not convince Chinese consumers, who were already satisfied with competitive products and have classified Nestlé as biscuits rather than chocolate. Therefore, Nestlé never managed to gain its position in China as a chocolate manufacturer, but thanks to its wide portfolio, the company established its products in the market, starting from the infant nutrition and the coffee, and ending with a small percentage of chocolate products. Even though chocolate is not the most sold Nestlé's product in China, Nestlé is considered a member of the “Big Five” with a market share of 8 percent.



Fig. 3.22. KitKat New Year 2014 boxes in China

Source: <https://www.corporate.nestle.ca/en/media/newsandfeatures/happy-chinese-new-year-from-kit-kat>

3.5 THE LUXURY SIDE OF CHOCOLATE: LINDT AND GODIVA

Chinese people are great luxury consumers, and they are on the right track to emerge as the greatest luxury market by 2025. Chinese luxury consumption has registered a continuous positive growth in the last years and has contributed to “more than half the global growth in luxury spending between 2012 and 2018”⁷⁴, and is expected to grow even more in the next years. In particular, the Covid-19 pandemic played a great role in shaping this new trend. Before 2020, the main luxury markets like Europe and United States were fueled by international clients, of which the majority part were Chinese people. As a consequence of the pandemic, travels have been stopped, so Chinese people increased their shopping in China. For the first time since 2009, the sales of luxury goods registered a negative growth, but “China is expected to be the only region to report year-over-year growth, with the country’s luxury market soaring 45 percent to reach 44 billion euros (\$52.21 billion), according to Bain’s 2020 Fall Luxury report”⁷⁵. As a matter of fact, even though almost all luxury sectors – cars, hospitality, food, art and so on – have registered a contraction, the Chinese market has been one of the most important one to look at for decades.

As Chinese are attracted to all types of foreign goods which can be defined as luxury, this also includes chocolate. In particular, Lindt and Godiva are some of the favorite brands for consumers which really want the best luxury chocolate, and according to Xufu Ji, an old brand of pastry and chocolate director, “high-end chocolate covers 20% of the sweetmeat only by itself, the significant growth prospects are still envisaged in this market”⁷⁶. As previously said, Western chocolate brands enjoy a strong competitive advantage and high reputation starting from the simple fact that they are foreign. As a matter of fact, regulations concerning quality standards and safety are stricter in Europe and North America than China, so the fact that a chocolate is imported or manufactured by a foreign brand is already a sign of quality. Moreover, owning and gifting products of international brands increases the prestige and credibility of the person who gives the present. Chinese people buy foreign

⁷⁴ Luan L. et al. (2019), “China Luxury Report 2019. How young Chinese consumers are reshaping global luxury”, in McKinsey Greater China’s Apparel, Fashion and Luxury Group, p. 4.

⁷⁵ <https://www.cnbc.com/2020/11/18/china-to-become-the-worlds-biggest-luxury-market-by-2025-bain-says.html>

⁷⁶ <https://ecommercechinaagency.com/key-success-factors-high-end-chocolate-china/>

brands to enhance their face and to live a life as close as possible to the Western one. Therefore, chocolate luxury brands highlight the Country of Origin of their products, which directly attract Chinese consumers. For example, the Swiss chocolate brand logo of Lindt does not simply report the name of the brand, but it also specifies “Maître chocolatier Suisse depuis 1845” (figure 3.21), in order to make it clear the provenience of the chocolate; moreover, it recalls the history behind the brand, which has a long tradition of more than 170 years. Chinese people pay a lot of attention to the history of the brand, so brands which recall clearly their tradition and the craftsmanship are the favorite ones, since they also justify the higher price adopted.



Fig. 3.23. Lindt boxes for Chinese New Year

Source: <https://www.moodiedavittreport.com/festive-flavour-lindt-sprunli-travel-retail-presents-chinese-new-year-range/>

Moreover, the most sold types of chocolates are chocolate boxes, which amount to more than 60 percent. This is because people buy them to give to others as gifts in occasions like festivities, birthdays or even just simple visits to friends. Therefore, the packages of luxury chocolate brands have to be attractive so people can see that the gift is high-priced and high-quality. In this context, colors play a decisive role in the attractiveness of the chocolate box. Brown recalls chocolate, while gold represents richness and luxury; a minimal design gives the box a more elegant aspect, and very often they are enriched with little details like

embossed logos or a ribbon around with a small bow. The Godiva packaging (figure 3.24) is a clear example of a packaging which, in its simplicity, perfectly shows the luxury essence of the brand and the quality of the pralines inside it: a plain dark brown box surrounded by a golden ribbon, with the brand logo “Godiva” written in the center, specifying that it is made in Belgium since 1926. The box also plays with different material, as the upper part is smooth whereas the lateral part has a softer material, so even the box itself looks valuable. Inside, the box is even more elegant, with a two-layered compartment with the chocolates perfectly placed in chromatic order.



Fig. 3.24. Godiva boxes

Source: https://www.alibaba.com/product-detail/2-layer-packaging-large-size-luxury_60684403603.html

Luxury chocolate brands have to express the quality and prestige of their products in any way, and one of the most important one is the price. Very often, high price is synonym of high quality, so companies which want to position their products as luxury have to adopt a prestige pricing strategy. As Chinese consumers are becoming more and more expert, the quality has to live up to the expectations, so these companies use excellent raw materials

and, as previously mentioned, highlight the craftsmanship behind the creation of the chocolates. In fact, in many advertisings Lindt and Godiva make people see a maître chocolatier who works and create the chocolate, so that people perceive that every piece is made in the best way possible, like if every praline was unique. In order to further increase this perception, luxury chocolate brands often organize events or tours where people can see and actually create chocolate delights.

Lastly, these brands pay a lot of attention to the digital market, so their websites are always translated in Chinese and they often add some sections made especially for Chinese consumers. For example, in the Chinese site of Lindt, there is a section “巧克力时刻” (qiǎokèlì shíkè) which literally means “the moment of chocolate” with as its undersection “礼赠时分” (lǐ zèng shífēn), meaning “gift times”, which lists different occasions like “甜蜜婚礼” (tiánmì hūnlǐ) or “浓情爱意” (nóng qíng ài yì), meaning respectively “sweet wedding” and “love”.

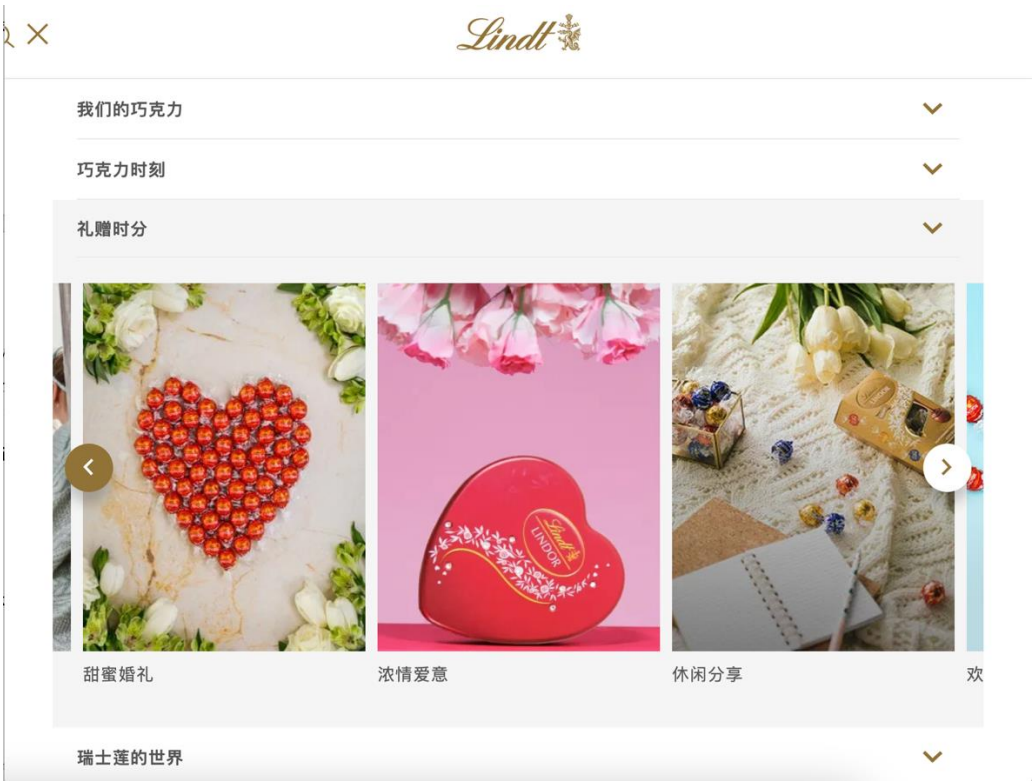


Fig. 3.25. Lindt Chinese website

Source: <https://www.lindt.cn/>

Therefore, luxury chocolate brands have to differentiate from the other competitors in order to succeed in the Chinese market, as for Chinese consumers chocolate is a luxury good *per se*, so brands like Godiva and Lindt have to take that one more step in packaging their products in a finer way, in curating more the website and so on. Moreover, the fact that Chinese people are not used to buy chocolate for self-consumption but for special occasions makes it more challenging to stand out, so a strong brand communication and the enhancing of the values and traditions which differentiate luxury chocolate brands than the others are crucial, especially when it comes to highlighting the quality of raw material and the craftsmanship behind every product. The result however is that Lindt and Godiva do not enjoy the greatest market share in China, even if this trend is in line with every type of luxury product in every market: chocolate, even though it is classified as “accessible luxury”, is something which is purchased by a limited part of consumers, not by the majority of them. The sole fact that not many people buy it is a sign of prestige, as luxury products are not addressed to the mass market, but to the few people who can afford them. Anyways, these brands enjoy a huge prestige in the Chinese market, and they keep on growing and investing in order to further increase their market share and satisfy more and more Chinese consumers.

CONCLUSIONS

The aim of this thesis is to analyze the development of the chocolate market in China and its characteristics in terms of consumers and competitive scenario. As presented in the three chapters, chocolate is still a new product in China, as it entered the country in 1978 following the economic reforms of Deng Xiaoping. Chinese people have immediately been attracted by this new exotic food, but their consumption behavior differs greatly from the one of Western countries. As a matter of fact, the chocolate consumption in China is limited to 220 thousand tons in 2020, compared to 1,525 of the Americans. This comes from a variety of factors: taste and food habits privilege savory and seasoned food, whereas sweet food is limited to specific occasions. Moreover, Chinese people buy chocolate during festivities or special occurrences as a gift to other people in order to create and maintain relations (*guanxi* 关系) with others. This factor has been noticed right away by foreign chocolate companies, and they started promoting chocolate as a perfect product to donate to loved ones. All their marketing mix strategies have focused on these aspects: the products are high-quality, the packaging is often very attractive, the price is a premium price, and the products are positioned well-visible in the stores' shelves.

All these factors convey to the idea of chocolate as a luxury product, which is fundamental in the gift-giving gesture, as Chinese people not only want to create strong relationships with others, but they also try to enhance their face (*mianzi* 面子). China is one of the greatest markets for what concerns luxury products, and chocolate is regarded as one of them. Therefore, global chocolate companies have always positioned chocolate as a high-end foreign good. For instance, the gold wrap of Ferrero recalls richness, while the Dove's slogan "fragrant milky taste, as smooth as silk" gives the idea of a prestigious product. These strategies have been successful, but they have also hindered the development of the market share of global chocolate companies. In fact, the gift-giving segment is still limited compared to the vastness of people that could buy chocolate for self-consumption.

China is a country which counts almost 1.4 billion people, but the earliest generations which saw chocolate for the first time in the 1980s did not introduce this product in their daily diet. On the contrary, young people have grown up with influences from Western countries,

including different food and culinary habits. As a result, this generation started consuming more and more chocolate, in particular as a snack throughout the day. Even if a greater amount of people is starting to buy chocolate for self-consumption, it is still regarded – and marketed – as a luxury product limited to few special occasions. However, as far as chocolate is a high-quality product, and many brands focus on the craftsmanship and uniqueness behind every piece, chocolate is not a luxury product per se, but it is rather made for mass consumption.

In order to enlarge their market share, global chocolate companies should stimulate self-consumption, since limiting to gift-giving is not enough anymore. Moreover, they should educate consumers about chocolate's healthy properties, due to the fact that it is still regarded as a “sinful indulgence”, something which has to be limited to occasional moments. In addition to that, Chinese people are more used to travel abroad, they taste different food from many countries, so they are becoming more sophisticated and are able to discern whether some food is high quality or not. Quality is an aspect many global chocolate companies have stressed in their marketing strategies, but Chinese people are more demanding and expert now than ever before. Lastly, as Chinese Internet users are almost 1 billion, it is fundamental for Western companies to build a solid presence on social media and e-commerce platforms, in order to reach the highest number of consumers and adapt to their buying habits, since more than 50 percent of Chinese people buy online rather than in the stores.

Therefore, the Chinese market is far from being saturated and widely exploited, and global chocolate companies should do their best in innovating, which can include new products, both in terms of healthier and more sustainable ingredients, and new ways of promoting them. The fact that Chinese people are willing to spend a premium price for foreign and high-end goods allows these companies to risk and invest in developing new products and strategies to enlarge their market share. These characteristics of Chinese people are unique and, if companies are able to make the best out of them, can bring global chocolate companies to an even higher presence in the Chinese market.

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