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**Confectionery sector in
China: what has changed?
An overlook on the Locker
business in China.**

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序言

文章展示了近几年来中国糖果行业的变化。本文从全球市场及中国市场的文化分析角度出发，重点阐述了数字化转型从营销策略上对中国消费者产生的强烈影响。此外，我将从玛氏、好时、雀巢、歌帝瓦和亿滋等受中国消费者喜欢的国际糖果品牌到文奇、费列罗和不凡帝范梅勒给消费者的体验，重点研究“意大利制造”品牌及其对中国市场的态度。最后我将深入解析 Loacker 公司的案例研究来结束这篇论文，该案例研究体现了这家公司是如何通过数字营销策略来提高消费者的购买力。

第一章分为两部分，阐述了文化的重要性以及中国消费者的行为。将从文化的角度深入分析，了解消费者对于食物的选择，或者更确切的说，消费者对中国糖果市场的选择

文章初重点关注文化在全球范围内的重要性，以及一些外国公司未考虑文化因素带来的后果。的确，在对文化进行深入了解和分析，同时配合霍夫斯泰德和特伦佩纳尔的理论，该主题强调了中国对互惠义务和关系的概念，即“关系”，指的是由互惠义务和关系搭建的关系网络和面子，即表示在他人面前的声誉概念在人际关系中具有核心作用。这不仅仅是得到信誉的问题，还涉及在社会中拥有信誉的必要性。

第二段旨在引导读者发现如何进入这个市场，了解消费者和如何生产出适合的产品。事实上，该分析显示了中国消费者和西方消费者在习惯中的相同之处和不同之处，并阐述外国公司使用了哪些成功的营销策略进入市

场和消费者的视野中，例如在假期、传统活动中重要的送礼方式或节日购物习惯。

在对第一段中国消费者及其习惯的研究后，第二段开始探讨中国以及全世界生活的数字时代下，对如何推进消费者消费的驱动力。本段主要分为三个段落，旨在描述哪些是中国主要的社交媒体平台，以及 KOL、网红营销、直播和电子商务策略在中国发挥的作用。

事实上，数字战略与人们的日常生活息息相关，特别是在中国。根据 2021 年的数据显示中国拥有超过 100 万的注册用户。文章还将通过百度等搜索引擎以及微信、微博、小红书和抖音等平台的运作方式，来探讨社交媒体对消费者生活所产生的具体影响。

接下来第二部分是关于 KOL 和网红营销策略，通过向普通人传达品牌信息使其成为最具有影响力的策略之一。通过数据的反馈发现，通过 KOL 产生的参与度是仅基于社媒官方账户策略的 8 倍

第三段侧重于直播和电子商务，这两个战略彻底影响了中国的数字时代。在本段中解释了这些新事物是如何发展起来的，以及它在哪些平台上取得了成功，例如抖音和小红书等社交商务平台，或者天猫和京东的案例。

第三段研究了糖果行业在中国的发展情况以及中国消费者对糖果行业的看法，重点分析了冰淇淋、巧克力、饼干和威化饼等市场。此外，在本段的最后还举例描述了一些参与中国市场的品牌具体案例,例如玛氏、好时、雀巢、歌帝梵和亿滋等品牌。

在前几段中读者还将了解中国消费者的行为在不同情况下的变化，以及哪些食品饮料公司使用的市场营销策略取得了良好的成效。

此外，从数据可以看出冰淇淋的消费市场在过去几年中保持着高速增长，并且中国在 2019 年一举跃为了全球冰淇淋消费市场的第一位。因此，本段将描述哪些类型的消费者对冰淇淋市场增长率做出了贡献，哪种类型的冰淇淋和口味销售占比高，以及关于冰淇淋的社媒平台、社交商务、展览、旗舰店等信息。

第三段将描述巧克力的新兴市场，关于它是如何在中国起步的，以及遇到了哪些困难。的确，由于巧克力的外来性质，一直被认为是西方世界的标志，因此进入中国市场最有效的方式就是将其视为礼物的象征来打开中国市场。

然后是对中国的饼干和威化饼的分析，包含了主要类别，包括口味、包装、设计和主要的国际品牌商。

事实上，根据最后一点，本章的最后文段恰当地展示了哪些是最具影响力的国际品牌商。通过本段，读者将有机会了解玛氏、好时、雀巢、歌帝梵和亿滋等品牌的案例。这些品牌能够接触到中国消费者，调整品牌名称，找到合适的营销策略，与当地 KOL 合作，KOC 并制定有效深入人心的广告推广策略。

第四段在对中国糖果行业的考察之后，对“意大利制造”的糖果进行了分析。这几段文章展示了中国消费者对“意大利制造”的看法，外国公司在全球化的商业作用下走向全球市场，重点介绍了标准化和适应、产品生命

周期理论等一些策略和 4D 模型。此外，在“意大利制造”的糖果领域中，成功进入中国市场的品牌有 Venchi、Ferrero Rocher 和 Perfetti Van Melle。

此外，第一段将首先分析“Bello e Ben Fatto”意大利模式，因其食品被认为是最相关的行业之一。该品牌在设计、对细节的把控、材料质量和工艺方面都体现了意大利制造的卓越性。

然后，为了展示“意大利制造”在中国的认知度，本文将重点关注原产地效应和国家声音品牌现象。

以下部分主要根据穆尼、泰德莱维特和迈克尔波特的理论，重点讨论全球化在商业中的作用，以及贸易壁垒的逐步消除是如何增加全球消费文化的出现。这也得益于一些相关的“走出去”战略。

本段具体描述了出口、许可、合资企业和外国直接投资 (FDI) 方法，标准化和适应策略之间的区别，弗农产品生命周期理论和贝恩公司最近的一项研究中的 4D 模型。该研究专注于那些希望在中国市场成为与本土品牌一样强大的品牌的分析。

此外，在对“意大利制造”的糖果行业进行了初步介绍之后，本章的最后一段落将介绍糖果行业中一些具有代表性的意大利企业：Venchi、Ferrero Rocher 和 Perfetti Van Melle。

总之，最后一段将介绍提供主要的指导策略并成为典型案例研究的企业：中国的洛克企业。

事实上，在第一部分除了专门介绍了这个意大利品牌的历史、创办、产品口味以及其市场遍布意大利和全球外，还研究分析了 Locker 在中国市场的业务

事实上，多亏了 Loacker 的帮助以及 Loacker 中国市场代表在上海的采访，我能够对 loacker 在过去 20 年里在中国市场的业务进行深入研究，重点研究有关实体和数字分销渠道的细节。

在本章中读者将发现 Loacker 在中国使用了哪些营销策略，通过哪些方法让消费者记住品牌名称，以及如何接轨中国的数字环境，包括社交媒体平台和直播、电子商务和 KOL 的合作。此外，本章还将分析 Loacker 品牌在 2021 年线下和线上使用的营销策略以及取得的成果。

Introduction

This study aspires to show how the confectionery sector in China has changed in recent years. Starting from a cultural analysis of the Global and Chinese market, this thesis focuses on the strong impact that the digital transformation had on marketing strategies to reach Chinese consumers. Moreover, after describing the most popular international confectionery brands in China, like Mars, Hershey, Nestlé, Godiva and Mondelez, I focused my study on "Made in Italy" brands and their approaches towards the Chinese market, talking about Venchi, Ferrero and Perfetti Van Melle experience. I will conclude this thesis by analysing more in depth a case study of Loacker Company describing how it improved its purchasing power thanks to digital marketing strategies.

The first chapter, which is divided into two parts, explains the importance of culture and the Chinese consumer behaviour, analyses in depth the topic starting from a cultural point of view and getting the fundamentals to better understand the reasons behind some choices in terms of food and, more specifically, of confectionery sector in China.

At the beginning, the chapter focuses on the importance that culture has worldwide and the consequences of not rightly approaching that as a foreign company. Indeed, after a deep analysis and interpretation of a specific culture, through Hofstede and Trompenaars' theories, the topic focuses more on Chinese concepts of reciprocal obligations and relationship, which are *guanxi* (关系), which refers to relationship networks supported by reciprocal obligations and *mianzi* (面子), which indicates the concept of reputation in front of others and has a central role in terms of interpersonal relationships. It is not only a matter of gaining credibility, but it is also about the necessity to maintain it in front of society. While the second paragraph aims to guide the reader in discovering how to approach this market, understand its consumers and make products which can fit with.

The second chapter, following the description of Chinese consumers and their habits of the first chapter, deeply focuses on the drivers of the digital era in which, not only China, but all the world, lives. The chapter is mainly divided into three paragraphs

which aim to describe which are the main Chinese social media platforms, and the role of KOLs, Influencer marketing, Livestreaming and e-commerce strategies in China.

The third chapter investigates the diffusion of the Confectionery sector in China and its perception among Chinese consumers deeply focusing on ice-cream, chocolate, biscuits and wafers market. Moreover, at the end of this analysis, the chapter describe some of the most important players for this sector in China, such as Mars, Hershey, Nestlé, Godiva and Mondelez.

Throughout the chapter, the reader will understand how Chinese consumers behaviour has changed towards this topic and which are the most efficient strategies to succeed in Chinese market for Food & Beverage companies.

Moreover, the last part of this chapter properly shows which are the most influent international players. Through this paragraph, the reader will have the opportunities to learn from the examples of Mars, Hershey, Nestlé, Godiva and Mondelez, which have been able to reach Chinese consumers adapting their brand names, finding the right marketing strategy, collaborate with local KOLs and KOCs and making a strong engagement advertising strategy.

Following the examination of Confectionery sector in China, the fourth chapter analyse the Confectionery “Made in Italy”. It is composed of several paragraphs which shows how “Made in Italy” is perceived by Chinese consumers, the role of globalization in business and how to being global as a foreign company, focusing on some strategies as standardization and adaptation, product life-cycle theory and the 4D model. But also, regarding the Confectionery “Made in Italy” sector, which are the most successful brands in China, such as Venchi, Ferrero Rocher and Perfetti Van Melle.

In conclusion, the last chapter reveals the main topic which guides all these thoughts, and which have been analysed as case study: Loacker Business in China.

Indeed, after a first part dedicated to the history of the Italian Brand, its openings, the flavours of its products and its distribution both in Italy and worldwide, the study analyse Loacker business in China.

Thanks to Loacker courtesy, and to the interview of the China Market Representative for Loacker at Shanghai, I have been able to provide a deep

examination of Loacker business in China during the last 20 years focusing on some details about physical and digital distribution channel.

Throughout this chapter, the reader will discover which marketing strategies Loacker used in China, with which brand name is known by Chinese consumers and how approached Chinese digital landscape, including both social media platforms and Livestreaming, E-commerce and KOLs collaborations. Moreover, this chapter will also directly focus on 2021 offline and online marketing strategies of the Brand and the results gained.

1. Cross Cultural context of China

1.1 The importance of culture

The first thing to do when a company decides to invest abroad is to consider one of the most important aspects that define a country: the culture. Understanding culture is not always easy because of distance, physical and not, and so on. For this reason, cross-cultural management can help foreign enterprises being aware of other cultures and identify the right way to communicate.

The cross-cultural management describes the interaction between two or more different countries or companies that have to work together understanding their cultural differences, contradictions, habits and so on. From this starting point, it's not hard to comprehend the importance of solving these through cultural integration and the right communication improving the possibility to maintain efficient management during a transnational business. ¹

Indeed, since exists a strong relationship between culture and the cost of doing business in a country ², and that, behind any country exist several norms, values, habits and determinants of culture, foreign companies should adapt their business as much as possible. Another point could also be represented by the existence of a connection between culture and competitive advantage, indeed, in those countries, thanks to this, foreign enterprises can better choose the location in which to establish their business.

Culture is defined as a knowledge people gain from making experiences and learning from them, sharing values, norms and so on with other people and passing these down through generations. Behind culture it's also possible to find symbols, religions, languages and other habits that perfectly describe that populations' soul.

¹ Yu Chen and Fang Wang (2019). IOP Conf. Ser.: Mater. Sci. Eng. 677 042071 <https://iopscience.iop.org/article/10.1088/1757-899X/677/4/042071/pdf>

² Pontiggia, A. (2020) Organization, People and Culture: Management to China. *Department of Management, Ca'Foscari University of Venice*.

Among the elements of culture, language is the most significant because it's necessary to make people express themselves, indeed, speaking other languages is the first step to feel the other. Moreover, institutions include not only political and socio-economic organizations, but also religion; then symbols contain the meaning behind some specific behaviours and explain how values are different among cultures.

In the field of cross-cultural management, scholars found out some theories about national cultures, their differences with other countries and the reasons behind some behaviours. In this list, the most studied are Hofstede's one, the Trompenaars' and the analysis of high-low context communication models.

During 1980 the scholar Geert Hofstede found five dimensions of culture that, in the following years, became six. These dimensions were: power distance, uncertainty avoidance, individualism vs collectivism, masculinity vs femininity, long-term orientation vs short-term orientation and indulgence vs restraint. All these dimensions are considered fundamental to understand the reasons behind cultures' behaviours. Integrating these all dimensions is possible to understand the complexity of approaching different cultures.

Power distance is the extent to which less powerful members of institutions and organizations accept that power is distributed unequally.³ Through this dimension countries can be identified as decentralized with small organization structures (low-power distance) and centralized with big organization structures (high-power distance).

Uncertainty avoidance is the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions that try to avoid this.⁴ The results of this dimension are countries with strong structure organizations (high-uncertainty avoidance) and others with less structuring activities, in which people are encouraged to assume their own responsibilities (low-uncertainty avoidance).

Individualism is the tendency of people to look after themselves and their immediate family only. In contrast, Collectivism is the tendency of people to belong to groups or collectives and to look after each other in exchange for loyalty.⁵

³ Hofstede G., Bond M. (1984) The Need for Synergy among Cross-Cultural Studies. *Journal of Cross-Cultural Psychology*. December 1984, p. 419

⁴ Hofstede G., *Culture's Consequences*.

⁵ Ibid.

Masculinity is defined as a situation in which the dominant values in society are success, money, and things. In contrast, femininity is considered as a situation in which the dominant values in society are caring for others and the quality of life. ⁶ Thanks to this dimension it's possible to affirm that countries with high masculinity index give more importance to challenge, earnings, and progress. Indeed, people are overstressed because of their job occupation and children are used to being encouraged since they are at school. Instead, countries with high femininity index are characterized by a friendly atmosphere, cooperation, and a low stressed lifestyle. ⁷

Time orientation is defined as dealing with society's search for virtue. Long-term orientation refers to future situations in which is possible to adapt and gain long-term successful results. Short-term orientation refers to these situations in which people prefer living their future looking back at their past experiences and traditions, indeed their goal is to reach quick results.

China, as other Asian cultures in general, thanks to Confucianism influence, is a perfect example of a high long-term orientation index because people are careful with their money, not easily adaptable to unexpected circumstances and their relationships are linked to status rules.

Indulgence is the last dimension added and measures the freedom to satisfy people's needs within society. In high-indulgence index countries, people are happier, their needs are satisfied as well as their freedom of speech, but, in countries with high-restraint index, such as China, people are not happy as others, their freedom of speech is not a priority, and they believe their actions and behaviour are not in their control.

Then, during 1994, another researcher decided to extend Hofstede's work and publish his own theory about "Five Relationship Orientation", his name was Fons Trompenaars.

Trompenaars analysed these dimensions dividing them: universalism vs particularism, individualism vs communitarianism, neutral culture vs emotional culture, specific culture vs diffuse culture and achievement culture vs ascription culture.

⁶ Hofstede G., *Culture's Consequences*.

⁷ Pontiggia, A. (2020) Organization, People and Culture: Management to China. *Department of Management, Ca'Foscari University of Venice*.

Universalism refers to the fact that beliefs can be used in any circumstance without modification, instead, with particularism, the circumstances have the power to modify human behaviour. China, for example, is a high-particularity index country, that means their relationships are more based on formal rules or that they are used to change the execution of deals after knowing better the other person.

Individualism vs communitarianism dimension is similar to Hofstede's one and refers to the choice of people as individuals or as part of a group.

Neutral culture vs emotional culture refers to those countries in which people are more or less used to expressing their feelings and emotions.

In the case of specific cultures, it measures to what degree a country is extroverted, if people make a distinction between their work and private life.

The last topic of Trompenaars's theory regards the distinction between achievement culture and ascription culture. In this case, with achievement culture the scholar refers to those countries in which people accord their status based on how well they perform in jobs or activities; instead, countries characterized by ascription culture found their own status on their personal goals or the type of person they are, and China is an example of it.

Trompenaars theories and results, as well as other researchers', were used to help explain the reasons behind cultural differences and also to find the right approach in business, so he also studied a series of attitudes toward time and environment.

Then, in 1988, the anthropologist Edward Hall studied consumer behaviour based on context, space, and time. He discovered the main difference between Western and Eastern countries is that the first overcome the obstacles they stand during their lifetime, the second believe human beings cannot be controlled. This context helped the scholar to explain the theory of high-context and low-context communication and can be easily linked to Hofstede's dimensions, in particular to the individualism vs collectivism one.

High-context communication is typical of cultures where the speeches are unexplicit and the person in charge prefers to say only essential information. This situation is common in homogenous cultures, respectful of cultural heritage. On the contrary, low-

context communication appears in countries where people speak unambiguously without any difficulty in expressing their opinion. ⁸

Beyond these and other theories, one of the most important aspects of culture are religion and ethical systems, not only for their impacts on behaviours, but also for the cost of doing business, so, making a focus on China, Confucianism. Religion may be defined as a system of shared beliefs and rituals that are concerned with the realm of the sacred. Instead, the Ethical System refers to a set of moral principles, or values, that are used to guide and shape behaviour. ⁹

According to the economists Roberto Barro and Rachel McCleary, religions base their fundamentals on believing in heaven, hell, and an afterlife, using this power to have an impact on economic growth rates. In particular, their results showed that higher religious beliefs provoke economic growth because they have the ability to help individuals and their behaviours that are responsible for their productivity. ¹⁰

If we focus on China, the most important influence is Confucianism. It's not to be considered as a religion but as an ideology. Confucianism was founded in the fifth century B.C. by K'ung-Fu-tzu, and it became, until 1949, the official ethical system of China. After this date, some stopped to follow Confucianism but there are still a lot of followers. Its main teaching regards the importance of acquiring personal salvation through right actions. The way to make it possible is following Confucius's guidelines about how to relate with others pursuing a life rich of high moral and ethics.

As said before, Confucianism has a strong influence not only on individuals but also on economic growth, indeed, some scholars have noticed that lowering the cost of doing business in countries influenced by this ideology, like China, Japan, or Korea, it's possible to understand their economic success. The main reasons are loyalty, reciprocal obligation and honesty in dealing with others, three important values in the Confucianism system.

Loyalty is considered a sacred duty, and, in front of superiors, it ties employees to the heads of their organizations, reducing the contrasts between the parts. It can be

⁸ Vescovi T. (2019). *International Marketing to China*. McGraw Hill.

⁹ Goodman N., (1991) *An Introduction to Sociology*. New York: Harper Collins.

¹⁰ Pontiggia, A. (2020) *Organization, People and Culture: Management to China*. Department of Management, Ca'Foscari University of Venice.

possible, at a lower cost than other places, because loyalty is considered as an intrinsic value of the culture.

The concept of reciprocal obligation describes the great importance of relationships in this culture. Superiors are obliged, thanks to values and ethics, to reward the loyalty of their employees. This concept is better described using the Chinese word *guanxi* (关系) which refers to relationship networks supported by reciprocal obligations.¹¹ This concept refers to relationship and now, in China, is possible to talk about a *guanxiwang* (关系网), a true relationship network. In this type of culture where doesn't exist a rule-based legal tradition, also during violation of business agreements, it's necessary to honour relationships to build long-term relationships to get business done.

Guanxi is strictly related to dishonest behaviour. If the first wants to gain long-term relationships, the second behaviour may produce short-term benefits, indeed, in China, thanks to Confucian ideology, companies trust each other and don't violate the terms of their business agreement, costs of doing business are reduced and cooperation becomes easier.

In these terms, for example, during a business negotiation, the initial trust, necessary for starting a relationship, is usually placed in the person in charge of the negotiation. It therefore becomes essential to carefully choose this person through whom trust will be extended to the entire company he represents. For this reason, not only *guanxi* is important, but also *mianzi* (面子).

Mianzi literally means "face" and indicates the concept of reputation in front of others and has a central role in terms of interpersonal relationships. It's not only a matter of gaining credibility, but it's also necessary being able to maintain it in front of society. Moreover, this reputation has to be in pair with society hierarchy because in this way it is possible to start a good communication between the parts. Reputation, so *mianzi* can be given (给面子 *gei mianzi*) or can be lost (丢面子 *diu mianzi*), which means, during a business meeting, participants must pay attention to which people are talking with and their social level, they have to wear specific suits and propose their offer

¹¹ Chen C.C., Chen Y.R., Xin K. (2004). *Guanxi Practises and Trust in Management. Organization Science.*

following specific rules. If it doesn't happen the counterpart could get offended and the other could lose both his reputation in front of society and his status among his *guanxi*.

1.2 Consumer behaviour

As analysed in the preview's paragraphs, culture has a strong impact on consumer behaviour and decision-making process, indeed, any firm that is interested in investing abroad has to look with the "same eyes" of those consumers, understanding their habits, their preferences and what guides them in making a purchasing decision.

In choosing the strategy to adopt, companies must pay attention to consumer behaviour theories, such as global perspective, imported perspective, ethnic consumption perspective and cultural meaning perspective. All these theories should help understanding the differences in individualistic/collectivistic influences, the differences between cultures but also the similarities among them.

Starting from the question of how much culture influences consumer behaviour, a series of points should be considered, such as hierarchy of needs, that shape demand across product categories that can be different for any country; the role of institutions and, as said before, cultural mindsets.

According to Maslow's theory, hierarchy of needs finds out the right place for each consumer desire or purchase using the following classification: physiological needs, safety needs, social needs, esteem needs and self-actualization needs. These cannot be considered as universal or true in every culture, that's because some needs could be satisfied in various ways or could be considered more important than others, indeed, for example, developed countries tend to satisfy needs that in less developed countries don't even exist. So, due to these differences, some scholars theorized the existence of only four basic human needs, which are to survive, to reproduce, to select kin and to reciprocate.

This last, for example, could be easily linked to the practise of *gift-giving*, common during holidays, and usually very impactful in some societal tradition, such as in China, where it's been used as marketing strategy by a lot of western brands, from fashion to

cosmetics, food or any other sector.¹² This practice is embedded in sociocultural influences, and requires reciprocity because both parties must participate in the ritual.

Moreover, among cultural mindset influences, eating habits are the most important cultural conventions, indeed, according to Wilk, “food is both substance and symbol; proving both physical nourishment and a key form of communication that carries many kinds of meanings”.¹³ The meanings behind food habits describe usages of people, such as the choice of eat a specific number of times each day, the position assumed during meals, cooking styles and the role of the person in charge for preparing meals, types of beverages (such as hot water in China) drunk while eating or the value hidden behind that meal (for example a communal event, family reunions). For these reasons, eating habits should be considered as the fundament of a structured process of purchasing food, beverages and so on.

As habits, also taste takes on great importance and its perception is different not only among countries but also among consumers themselves. In China, for example, people are used to classify their food choices based on 5 flavours, which are salty, spicy, sour, sweet and bitter. These tastes follow traditional regional characteristics and cooking recipes. Indeed, spicy is a typical taste of central Chinese regions, such as Sichuan, Yunnan, Hunan, and Guangxi, where the climate is humid and spicy is considered as the perfect way to reduce internal dampness, improve blood circulation and health in general. Salty is a typical flavour of northern regions and coasts, where people are used to eating salty plates because, eaten carefully, this flavour could have a lot of health benefits, but if too much could be harmful. Sweet, instead, is typical of eastern regions, such as Fujian, Zhejiang, Jiangsu, Anhui, and Guangdong, where people like eating food with sugar and honey in order to attenuate illness and their own mood. Sour is usually more appreciated in the south of China, such as in the Shanxi, where consumers, which are composed of a lot of poor people, are used to. The last, bitter, is considered by some as the taste of Chinese medical food because it's composed of bitter medicinal herbs, and it's used to improve dishes' taste.

¹² Vescovi T. (2019). *International Marketing to China. McGraw Hill.*

¹³ Usunier J.C. and Lee A. (2013) *Marketing Across Cultures. Person.*

Moreover, analysing consumer behaviour involvement, that is commonly a function of a person, a product, a service, and a situation.¹⁴ Due to the fact that the interest of a consumer toward any type of product or service may change with cultures, studies have shown how in Eastern countries, people are more involved in highly publicly consumed or shared products and give a great importance to social harmony and family relationships. This aspect, common also in China, refers to the meaning behind any products, which is symbolically an expression of gratitude, status, approval, or disapproval. Referring to this question, even though the usual sequence of stages is problem recognition, information search, alternative evaluation, purchase, and post-purchase, for Asian consumers it's not. Chinese or Japanese consumers, indeed, have a more cognitive style, tending to adopt a more concrete and synthetic orientation. This approach also refers to all the stages and, Chinese consumers, which are strictly influenced by Confucianism, tend to have a more utilitarian shopping style focused on price, quality and value and less impulsive tendencies.¹⁵

Instead, if these products are regarded as private aspects of human life, consumer involvement is lower, and the only ways used to evaluate them are price and quality.

Moreover, the influence of culture is still relevant in other situations, such as in the ways in which risk is perceived or how they interrelate with brands. Chinese consumers, for example, tend to be more sensitive to social risk problems because any risk could be, as said previously, considered as a lot of reputation (*mianzi*), giving more importance to social risk than personal and individual one. Furthermore, their purchase decision, as other collectivist cultures, are strictly related to loyalty, so, their tendency to be loyal toward brands finds its solutions in Word of Mouth (WoM) communication and in group consensus.

Looking at this background, nowadays, thanks to the improvement of digital technologies, the growth of social media and e-commerce platforms, worldwide, a new figure of consumer has been born and is represented by digital natives, Gen-Z, people between 10 and 23 years old.

¹⁴ Engel, James F., Roger D. Balckwell and Paurl W. Miniard. (1993). Consumer behaviour. (7th ed.) Fort Worth, TX: The Dryden Press.

¹⁵ Usunier J.C. and Lee A. (2013) Marketing Across Cultures. *Person*.

Chinese digital natives now represent about 15% of China’s population and are considered the main players of domestic consumption growth. According to McKinsey, these consumers are optimistic, impulsive and tend to spend more than their budget, more than other generations in China or in other countries.¹⁶

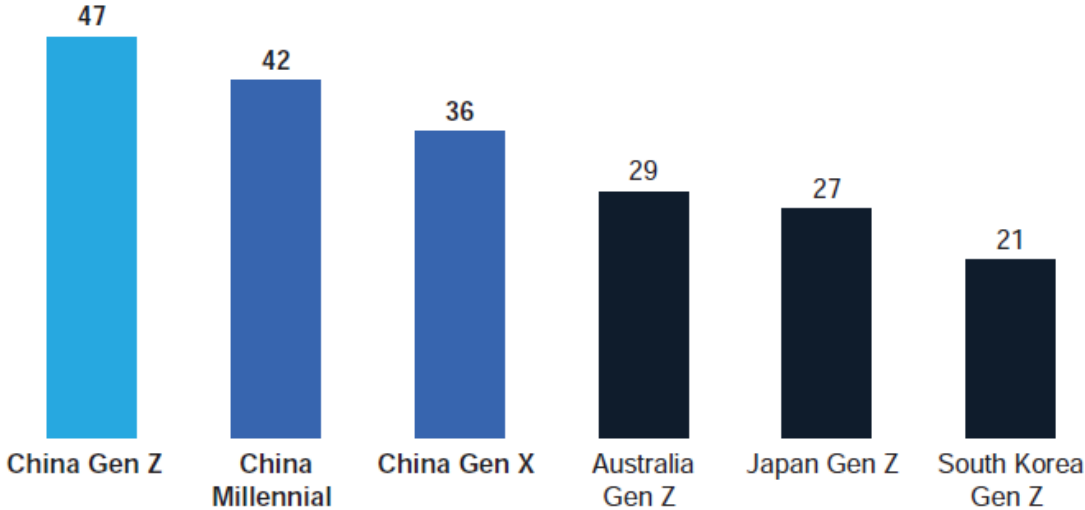


Figure 1.1 Source: 2019 Gen Z survey (N= 2,947 in China; N= 3,311 in Australia; N= 2,966 in Japan; N= 2,482 in South Korea)

Due to their impulsive purchase, Chinese Gen-Z is named “the moonlight clan”, which refers to their ability to spend their entire salary during a single lunar cycle. This happens not only because most of them believe to earn much more in their future, but also thanks to the possibility to use cards and financial products that enable them to buy on the spot and pay later. Then, these consumers choose unique products and services, more in China than in Australia, Japan, and South Korea.

Drawing on the loyalty topic, these generations of young consumers are more brand loyal, more than their peers in other countries and more than their older generations. In order to be appreciated, brands usually choose apps or WeChat Mini-Programs or mobile games to leverage CRM and the level of engagement. Due to this fact, the report affirms the tendency of Chinese digital natives in preferring omnichannel

¹⁶ McKinsey & Company (2021). China consumer Report 2021. *Understanding Chinese Consumers: Growth Engine of the World. – Special Edition.*

shopping because, through this method, their purchase experience becomes richer and complete. ¹⁷

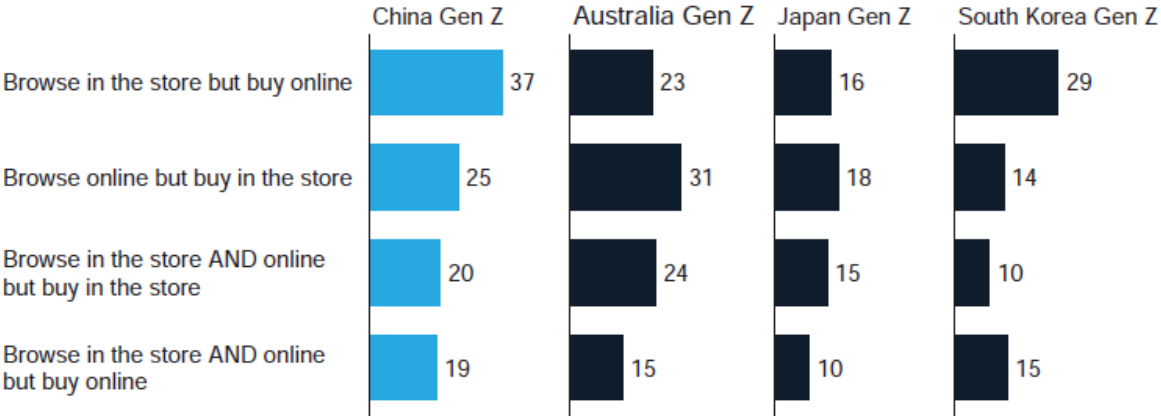


Figure 1.2 Source: 2019 Gen-Z Survey (N= 750 in China)

Another trend of this generation of users is their interest toward e-commerce platforms which show a great transparency and quality assurance, so, are used to P2P transactions on *Taobao* and *Xianyu*. Then, their purchase decision is influenced by the online version of WoM, opinions of friends and family on social media, but also social media accounts of brands, logger, influencers, and Key opinion leaders (KOLs), usually hired to promote and sell specific brands during livestreaming selling on Taobao and other platforms.

So, knowing all these new characteristics, brands who want to have success in China have to invest in data drives to better understand Chinese consumers developing unique products and services; tailor brand positioning and build loyalty; strengthen omnichannel shopping experience; choose the right partners and the right channels; adjust positioning according to technology innovations. ¹⁸

¹⁷ Ibid.

¹⁸ Ibid.

2. Digital marketing strategies in China

The drivers already described in the previous chapter are the real protagonists of the digital era in which we live, not only in China but worldwide. China, indeed, is the best example to show how much that era is going on.

In recent years, Chinese consumers started to switch their shopping habits to a more omnichannel approach, greatly mixing online and offline touchpoints. This data shows us how much the digital economy is now relevant for people in everyday life. Indeed, China counts more than 1 billion users (+10% referring to 2020 users active on social media), who stay more than 6 hours online. This number has grown and is probably going to grow in these years thanks to the digitalization process started before Covid-19 and increased after that.¹⁹

The digital era changed people's lives, which has become more and more digital, from consumption to social life. While, during 2020 retail sales registered a decrease (-3,9%) compared to 2019, the increase of final consumption expenditure has been and will be driven by the growth of the middle class of digital economy. Indeed, China is the first market in the world for e-commerce sales, with a growth rate stable (2012-2016) that exploded during Covid-19 lockdown.²⁰ Due to this data, it's easy to understand how social life has changed in a moment in which being connected was necessary to survive. Indeed, people quickly transferred their real life into a virtual one, now switching it into a trend more than a need. The O2O approach to life is becoming more relevant above all in lower-tier cities, where seeing others for real is more difficult.²¹

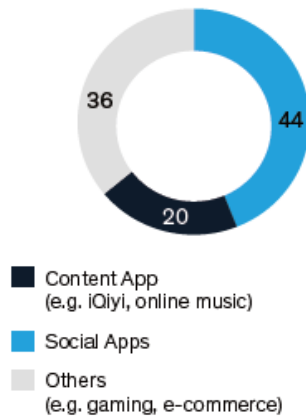
¹⁹ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese*.

²⁰ Ibid.

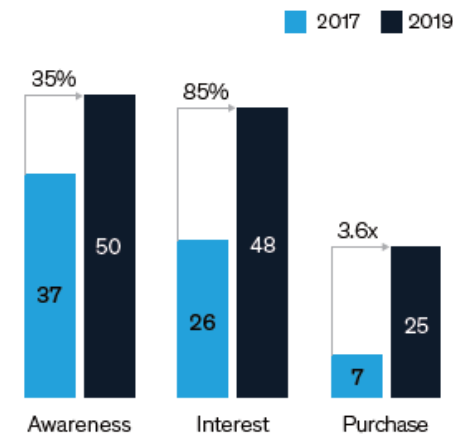
²¹ McKinsey & Company (2021). *China consumer Report 2021. Understanding Chinese Consumers: Growth Engine of the World. – Special Edition*.

Social media is a core part of consumers' lives

Social & content account for >65% of online time¹, % of China mobile internet monthly online time



Social is enhancing influence on "Purchase", % of respondents



COVID-19 has accelerated this shift



Time spent on mobile internet increased by **20%** from 6.1 hours to **7.3 hours** in early post COVID-19



~**60%** of consumers will continue avoiding crowded offline shopping, and ~**36%** will shop through new online channels

Figure 2.1 Source: Digital consumer Survey 2017-2019

2.1 Chinese social media platforms

The digital landscape in China is quite complex and still growing every day. It is rich in policies that continue to change, but also limitations or censorship, which could be considered as a big problem a foreign company which is interested in this type of investment.

For this reason, western companies should be able to adapt their marketing strategy not only according to Chinese cultural aspects or buying behaviours but also through the right communication. This point regards all the Chinese social media platforms, where each one has specific rules and usage, and also advertising, which has been influenced by western companies and for this reason it seems a "melting pot".²²

First, if a western company would start to invest in China, it should start from the difference between western search engines (Google) and Chinese ones (Baidu).

²² Checchinato, F., & Lala, H. (2018). Managing digital marketing strategies in emerging markets: The case of China. *Department of Management, Università Ca'Foscari Venezia Working Paper*, (2018/12).

Indeed, if the website doesn't work properly on Chinese search engines, it won't ever be found by the target audience, risking spending in vain investments and efforts. Indeed, due to the Great Firewall, in China, Google covers 1,6% of market share and other websites of search engines are blocked, instead Baidu covers 78,41% of Chinese traffic.²³

So, Baidu is the first player in China for web research, but, even though it has several components as same as Google, some elements can distinguish them. The first point is the way these two index the site, indeed, climbing the ranking and earning top positions in SERP is not so easy for a foreign website without implementing specific SEO optimization strategies. In order to reach this objective, a foreign company should rely on a hosting and a domain localized responding to specific SEO requirements but also, due to the fact that Baidu has been creating for only Chinese language usage, create a Chinese version of the website. Moreover, for SEO optimization, thanks to the high percentage of mobile users in China, companies should also develop a responsive layout.²⁴

Therefore, due to this data, Chinese social media platforms reach 72% thanks to the usage of the internet, not only for entertainment or searching information, but also for work, using specific tools, and to purchase. For this reason, Chinese created a lot of APPs to find exactly what they are looking for satisfying their user experience: WeChat, Weibo, Little Red Book, Douyin, Kuaishou.

²³ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese.*

²⁴ Ibid.

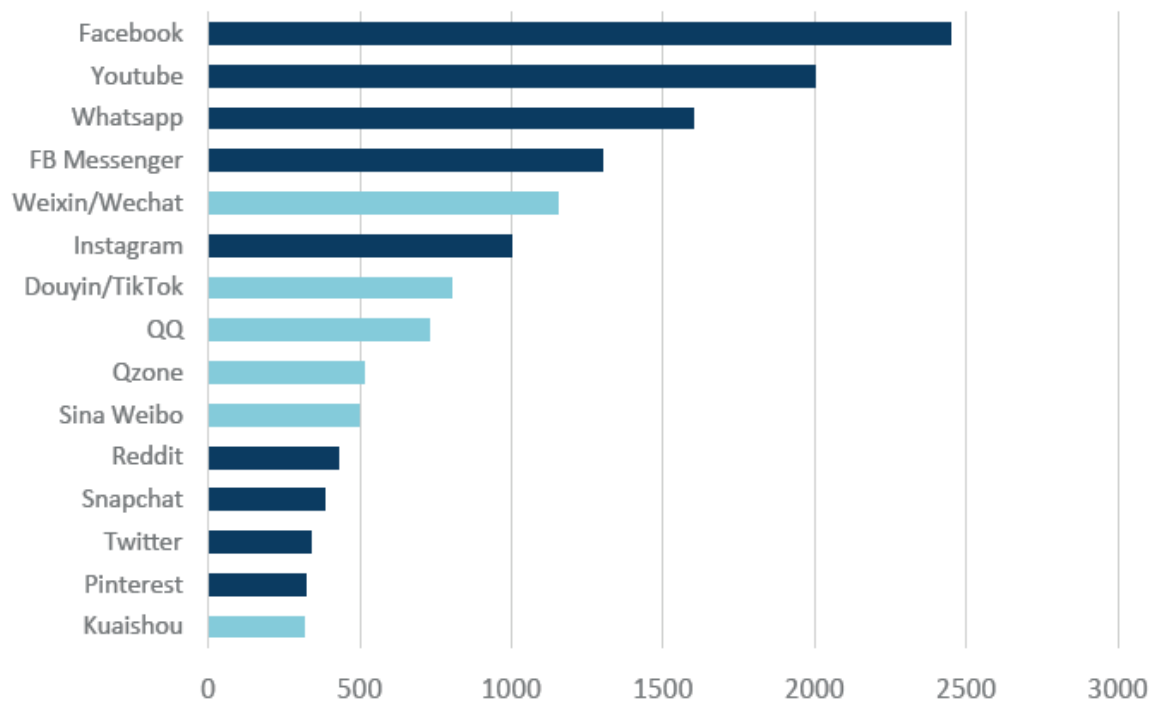


Figure 2.2 Source: Triboo East Media. Most popular platforms: number of active users

WeChat is the most popular social network in China, indeed, is not only the most used messaging App in the country, but it's also the main App in China, counting a number of 1.08 billion daily users and the presence of 1.5 million brands. Hence, people spend more than 30% of their time on WeChat, which is now a “all in one” App, full of services including photo, video sharing, broadcast messaging following of public pages reading articles payments using specific tools such as WeChat Wallet, WeChat Mini-Programs, and the possibility to create official brand accounts. Indeed, in this way a lot of brands have been able to enter the Chinese market, acquiring followers, potential customers and producing lead generation. All these functions, starting from the login page to any action that regards an identification from the user, are possible thanks to QR codes, which build a bridge between users, brand accounts, payments inside WeChat sphere.

Moreover, among these services, WeChat Mini Programs, established in 2017, is now strongly developed and perfectly used by brands to reinforce their marketing strategy in China, extend their services and create not only a simple version of the website, but also putting into draws, landing pages, gaming experience, augmented reality, and many other features. Indeed, data show how, in 2020, the turnover of online

games in China reached 35 billion of EURO, of which 75% has been generated from mobile users.²⁵

Weibo is the largest portal of Chinese information and its number of users, according to *Statista*, is still rising and now reaches 550 million active users a month. Weibo could be considered as a mix of Instagram, Facebook, and Twitter, where, more than posting private contents and photos, users can use it as a microblogging App. Indeed, Companies also use it, inside their official accounts, realising vlogs or advertising. The reason why this social network should be included as a point of a brand marketing strategy, is that they would be able to inform their followers, alias clients of potential ones, as quickly as possible and at the same time. So, a lot of brands have already adopted this strategy, increasing their brand awareness, visibility during specific events, promotions, and partnership with KOLs.

Little Red Book, also known as *Xiaohongshu*, is one of the most common Apps of social commerce in China, indeed it counts more than 300 million users and 100 million monthly active users. Precisely set up for giving a “shopping guide beyond the Wall”, this App provides advice for any field of shopping (beauty, travel, fashion, luxury, food etc.) combining social networks features (such as posting, sharing, following), with ecommerce marketplace one, so including in-app payments through WeChat Pay and Alipay. Indeed, for a brand, this combination is the key to directly sell products using a unique App instead of moving users from a social network to another ecommerce platform, such as Tmall or JD.com.

Douyin, the Chinese counterpart of the western used TikTok, is a platform used to make short videos (15-20 seconds each) and it counts more than 700 million daily active users, of which 80% are young users (>35 years old). The contents published on the App are more than 15 million knowledge-based videos, including tutorials and official channels, television broadcasters, museums, and theatres. Douyin is usually chosen by foreign companies which are creating their Chinese marketing strategy because, thanks to the different types of communication of the App, which include not only short videos, but also specific hashtags, stickers and filters creations and augmented reality. Moreover, it is also possible to add links that can directly connect the users to the brand products on Tmall or other landing pages.

²⁵ Ibid.

This option has recently been increased by adding the digital wallet of the App, Douyin Pay, which, as the previous wallet described, lets clients make their purchase in the App, transforming it into a social commerce platform.²⁶

On the wave of success generated by creating videos, another App is Kuaishou, which has reached a great success in the last years and counts 476 million monthly active users. Even though the similarities with Douyin, Kuaishou users (64%) come from 3rd and 4th cities, such as the areas of Guangdong, Hebei, Shandong, Henan, and Sichuan.



Figure 2.3 Source: Triboo East Media. Examples of Weibo and Little Red Book approach.

2.2 KOLs and Influencer marketing

Social media can have a strong influence in reaching consumers so, for this reason, a lot of brands decide not only to use these channels properly but also create partnerships with influencers. Thanks to this collaboration, the brand can easily grow its brand awareness, attitudes, and purchase intentions. Finding the right people able to share the brand image and message to its consumers or potential one, it's not as

²⁶ Ibid.

easy as everyone imagine. In the past the most popular influencers were part of the celebrity niche, but nowadays also ordinary people can have a great impact during a marketing campaign. The point is both macro and micro-influencers can talk to target segments, share the message, and spread the purchase.

A strength of influencers marketing is allowing brands to establish partnerships with creators that develop contents perceived as authentic and relatable to their audience. So, for this reason, when they include a brand in their content it automatically gives power and credibility to the brand. Moreover, according to *Nielsen*, influencer marketing now yields an 11 times higher ROI than digital marketing. The major challenges of influencer marketing for a brand are the cost, which depends not only on the person in charge for the campaign but also from the platform used; the trend of influencers of being money-driven, which both increase competition and can reduce the connection with consumers; the absence of a proper regulation around the use, above all in some countries.²⁷

In a society like the Chinese one, where people rely on online personalities who inspire trust and generate following, foreign companies in particular, in order to have success in the Chinese digital landscape, usually hire Key Opinion Leaders (KOLs) to help them in selling their products and revealing the authenticity of the Brand. KOLs differ from western Influencers because, in China, this category of content creators includes a whole range of personalities (actors, singer, TV, presenters, blogger and so on) also known with the name of 网红 *wǎnghóng*.

Based on data, this phenomenon is quite important. Indeed, among millennials, more than 80% of consumers are used to be influenced by these celebrities in their own purchasing behaviour. So, the engagement produced thanks to KOLs is 8 times higher than basing the strategy only on official accounts on social media. The main role of these people is to develop awareness, promote events and products, improve reputation and target sales towards a specific goal. They are used to working using their social media accounts where they can show the product making people trust it, using a post or a video, but also through live-selling streaming.²⁸

²⁷ Vescovi T. (2019). *International Marketing to China*. McGraw Hill.

²⁸ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese*.

So, even though KOLs could be the right choice to give something more to a brand marketing strategy in China, it's necessary to know which characteristics they should have and in which they can represent the brand properly. First of all, they should be coherent because, due to the fact that consumers must trust their opinion before purchasing a product, they can't interpret a role, but must be honest. Then, the way they communicate to please is relevant as well because all their jobs turn around, the way they decide to sell the brand image of the company. For this reason, the tone of voice should be engaging but also spontaneous and perfectly aligned with brand communication style.

Nowadays the top KOLs in China are of course Viya and Li Jiaqi, which both reached respectively more than 3,5 billion of RMB and 2,07 billion of RMB in 2020, Cai Xukun and many others. In the F&B sector a recent example is the collaboration between Pepsi and the TFBOYS, an idol Chinese pop band really appreciated by young people, during Chinese New Year. Indeed, even though creating a good marketing strategy is a good point strategy for each period of the year, exploiting such important festivals, such as the Chinese New Year, could be the perfect key to grow sales but also brand awareness and many other points.

Among these personalities, these last years' trend of the sector in China regards virtual idols. These personalities represent a new type of digital influencers, first born in Japan inspired from anime comics, and now strongly used in China where, based on *Newsijie.cn*, 2023 forecast reveals the value of more than 1.5 billion of RMB. The reason behind this fast growth, as same as live-selling streaming, must be seen in digitalization and the direct consequences of Covid-19 on the Chinese digital landscape.

This trend could be certainly linked to the metaverse phenomenon. Indeed, after the revelation made by Mark Zuckerberg last autumn about the launch of Meta, everybody started to build their presence on metaverse using advertising, virtual shopping malls and so on. But, while in the rest of the world this was considered the biggest news, in China it was not. Indeed, in these last years, due to the fact that Chinese digital growth reached the greatest results before Europe, during Single's Day 11/11 Festival, Tmall launched its first metaverse universe art exhibition in the Taobao App. The birth of metaverse not only on Tmall but also on Baidu and other realities saw the participation

of some virtual idols, such as Ayayi, which gained a higher sales growth during the event.

According to *iiMedia Research*, 80 percent of netizens spend around 1000 RMB a month on virtual idols, so brands should consider exploiting this new influencer marketing opportunity above all to reach younger generations such as Gen Zers and their increasing interest in anime, comics, and games contents.

2.3 Livestreaming and e-commerce in China

KOLs and virtual idols are the leading character on livestreaming and e-commerce phenomena. In recent years, live streaming in China has revolutionized the digital landscape.

Liveshopping has become an integral part of the online shopping experience in China, and the maturity of Chinese online shoppers have used it ahead on leading platforms similar as *Taobao Live*, *Kuaishou* and *Douyin*. Liveshopping endured a boost in 2020, when COVID-19 confined public life and consumers sought to replace the interpersonal feeling of a shopping trip to a slip-up-and-mortar store. It's particularly popular among youthful, rich consumers from China's more largely advanced 1st and 2nd- cities. Brands can use liveshopping to either increase brand mindfulness by working with notorious influencers, the so-called KOLs (Key Opinion Leader) or by using in- house livestreamers as “online shop clerks” to answer questions in real time and give discussion on products. The most popular orders for liveshopping are thus consulting-ferocious goods, similar as cosmetics, vesture, and healthy food. This discussion has become an important part of the stoner experience for Chinese online shoppers. For brands, it helps to increase conversion- rates combined with smart deals and marketing mechanisms, like limited- time tickets, which are offered by the livestreaming- hosts and can further drive conversion.

Although the Chinese request for liveshopping is formerly mature, this phenomenon has still anticipated to grow in twice- integers for the coming times. The trend is also arriving in Western countries. Brands can take advantage of the assignment learned

in China and strategically plan the use of liveshopping by easily defining pretensions as well as the target followership. Inversely important, changing the right mate for strategic and specialized support.²⁹

The liveshopping request in China has seen rapid-fire growth since its first establishment in the past five times. It has come a crucial motivation especially for FMCG brands' deals by creating brand mindfulness, erecting trust, and creating a unique online shopping experience. Livestreaming sessions have come the norm, with over 780 million social commerce druggies in China. Brands profit from the increased conversion rate, which is over 10 times advanced compared to conventional-commerce and use the technology to make a more intimate relationship with their online guests. According to a study by CNNIC, over 81% of Chinese online consumers are following at least one KOL and have bought products championed by them.

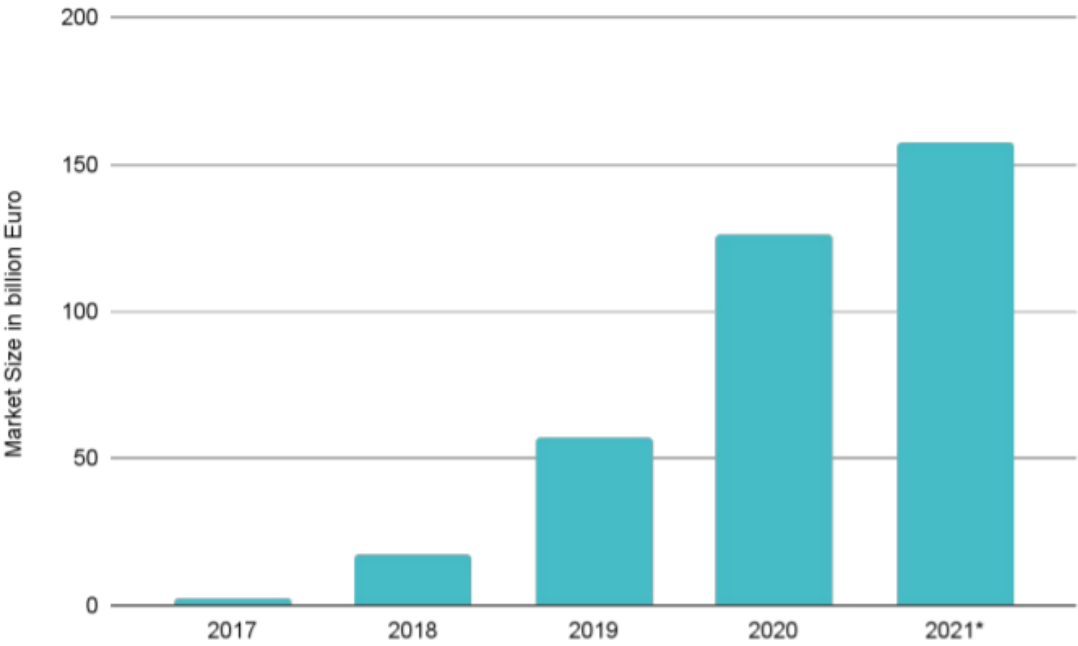


Figure 2.4 Source: Oddity Asia. Market size of Liveshopping in China

One of the early leaders for an intertwined liveshopping result was Alibaba e-commerce Taobao platform. Using its immense fashionability among Chinese online

²⁹ Oddity Asia (2021). *Liveshopping in China. What European Brands Can Learn.*

shoppers, Alibaba combined streaming and e-commerce in order to increase Client fidelity and time spent on the platform. Driven by a smash in mobile livestreaming, the service fleetly expanded, and Alibaba began specifically training hosts. The success resulted in Taobao Live being officially launched in 2018 with flawless integration into thee-commerce terrain. It allows livestreaming within the shopping terrain, making for a smooth client experience. Products can be fluently added, and tickets can be used while nowadays leaving the livestream. Since then, further, and further challengers similar to the short video platform Douyin are establishing their own social commerce results. The growth of the liveshopping request has accelerated indeed more amidst the epidemic, which increased the demand for a particular shopping experience from the safety of home.

For a consumer brand dealing via e-commerce in China, shopping festivals are of pivotal significance. Major juggernauts similar to Single's Day can determine the periodic business outgrowth or indeed the future of a brand. Liveshopping is at the centre of shopping leaves, attracting 81% of Chinese shoppers. When the pre-sale of Singles' Day 2020 started, Taobao Live recorded deals of over 6 billion EUR within the first 30 minutes.

The liveshopping market is dominated by three major platforms: Alibaba's Taobao Live (51%), Kuaishou (26%) and Douyin (21%). In 2020, the GMV of the leading platform, Taobao Live, is estimated to have reached over 65 billion EUR with its challengers reaching over 32 billion EUR and 26 billion EUR independently. While other platforms are only estimated to have a concerted request share of 2, numerous are still well given amongst Chinese consumers. JD.com's liveshopping integration is nearly following the leading platforms, with 46 of repliers claiming they know about it. Pinduoduo (43%) and Xiaohongshu (35%), also known as Little Red Book, are 4th and 5th.³⁰

E-commerce in China is expected to grow with a CAGR of 12.4%, growing from 1.77 trillion in 2021 to 2.5 trillion euros in 2024. Liveshopping is growing at an even faster pace and, according to *McKinsey*, all e-commerce sales initiated by livestreaming are expected to grow between 10-20% by 2026. Instead, *iResearch* is even more confident, expecting to gain 15.2% share of total 2021 e-commerce GMV and 20.3% in 2022.

³⁰ Ibid.

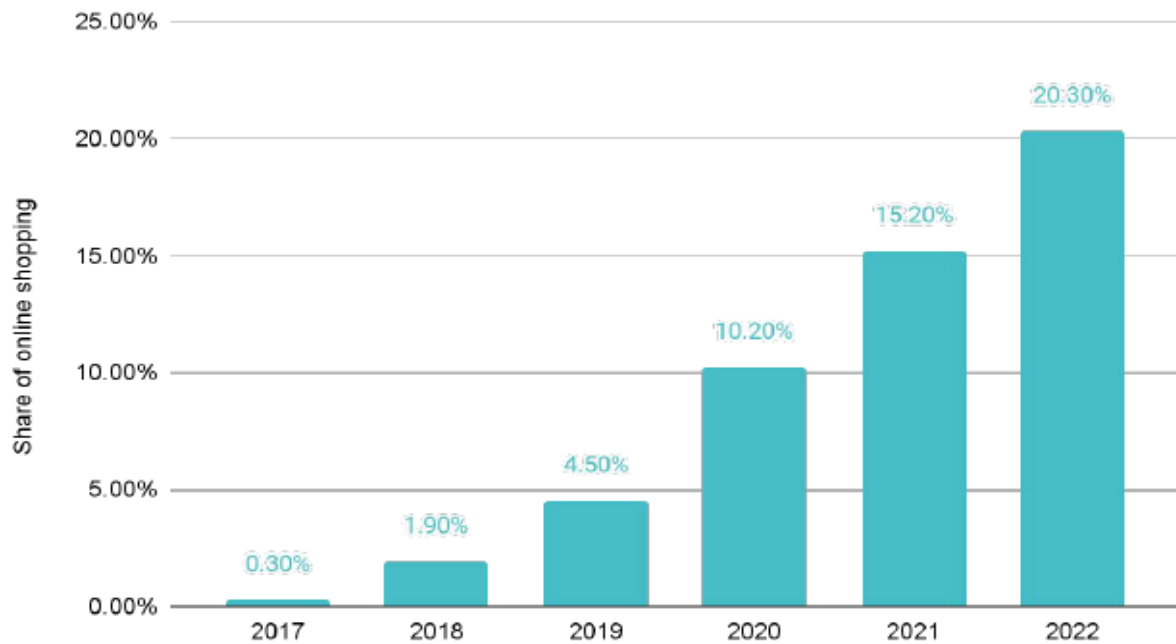


Figure 2.5 Source: Oddity Asia. Expected share of livestreaming e-commerce GMV in online shopping in China, 2017 to 2022

Tmall is a B2C e-commerce platform set up in 2008 and belonging to the Alibaba ecosystem. It is a generalist marketplace on which you can find any type of product from over 100,000 brands. It is the first online shopping platform in China. In fact, it occupies 63% of the Chinese e-commerce market and has 755 million monthly active users. Tmall is also synonymous with guarantee: in fact, only original products can be sold on the portal. Each brand is carefully checked, so that there is no risk of counterfeiting (unfortunately very common in China). In 2018, Tmall's total sales volume reached RMB 2.131 trillion. On average, the Gross Merchandise Volume (GMV) per active user reached RMB 5,682 per year. Tmall has thus become the e-commerce platform with the highest GMV in China.

Brands and authorized retailers are present on Tmall through the creation of a real Flagship Store that represents and conveys the brand identity. Tmall's Flagship Stores are graphically customizable, which allows brands to study the design of the digital space in the way that suits them best. The customization of the Flagship Store also

allows you to optimize the user experience: the user almost has the perception of being physically in the store and lives an experience with attention to the smallest detail.³¹

Other ecommerce platforms are surely important in this worldwide such as Tmall Global, set up in 2014 and now the largest cross-border marketplace for foreign brands with a market share of 25%; then Kaola which has a market share of 17% and it's considered a relatively new player on the cross-border ecommerce market because it started operating alone and then extended its power entering into Alibaba world; JD Worldwide, with a market share of 15% made by Tencent in order to compete in the cross-border ecommerce market; and then also VIP International with its 9% of share it's the third in China for B2C marketplace dimension.

So, all this data can help the reader build a good idea about the Chinese digital landscape and which digital marketing strategies it's better to apply. Focusing on the F&B sector, according to the latest *Wearesocial* report, data show that in 2021 people spent 234,8 billion USD buying food online and the number of people ordering food delivery via online platforms reached 766.7 million of users.

This phenomenon is called e-grocery. Since 2012, also i-tech giants like Alibaba and Jingdong (JD.com) have started investing more and more significant amounts in the sector, launching, or acquiring platforms for the online sale of fresh products. Naturally the Covid-19 pandemic, a harbinger of the so-called "Stay at home economy" played a big role in giving a further boost to online sales of food products, a lot which according to a study conducted by *PwC* these years could prove to be the "tipping point" for the industry of Chinese e-grocery, with a normalization of purchases of online food that would effectively lead to one abuse by the online against the offline.

This process is significantly facilitated by efficient product delivery systems, which always pay off more conveniently for customers to choose the online order. The names of some of the most known and used channels currently in China in this field are Sun Art, Walmart, Freshippo, MissFresh, Yonghui.com, Meituan, Ele.me, 7Fresh and Daojia.jd.com. Some of these players (such as Sun Art and Walmart) were set up together with supermarkets or hypermarkets and expanded over time to the e-

³¹ East Media (2020). *Come vendere online in Cina con Tmall e Mini-Program WeChat*. <https://east-media.ac-page.com/Report-ecommerce-Cina-2020>

commerce sector, while others (such as 7Fresh and Hema) have been thought of since the beginning as physical supermarkets mainly active in delivery of shopping ordered online to neighbourhood homes. The purchase is almost always finalized through one of the two most popular digital payment systems in China, namely WeChat Pay or Alipay.³²

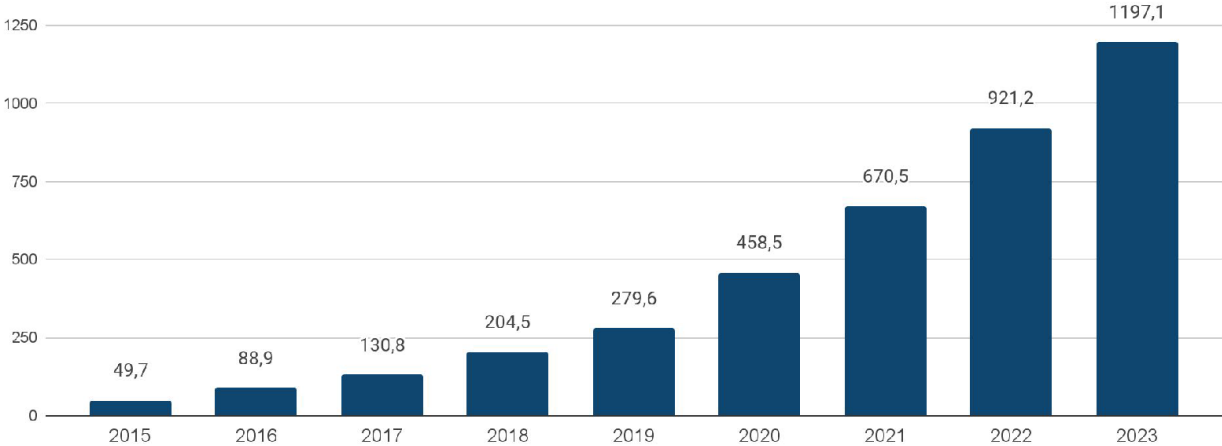


Figure 2.6 Source: iResearch 2021. Fresh food ecommerce industry in China (billion RMB)

³² Ibid.

3. Confectionery sector in China

3.1 The diffusion of the confectionery sector in China and its perception among Chinese consumers.

Now, throughout this chapter, this thesis is intentioned to better analyse the main theme of this research, so, the confectionery sector in China, which is composed of, who are its main players and competitors, and which impacts Covid-19 had on it.

First, according to the *Economic Observatory of Info Mercati Esteri*, China is now composed of a population of 1428 millions of people, among them the number of urban consumers, educational levels, disposable income, and consumer spending habits, is still growing and becoming the perfect place for this kind of market.

Second, Chinese consumer spending corresponds to 31% of global household consumption growth from 2010-2017³³. In the past, urban Chinese consumers did not have the same income as today and their only expenses regarded basic needs, such as food, clothes, and housing, but now, the situation has changed. Today middle-class consumers are those who are used to spending their money in luxury goods, among beauty, food, travels and so on, instead, rural Chinese habitants remain poorer.

The middle class population is rising in China

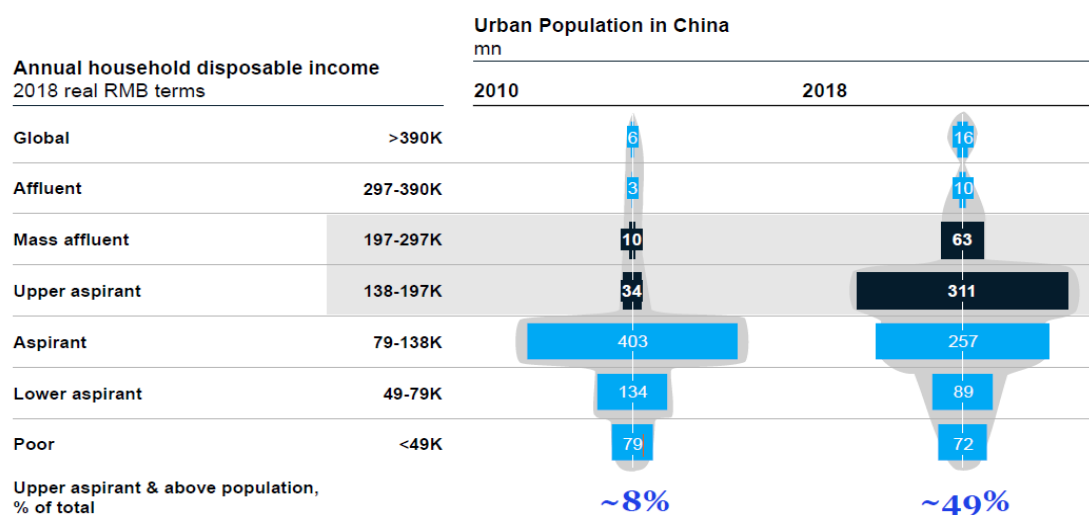


Figure 3.1 Source: McKinsey Global Institute. The middle-class population is rising in China

³³ McKinsey & Company (2021). McKinsey Digital: *The Future of Digital Innovation in China*.

So, from these data, it is possible to understand that consumer behaviour of Chinese people has been divided in two: on one hand poorer people, living in the countryside, who spend as less as possible and save money for their future; on the other hand, people who live in cities such as Beijing, Shanghai, and Guangzhou, that spend money don't worrying about the costs. This last category of consumers is composed of those who represents an important driver in the global luxury market growth, and, in relation to this thesis topic, also in the confectionery sector, such as chocolate, ice cream and biscuits.³⁴

Before describing how this sector is growing in China, we should better underline how Chinese consumers behave in front of the confectionery sector, specifically. These consumers, as known, don't even like eating too many sweet products and prefer buying healthier products. That's the reason why a lot of Food & Beverage brands tried to change a little their recipes, adapting as much as possible to their taste, even reducing packaging and formats because, due to this taste preference, Chinese are used to buy only small or single packages of sweets, for themselves, or for others as a gift.

Moreover, thanks to the approach to a healthier diet, Chinese consumers started to appreciate western products and their ingredients, thanks to their benefits on human bodies, such as butter, raising agents, dyes, and flavoured products. This can be linked to the westernisation of consumption, a process that also influenced market shares where Mondelez and Nestlé predominate and Perfetti Van Melle and Ferrero are leaders from 2016.³⁵

According to an *ICE* report, it is possible to affirm that confectionery sector in China is growing not only among middle class consumers, but also among young generations, thanks to globalization, the stronger usage of social media and the western countries influence on them. Indeed, all these variables have been fundamental to let them explore a modern lifestyle enabled by years of socioeconomic improvements.³⁶

³⁴ Ibid.

³⁵ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese*.

³⁶ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*. <https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton-market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf>

In agreement with data, during 2020 the confectionery sector went against other sectors' trend, that suffered pandemic consequences and losses in sales. The reason for this trend is that, thanks to Covid-19, people changed their shopping habits of buying candies or chocolate only in conventional shops, such as supermarkets and shopping malls, moving to online platforms dedicated to the confectionery sector. Indeed, according to *Statista*, the revenues of the sector grew up about 10% from 58,5 billion USD to 64,3 billion USD, at the same so the volumes sold increased more than 8%. Also per capita consumption seems to be in constant growth even if widely below the world average: in 2020, indeed, the individual consumption of sweets in China was 4,5 kg, a small number compared to western countries such as Italy (37,2 kg) or US (62,3 kg). Looking at the future, indeed, the forecast of confectionery sector trends (2021-2025) estimates the largest share of revenues for candies and confectionery (42%), followed by ice cream (26%), pastry (22%) and chocolate (10%).³⁷

Moreover, due to the already mentioned attention of Chinese consumers to a healthy nutrition and the preference of better quality and lower calories intake, it is not a coincidence that, among the confectionery sector, honey products have reached the highest growth rate. Indeed, during 2017 they reached 847 million of USD of sales with a growth rate that today reached 6.8%. For this reason, honey became more reachable also in Chinese markets in place of sugar and other sweeteners and its consumption overcame 300 tons every year. The reason for this data can be explained thanks to honey's healthy properties instead of chocolate, sugar, or other sweeteners. According to these data, China surely offers great opportunities to foreign companies involved in honey export, above all thanks to the help of Chinese digital platforms such as Baidu, Zhihu, WeChat and Pinduoduo.³⁸

According to this report, the main product players in China for this sector are ice cream, coffee, and chocolate. To gain higher sales, a lot of enterprises started to mix ice cream and coffee, creating hybrid stores that could satisfy everyone's need and products such as desserts in restaurants, mooncakes, birthday cakes in bakeries and so on. This combination results, with the help of a good promotion to growth the

³⁷ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese*.

³⁸ *Ibid.*

awareness of this product, have been wonderful and Chinese consumers really appreciated it, above all for their sophistication.³⁹

3.2 Ice cream market in China

Ice cream market reached a high growth rate indeed, in the last few years, it has become the first market for ice cream consumption in the world with a value of 138 billion RMB in 2019, surpassing the USA and European partners. Moreover, due the increase of 1,2 kg per capita during 2020, it seems that the ice cream market in China could have strong potential, maintaining a growth rate of 3,7% in 2023. This growth expectation especially refers to the cities of Beijing, Shanghai, Guangzhou, and Shenzhen, where consumers prefer packaged ice cream.⁴⁰

Ice cream market in China is growing and the most common type is the American or Philadelphia Ice cream, which contains 10% to 18% of milk fat, but also Italian ice cream, French ice cream, sorbetto, frozen yogurt and soft serve ice cream, not only in supermarkets or corner shops, but also in other distribution channels (hotels, restaurants, coffee shops etc.).

In the past ice cream was not so much appreciated in China due to the credence that cold food could be bad for health, but now China is the largest ice cream market in terms of volume consumption thanks to Western influence and disposable incomes.

³⁹ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*. https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

⁴⁰ Centro Studi per l'Impresa Fondazione Italia Cina (2021) *XXII Rapporto Annuale CeSIF. Scenari e Prospettive per le Imprese*.

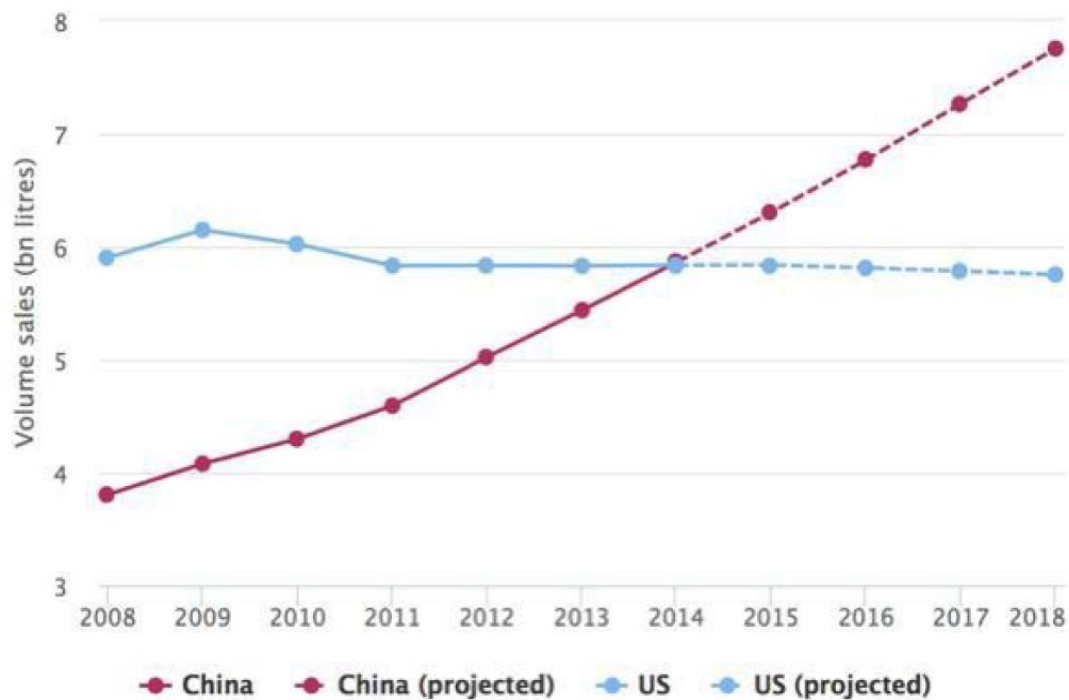


Figure 3.2 Source: Mintel. Market volume of Ice Cream in China and US

Furthermore, ice cream growth is increasing even more thanks to middle class demand for gourmet ice cream, as in other countries, giving to the product the possibility to be positioned both as premium and healthy food, gaining more and more on ice cream competitive advantage. Indeed, referring to the already mentioned preferences in taste of Chinese consumers, ice cream players made less sweet and healthier ice cream without worrying about the problem of creating a product that could compromise the taste. So, these players identified their competitive advantage in their product uniqueness, tried to make more and more innovation, emphasizing naturalness and authenticity.

So, in order to better understand the ice cream market in China, we should consider the difference in perception between Chinese and Italian consumers, and, above all, the fact that a lot of Chinese consumers don't know the difference between ice cream and gelato (Italian ice cream). This gap obviously creates a significant barrier for gelato sellers.⁴¹ So, it is important to find the right marketing strategy to sell in, making

⁴¹ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*.

alliances, joint ventures and hiring Chinese marketing managers that are able to understand territorial habits and find the best solutions.

First, it is compulsory to target consumers: they are not only middle-class people, but also those who are used to travelling overseas, young people and couples and overseas returnees, that means the high price of ice cream categorizes it as a luxury product. Among them the majority are people born between 1980 and 2000, who grew up with the culture of eating ice cream and that are probably transferring to their children and younger generations, continuing the cycle of ice cream consumption. Young people are those who, according to these studies, are not only interested in taste, but also in its appearance, this way they can share their experience on social media. Moreover, the trend seems to be eating ice creams also during winter, behaviour that highlights a shift in consumption not depending by the time of the year. This habit should relate to the way in which consumers perceive the product, so as a sweet self-gratification.

According to *Mintel research*, a great number of ice cream shops has been opened in the major cities in recent years because of a growing demand for instant-made ice cream like gelato.⁴² Then, the research shows which are the favourite flavours of Chinese consumer and, from this data came to light their no attraction towards too sweet but also too colourful ice creams because considered unhealthy.

https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

⁴² Mintel Research. (2017)

Sales of Ice Cream by Leading Flavours: Rankings 2015-2020

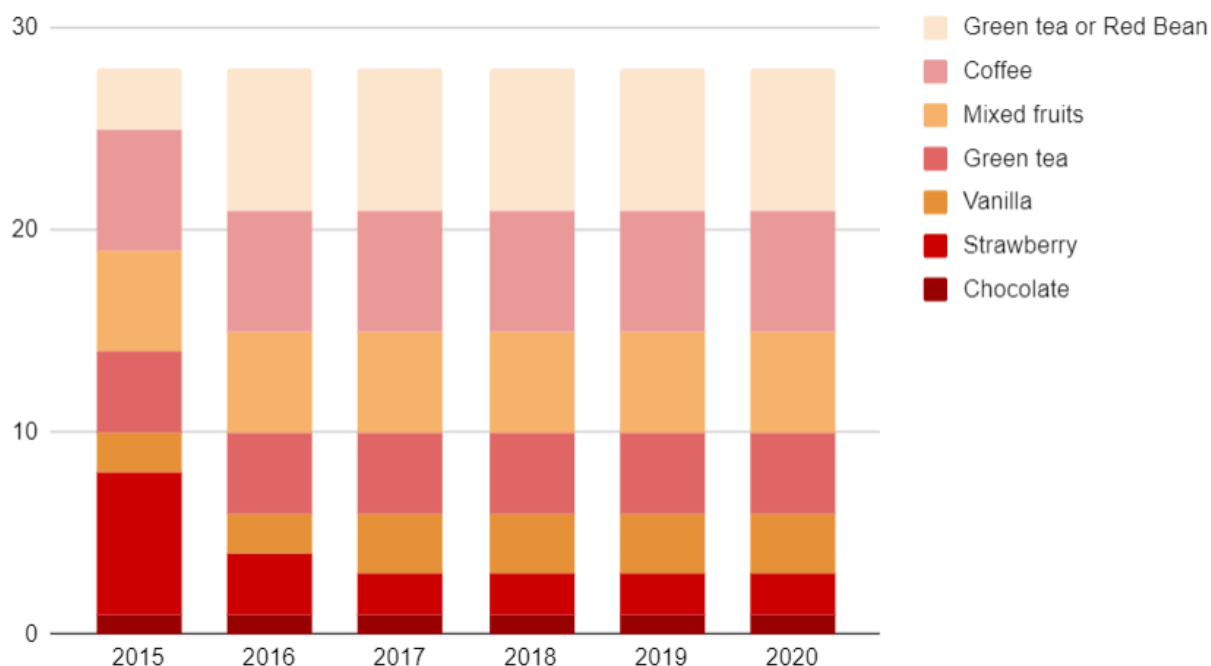


Figure 3.3 Source: Euromonitor International. Sales of Ice Cream by Leading Flavours: Ranking 2015-2020

Focusing directly on international brands' experience in the Chinese market, it is plausible to affirm they may have lots of advantages, starting from the products' authenticity, quality, and safety. Due to increasing demand for healthier and different ice creams and the premiumization trend, as already said, Italian ice cream had a great success in China. Many players have tried different marketing strategies to reach Chinese consumers, such as localization of flavours (matcha and durian), others maintain original flavours of Italian tradition, talking about the naturalness of the ingredients and so on.

Then, international brands thought about a way to increase awareness and educate Chinese consumers who were not used to eat ice cream, so, during these years, they started to organize ice cream competition, exhibitions and anything that could be considered as an educational opportunity for both brands and consumers. Indeed, flagship stores are great marketing and business investments where ice cream chefs

can show the production process.⁴³ But, after a while, flagship shops and local distributors weren't enough and they understood the next level of competition were online, on social media and shops online like Tmall and Taobao.

Indeed, according to *Euromonitor International* research, in 2020 the lack of an established presence on e-commerce for ice cream was still a problem but, thanks to the pandemic situation, the fast growing of e-commerce platforms and so on, a lot of retailers decided to find a way to move ice cream selling online and solving the melting issue. So, in order to solve the situation, Tmall helped retailers and manufacturers since 2017 to enter the cold chain transportation. Previously e-commerce distribution was difficult and costly, but an expansion in the number of distribution warehouses has helped to ease this problem and support growth. Thanks to these efforts, the number of ice cream brands available on Tmall doubled in 2019, with local brands such as Zhongjie which in 1946 gained a rapidly growing following. Although Covid-19 restrictions are being gradually lifted it is still expected that e-commerce has a role to play in ice cream and frozen desserts due to the growing importance of Tmall in the market.⁴⁴

Looking at the main players of this sector, according with the report, the ice-cream leader market in 2020 in the mainland China is Inner Mongolia Yili Industrial Group Co Ltd which launched new flavours and innovation in order to gain younger consumers' interest. Hence, the Brand decided to open its Tmall Flagship Store launching the new premium "Chicecream" brand.⁴⁵ This premium ice cream brand strongly remarks its Chinese traditions and have been launched in 2019 on Little Red Book where gained a big success. Moreover in 2020, its Tmall Flagship Store reached more than 1.8 million of followers and shipped more than 34 million ice cream pack during the same year.⁴⁶

⁴³ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*.

https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

⁴⁴ Euromonitor International (2020). *Ice Cream and Frozen Desserts in China*

⁴⁵ Ibid.

⁴⁶ Supchina.com. *Chicecream is very expensive Chinese ice cream and the start-up behind it just bagged \$30 million in Serie A funding*;

<https://supchina.com/2021/05/18/chicecream-is-very-expensive-chinese-ice-cream-and-the-startup-behind-it-just-bagged-30-million-in-series-a-funding/>

Moreover, also foreign brands have reached big results in this market, indeed Algida (Unilever), known in China with the name of Wall's Co Ltd gained the third place with Cornetto ice-cream, followed by Magnum which is going to reach good results in terms of brand image online. Indeed, in order to create a product which can appeal the local tastes as well as possible, Wall's China joined the Chinese HEYTEA company and created a premium tea flavour ice-cream. ⁴⁷

Then, as known, confectionery sector and especially ice cream sector is going to challenge a lot not only for online purchase its difficulties already explained but also the potential economic downturn 'caused by the growing phenomenon of obesity and tooth decay among young consumers. Indeed, according to *Government Healthy China 2030*, consumers are expected to look to reduce their intake of products with a high sugar or fat content during the forecast period, which does not bode well for sales. ⁴⁸ So, manufacturers should find a way to change their products following these guidelines and creating healthier ice creams. ⁴⁹

NBO Company Shares of Ice Cream and Frozen Desserts: 2016-2020

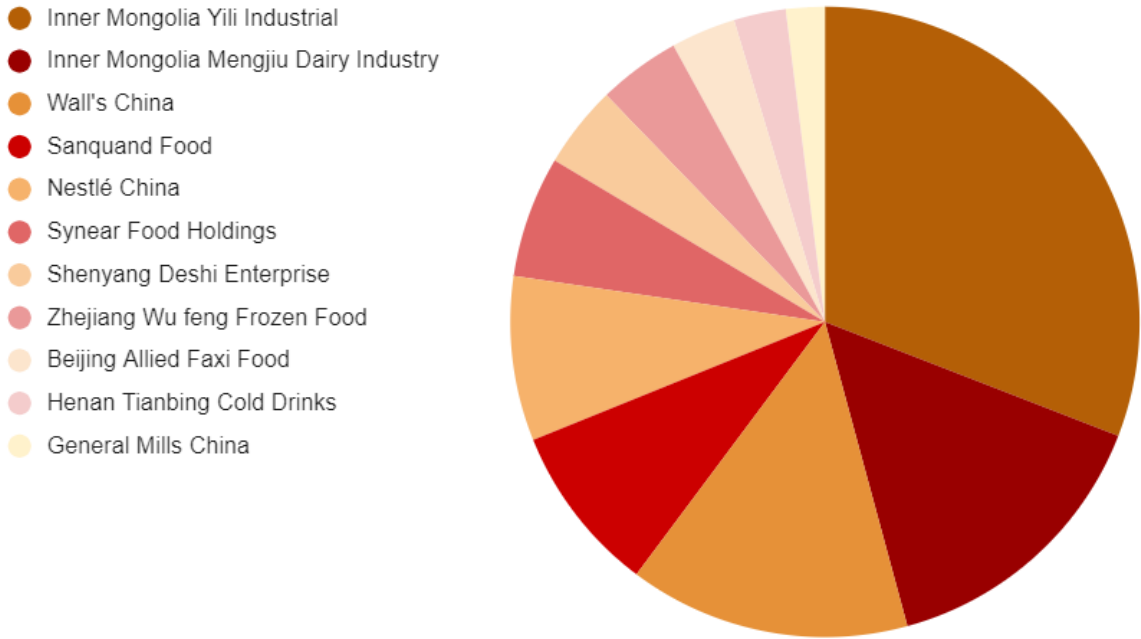


Figure 3.4 Source: Euromonitor International. NBO Company Shares of ice Cream and Frozen Desserts: 2016-2020

⁴⁷ Euromonitor International (2020). Ice Cream and Frozen Desserts in China
⁴⁸ Ibid.
⁴⁹ Ibid.

3.3 Chocolate market in China

Chocolate took place in China in the 1980s and, before that time, only few Chinese had tasted it because it was considered a foreign product, American or European. Since this period, they perceived chocolate as exotic, expensive, but also high-quality product, so, at the start, was available only for the emerging consumer class. Due to the lack of knowledge of chocolate, a lot of people still didn't know it, so chocolate consumption started with the tradition of *gift-giving*.⁵⁰

The value of chocolate grew over the years, indeed, at the start its value was only related to the social value and the hidden idea behind it, so it became an icon of Western world's decadence and self-indulgence.⁵¹

So, the reasons why chocolate is foreign and not directly Chinese are two. First, the lack of knowledge and expertise about the product's culture and tradition, indeed in order to reach that "exotic" flavour, chocolate needs to be prepared following European style and not Chinese, considered a low-quality product. Exactly this aspect could be seen as an example of the Country-of-Origin Effect (COO), which refers to the country where the product has been realized and the importance of this characteristic for the final consumer.

Second, in the food sector, foreign companies have always been seen under a better light from eastern consumers due to a lot of food-safety scandals that happened in China, such as the one of milk infant formula products contaminated with melamine, the use of gutter oil for cooking use and so on. Indeed, because a lot of chocolate products are made up of milk, Chinese prefer to purchase it from foreign companies.

Nevertheless, these reasons don't even exclude the possibility that some Chinese companies have tried to produce chocolate. Indeed, some of them, even though creating competitive products appears to be difficult, have found other ways to gain objectives, like lower operating costs and lower prices, as direct consequence.

⁵⁰ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*.
https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

⁵¹ Allen L. (2009). *Chocolate fortunes: The Battle for the Hearts, Minds, and Wallets of China's Consumers*.

Unfortunately, these aren't enough, indeed Chinese companies should also be provided of the right facilities to improve their products quality, such as advanced technologies, excellent raw materials, and specific certifications.

Furthermore, in these years Chinese consumers' behaviour towards chocolate has changed, indeed, companies understood that creating a "surviving" good chocolate is not enough, but it's necessary to getting international, improve awareness, innovations, quality products and brand reputation.

According to *CeSIF*, during this last decade chocolate consumption doubled in China, indeed in 2020 the average consumption of chocolate has dropped from 100 to 70 a year. This is because Chinese do not consider chocolate a daily necessity and are now starting to introduce it to making cakes and pastries.

Chocolate in China can be found in all varieties, from milk chocolate to dark and white chocolate. According to a *Mintel* report, the most appreciated shape of chocolate is bars or blocks, such as full-size individual chocolate bars.

Then, one of the most important characteristics for chocolate market is choosing the right packaging, indeed, the market is composed of: non-individually wrapped chocolates which are self-consumed, such as those of local Chinese companies; other that, thanks to the local tradition of *gift-giving*, are wrapped as a gift purchase, such as Ferrero Rocher's chocolate truffles; products born from mixing chocolate with biscuits, sauces, beverages and so on.⁵²

Moreover, as other sectors worldwide, but in China more specifically, international brands started to move most of their market online, first building awareness on social media platforms WeChat and Weibo, and then exploiting opportunities on ecommerce on Tmall and Taobao. Indeed, these platforms identified unique keywords for chocolate consumers such as "office snacks", "wedding chocolates" and "fancy gifts".⁵³

⁵² ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Coffee and Sweet Food in China*.
https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

⁵³ Ibid.

3.4 Biscuits and wafer in China

In China, the Biscuits market is mainly composed of different categories: eggroll, wafer, cookies, snacks, sandwiches, soda, pain sweets, plain savoury, and others. During these years, the Snacks market in China has continue to expand both thanks to the increasing spending power and willingness to consume. So, according to *Qianzhan*, China's snacks market is expected to maintain compound growth rate of more than 6%, indeed, while 2020 was 2.7 trillion RMB, in 2025 is expected to exceed 4 trillion RMB. Moreover, thanks to Covid-19, a lot of new products or meal replacement started to grow their presence in Chinese snack market.

In agreement to a survey made around Chinese consumers, *The Harris Poll*, more than 80% of people prefer heathier snacks, especially among younger generations. Moreover, since are considered useful to build relationships, snack consumption has revealed an improvement of work efficiency. The survey also shows how some respondents see snacks as able to reduce stress and anxiety in front of social pressure situations.⁵⁴

Moreover, according to *Mondelez Report*, more than 50% of Chinese consumers interviewed considered snacks as “saviours” during Covid-19 pandemic, especially during smart working times and considered them helpful not only to our bodies when we are hungry but also for our mind in difficult situations.⁵⁵ Among snacks, the most appreciated above all during Covid-19 pandemic has been nuts, cakes, pastries, and cookies.

⁵⁴ Daxue Consulting (2021). *The snacks market in China is becoming meatier, more convenient and healthier.*

<https://daxueconsulting.com/snacks-market-in-china/#:~:text=The%20snacks%20market%20in%20China%20is%20becoming%20meatier%2C%20more%20convenient%20and%20healthier,March%2017%2C%202021&text=Driven%20by%20both%20increase%20in,China%20has%20continued%20to%20expand.>

⁵⁵ Mondelez International (2020). *Second annual state of snacking report highlighting growth and increasing importance of snacking in lives of global consumers.*

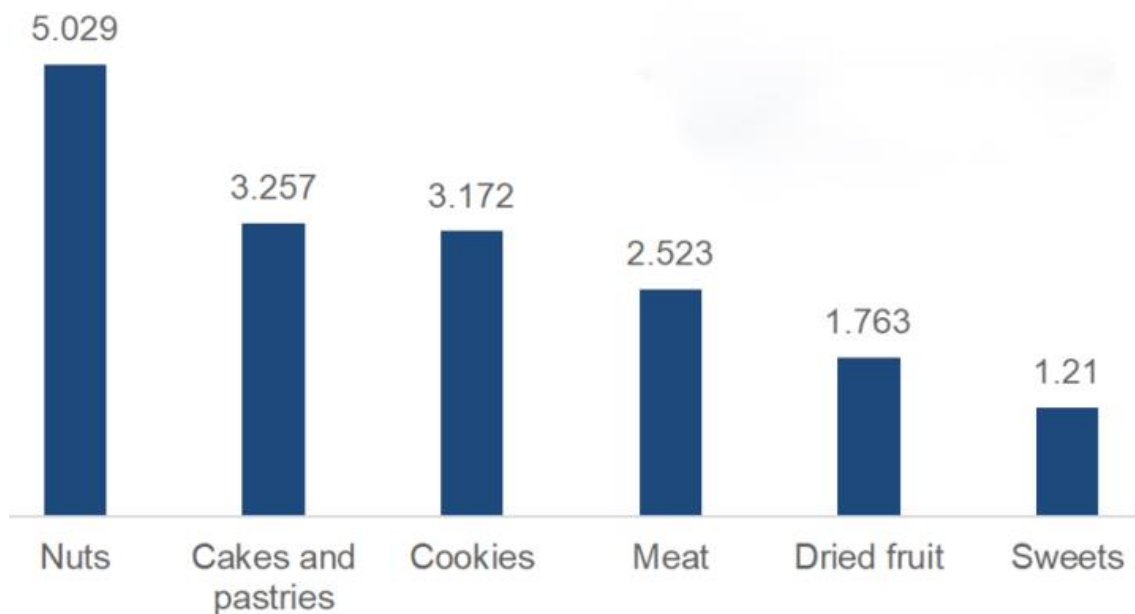


Figure 3.5 Source: Mobtech. 2020 Q1 Snack market turnover by category (billion RMB)

Among snacks, China's Biscuit market is still growing, above all thanks to international players. Even though this market is smaller than other parts of the world, China expects a growth of 11.8 billion USD by 2023. The main reason behind this growth is the increasing of consumption power in China, the spread of production factories, which help the Country answering the snack demand among population, and the diversified sales channels, especially retailers and ecommerce platforms. Indeed, according to *CBD Online snacks report*, almost 30% of online food sales regards snacks, above all on Tmall, which shows the highest snacks growth rate.⁵⁶

The Biscuit market in China has a strong variety of flavours, such as sweet biscuits and cookies, flavour coated biscuits (in most cases with chocolate or strawberry flavour), wafers and no sugar and healthy biscuits that have been more and more appreciated in these times.

⁵⁶ Daxue Consulting (2021). *The snacks market in China is becoming meatier, more convenient and healthier.*

<https://daxueconsulting.com/snacks-market-in-china/#:~:text=The%20snacks%20market%20in%20China%20is%20becoming%20meatier%2C%20more%20convenient%20and%20healthier,-March%2017%2C%202021&text=Driven%20by%20both%20increase%20in,China%20has%20continued%20to%20expand.>

Due to this strong potential market, China Biscuit market is rich of players both international and domestic, so the competition is very high. Among them domestic ones, due to their lower prices and a large mass base in the market, have higher sales volumes while foreign brands have higher sales value. An example of how domestics have been able to use their competitive advantage in their healthy products is Hougu. Hougu, by Jiangzhong Pharmaceutical Co. Ltd, launched biscuits containing a fungus used in Chinese traditional medicine called *hericium erinaceum*, which was promoted through a specific advertising campaign which described the product as good for stomach disease. This product has been appreciated by Chinese consumers who started to buy it also for their elder relatives, even though not considered as the main target segment of biscuits in China. The same phenomenon happened with Silang Co biscuit product which, thanks to the absence of sugar, was very helpful for diabetes and people suffering weight diseases.⁵⁷

Instead, younger generations in China are also strongly attracted by packaging and design. Indeed, these aspects combined with wellness finds a perfect match among Chinese consumers.

Moreover, talking about Biscuit market in China, one type has a strong relevance for this thesis analysis, which is wafer biscuits. Indeed, among bakery products, wafers are growing a lot of thanks to consumers changing lifestyle and preferences, but also the higher demand for convenience food and consumer income. Wafers are a perfect mix of a crunchy dry biscuits with ice cream or any other creamy sauce, like chocolate, strawberry, and other flavours, sold as convenience food and affordable prices. The following paragraph will better explain some most known case studies not only among confectionery sector in general, but also among wafer biscuit sectors.

3.5 Main players of confectionery sector in China

Confectionery sector in China saw a lot of international brands trying to reach Chinese consumers, adapting names, finding the right marketing strategy, the most of

⁵⁷ Ibid.

times totally different from the one used in Europe or America and so on. Talking about the main category already described, chocolate, ice-cream and biscuits, the main player are Mars, Hershey, Nestlé, Godiva and Mondelez.

Mars is an American multinational corporation which was founded in 1911. In these century grew up a lot developing more and more chocolate and biscuits products such as M&Ms, Bounty, Twix, and other snickers but also Dove 德芙 *Défú*, the Chinese brand name for the company. For this market, Mars started in 1990 when participated as a sponsor during the Beijing Asian Games.

This first approach of the brand was not appreciated as much as expected but, during several years, the export strategy adopted made success. Indeed, the company decided to use leading distributors to sell its products that never seen an alteration. Since 1993, Mars opened an industry in China in order to gain a competitive advantage that other companies today still don't have: producing own products directly in China, lowering labour costs and gaining better results around R&D, marketing and business aspects.

Hence, this brand strategy was aggressive, not only for its affordable prices but also for promotions and good marketing strategies such as strong advertising campaigns. An example could be considered the choice to surf the wave of ASRM, an acronymous of Autonomous Sensory Meridian Response, during 2016. In this case the Brand created an advertising campaign totally based on the sound of a girl opening a chocolate bar, eating, and melting it inside her mouth.

Moreover, in order to reach new generations of consumers, in 2019 Mars launched some filled chocolate tablets with the name of "Wonderful Feelings" using its Dove Chinese brand especially online through Tmall marketplace The strategy used to convince younger generations was create new tastes such as mojito, durian fruit and poplar nectar and new packaging. Moreover, according with *Euromonitor International*, in 2020 the Brand was going to launch pop-up stores and other exciting innovations.⁵⁸

⁵⁸ Euromonitor International (2020). *Chocolate confectionery in China*.

Then, while the packaging is important as well as other marketing strategies, above all nowadays, Mars made its new line of Snickers covered using a packaging in cans, which is perfect for hot temperatures.⁵⁹

Then, Hershey, a US based company specialized in chocolate manufacturing and known for its chocolate bars, entered Chinese market in 1995 using a high-medium price strategy. Hershey applied a naming strategy and now in China it's known as 好时 *haoshi* which both refers to the meaning “good times” but also to the sound of 好吃 *haochi* so the Chinese word to define something delicious.

Moreover, after the creation of brand awareness campaigns, such as advertising and promotions, in 2013 started creating *gift-giving* packaging gaining a lot of success from this marketing strategy. Then, in 2020, the Chinese part of Hershey reached 0.6% of net sales which determinate a growth of 8.25 billion USD as a whole for the entire company, while at the start of 2020, China generated 1% of net sales for the company.⁶⁰

The naming strategy is the one of the first to be considered when exporting and entering a new market, above all in the case of China in which ideogram calligraphy makes totally different the meaning, the sound, and the real essence of the brand. For this reason, Nestlé, the Swiss firm know all around the world for being the biggest F&B company in the world thanks to its various market approach from baby and medical to pet food, and dairy eating products. The company immediately decided to enter the Chinese market creating a unique brand name that could represent the brand logo which is composed of a bird family inside a nest, symbol of quality, safety, nutrition as well as its slogan “Good food, good life”. Indeed, the name chosen has been 雀巢 *quechao*, the translation of “sparrow’s nest”.

⁵⁹ Ibid.

⁶⁰ Just Food (2021). *Hershey to change tack in China*.
<https://www.just-food.com/news/hershey-to-change-tack-in-china/#:~:text=Hershey%20is%20changing%20the%20way,confectioner%20bounces%20back%20in%202022.&text=By%20Dean%20Best-,Hershey%20is%20changing%20the%20way%20it%20sells%20products%20in%20China,they%20bounce%20back%20in%202022.>

Hence, the brand, thanks to its naming and other relevant marketing strategy, successfully entered the Chinese market in 1984, importing through Hong Kong milk-based products and then launching instant coffee, which is one of the most profitable. Unfortunately, at the start, the Brand went wrong deciding to enter the chocolate and confectionery market in China using its KitKat chocolate wafer. Indeed, even though this type of product has ever been appreciated from Chinese consumers due to its 30% of crunchiness and 70% of chocolate, the real problem was related to a positioning strategy. Indeed, the products were positioned in specific chocolate areas next to other chocolate bars, such as Dove and Cadbury and not with other wafer and biscuits competitors.

Moreover, after this wrong marketing choice, the Brand decided to launch a new product for wafer sector, the Nestlé Wafer or 脆脆鲨 *cuicuisha*. The reason of this name was to find a better way to approach Chinese young consumers drawing a shark on the packaging and communicating the crunchiness through the name which had the meaning of “crispy shark”. This time, Nestlé well positioned the new product next to its wafer competitors and gained big success not only in supermarkets but also in general sales thanks to the idea of selling a small and cheap product perceived as a lower investment risk from its consumers.

Moreover Nestlé, in order to reach higher market segments, in 2015 renewed its Cailler brand, an ideal brand for premiumization and adopted a pricing premiumization strategy. This process happened not only online through e-commerce, now of the most important ways to sell products everywhere and more specifically in China, but also in airports, considered a perfect physical touchpoint in the luxury world.⁶¹

According to *Euromonitor International* research, in 2020 Dove (Mars) reached the highest position in the chocolate market with its production of chocolate bars and

⁶¹ Confectionery news (2015). Nestlé will launch its Swiss bean-to-bar premium chocolate brand Cailler in key international markets via e-commerce as it looks to plug an alleged gap in its premium confectionery portfolio.

<https://www.confectionerynews.com/Article/2015/10/01/Nestle-plays-premium-chocolate-card-with-global-Cailler-rollout#:~:text=Nestl%C3%A9%20will%20launch%20its%20Swiss,%2C%20UK%2C%20Germany%20and%20China.>

truffles (21.4%). The following well positioned are Ferrero Rocher (8.3%), Nestlé (7.6%), Kinder Joy (7.1%) and Snicker (Mars) with 5.5%.

LBN Brand Shares of Chocolate Confectionery 2020

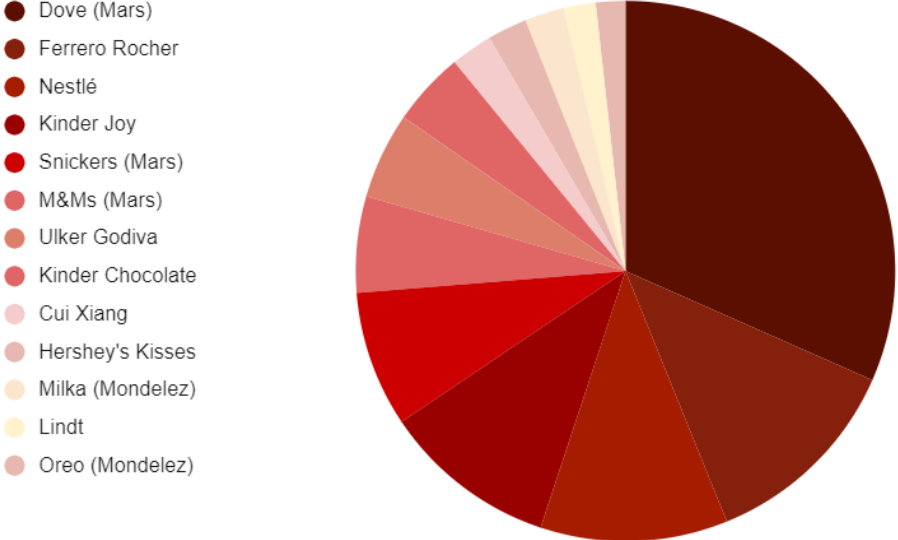


Figure 3.6 Source: Euromonitor 2020. Chocolate confectionery in China 2020

As these data show, other two foreign brands are quite strong in China, Godiva, above all for chocolate market and Oreo (Mondelez) for biscuits and wafer products.

One the main point to have success in China it's creating a strong marketing plan, starting from a good branding strategy using storytelling to tell your history and create value in order to make the difference among other competitors. This strategy should be followed by a well-designed attractive packaging as well as Godiva did for some Chinese festivals and *gift-giving* events.

Godiva, a Belgium-based brand, it's one of the most important chocolate foreign brands in China and expression of luxury segment. Since 1998, indeed, the Brand approached luxury chocolate market in Hong Kong and then Mainland China aiming at travel retailing experience establishing its presence in the main Hong Kong DFS's luxury malls. Moreover, after having opened the Flagship Store in Shanghai in 2009, the Brand continued to grow opening more and more boutiques and adopting a

multichannel strategy based both on physical shops and digital communication strategy.

Indeed, Godiva adopted a true adaptation strategy realizing a lot of *special gift-giving* packaging for Chinese Festival, one for each, such as during Spring Festival or Chinese New Year and so on but also for Wedding in 2017, the ideal B2C market. Moreover, together with the innovative packaging, made new chocolate flavour inspiring to Chinese taste tradition, such as Sichuan pepper, lychees, or mooncake, typical of Mid-Autumn Festival.

The launch of these products has been not only in physical shops around the Country, but also and, above all in these last years, online. Godiva, as well as its competitors, opened its Tmall Flagship Store ⁶², where consumers can often find special offers but have also improved its online communication of WeChat and Weibo Official Accounts. There, indeed, launched its WeChat Mini-Program and, on Weibo daily updates its contents in collaboration with KOLs such as 周翊然 *Zhōuyìrán*. ⁶³

Moreover, for Biscuit sector, Mondelez and its Brand Oreo are one of the most appreciated foreign companies in China. Indeed, Oreo 奥利奥 *Ào lì ào*, after the success in the USA, made its debut in China in 1996. In 2005, however, sales were not yet what they hoped for, so their share was only 3% in the category of biscuits and 19% of sandwich biscuits. ⁶⁴

After almost 10 years of presence in the market, the Brand clearly found out that the market strategy adopted, similar to the American one, wasn't suitable for the Chinese market where consumers have different tastes and habits. Oreo thus changed approach and decided to focus on innovation, creativity, and advertising. Moving away

⁶² Godiva Tmall Flagship Store.

https://godiva.m.tmall.com/?ajson=1&parentCatId=0&spm=a220m.6910245.0.0.5d281c5cqupfkD&user_id=885684871

⁶³ Godiva Weibo Official Account.

<https://weibo.com/n/GODIVA%E6%AD%8C%E5%B8%9D%E6%A2%B5?from=feed&loc=at>

⁶⁴ MTW Group (2015) Case study: Strategia per internazionalizzare con successo.

<https://www.marketingthatworks.us/strategia-per-internazionalizzare-con-successo.html>

from tradition, the biscuit also turned into a rectangular wafer filled with Oreo white cream and covered with chocolate. ⁶⁵

Over the years the Brand decided to create ad hoc flavors closer to tastes of Chinese consumers. Then, Oreo launched its variants, vanilla, green tea, and then proceeded with vegan, thin and flavor versions such as gingerbread, watermelon, caramelized apple, or the most recent: lychee and tangerine. Oreo also renewed the packaging with smaller packs and reviews advertising campaigns. ⁶⁶

To get closer to Chinese consumers, the Brand chose the basketball player Yao Ming as testimonial, among the stars of the NBA series. While more recently he associates his image with the singer Jay Chou, and together they launch the music video 笑奥江湖, 玩心无极 (*xiàoào jiānghú, wánxīn wújí*) which means "Laugh with pride of the world and keep an innocent heart".

Moreover, Oreo had recently made other marketing explosive choices such as the launch in 2017 of the Oreo Music Box 奥利奥缤纷音乐盒 *Àoliào bīnfēn yīnyuè hé* during Tmall Superbrand Day on Alibaba Tmall e-commerce platform. This innovative idea was firstly launched in China and then, thanks to its big success also in USA in 2018. This special edition consisted of a music box packaging where everyone, using their mobile augmented reality in Tmall app, could put a piece of Oreo biscuit, listen to a theme song and change it whenever a part of the biscuit has been eaten.

The Music Box experience was promoted at the same time of the Official Chinese social media Accounts of Oreo, on Tmall and other e-commerce platforms and in physical shops. The main reason behind this idea was the facts that, even though, at that time, Chinese consumers were already used to buy online, they were not to do it buying food. This idea helped Oreo breaking through the e-commerce barrier because just in 13 hours the 35.000 Music Box sold out reaching more than 1 million RMB in just one hour and more than 46 million impressions, tripling Oreo sales over the previous year. ⁶⁷

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ VMLY&R. *Play with Oreo*.

<https://www.vmlyr.com/work/play-oreo>

Then in 2020, Oreo made a collaboration with McDonald's China. The Brand decided to join McDonald's team in order to create the "Spam Oreo" Burger, a limited edition made with Spam meat and crumbled Oreo biscuits. The launch received conflicting opinions on Weibo. ⁶⁸

As already analysed, Chinese consumers are not sugar lovers and, in order to create something more appealing by this kind of consumers and growing sales, in 2021, Oreo in collaboration with Miss Fresh, an online retail platform, launched its new product: Oreo sugar free cookies. Thanks to their thinner and crunchier characteristic instead of other types of Oreo biscuits, this product has been really appreciated and bought in its two flavours: chocolate and rose-flavoured cookie taste. ⁶⁹

Moreover, as any other international brand which works with Chinese market, Oreo made its own marketing strategy for Chinese New Year 2022, wishing Chinese consumers a good start of the Year of the Tiger. The strategy consisted in a strong communication effort on Weibo and WeChat Official Account with some videos describing a typical Chinese town during Chinese New Year made of Oreo firecrackers, tiger hats and other Oreo decorations. Then contents had also a direct link to the JD.com Flagship Store where consumers could buy limited edition gift box with red Oreo cookies. ⁷⁰

This campaign was also enriched by a long emotional marketing video telling the story of a friendship between laughs and tears of a little aunt and an eldest nephew bravely fighting and solving the situation thanks to Oreo biscuits. ⁷¹

⁶⁸ CNN Travel (2020). *An acquired taste? McDonald's China offers burger featuring Spam and crushed Oreos.*

<https://edition.cnn.com/travel/article/mcdonalds-china-oreo-spam-burger-intl-hnk/index.html>

⁶⁹ Just Food (2021). *Mondelez launches sugar-free Oreos in China.*

<https://www.just-food.com/news/mondelez-launches-sugar-free-oreo-biscuits-in-china/>

⁷⁰ Oreo Weibo Official Account.

<https://weibo.com/3283000062/Laj0A5v4V>

⁷¹ Oreo Weibo Official Account.

<https://weibo.com/3283000062/La5UVrBVB?sudaref=www.google.com>

Hence, looking at all these data about confectionery sector in China, we notice how much it's growing up and how, using the right strategies, above all the digital one, international brands can have success.

Among these big names, also some Italian brands such as Ferrero and many others did well in this Country and are the perfect example of the way in which Made in Italy firms should invest more in their competitive advantage, quality and goodness products exporting the *Bello e ben Fatto (BbF)* overseas.

4. Confectionery “Made in Italy”

4.1 Definition of “Made in Italy”

In the previous chapter, this thesis has already described the importance of “Made in Italy” for our Italian economic growth and worldwide. The concept of “Made in Italy” was already strongly impactful during the 80’s but, after the Second World War it started to gain more and more relevance since, in 1999, has been promoted by various associations like the Institute for the Protection, Promotion and Preservation of the Origin of Made in Italy Agri-food and Wine Products.

The Italian “Bello e Ben Fatto” (BBF) embodies all those assets that represent Italian excellence in terms of design, attention to detail, quality of materials and workmanship. These are high quality products that are distributed in all production sectors, which find their maximum expression in the products most closely linked to taste and creativity. From this point of view, the BBF is the most easily recognizable expression of “Made in Italy”, taking up the most characteristic features of Italy's cultural heritage, its traditions, its landscapes and works of art, helping to compose the image of productive of Italy. In this sense, "Bello e Ben Fatto", in addition to representing an important share of Italian exports in the world, acts as a driving force for all Italian exports, having not only an economic value, but also an immaterial one.⁷²

According to a report from *Centro Studi Confindustria*, the Italian “Bello e Ben Fatto” has a value of 135 billion of Euro and represents a substantial part of the overall exports of Italy and is transversal to all the main sectors of the “Made in Italy”, even more in the sectors pertaining to the 3 "F" of Fashion, Food and Furniture. The Italian excellences are mainly directed towards advanced markets, which together absorb approximately 114 billion Euro. On the other hand, the quantity of excellences exported

⁷² Centro Studi Confindustria. *Report: Esportare la Dolce Vita (2021)*
<https://www.confindustria.it/home/centro-studi/temi-di-ricerca/tendenze-delle-imprese-e-dei-sistemi-industriali/tutti/dettaglio/rapporto-esportare-la-dolce-vita-2021>

to emerging countries amounts to over 20 billion Euro, which, due to their dynamism, offer greater growth margins, in the face of higher risks.⁷³

Moreover, Italy has a strong presence in the most dynamic markets. The first country by potential is China with 3.9 billion Euro of additional exports possible. Indeed, China is the one that offers the greatest improvement even in the medium-long term period. The report estimates on the current stock of the wealthy middle class and an increase of the new rich by 2025 and 2030 show that Asian markets are the absolute protagonists among the emerging markets. China ranks first both for the current size of the wealthy class (265.6 million of Euro) and for growth over the next five years (70.2 million of Euro). China is confirmed as a special observation for Italy, as an emerging country with high export potential but also main competitor. Together with Germany, USA, France, and Spain it is in fact among the main competitors in the BBF product categories. Italian excellences remain fairly protected, but the upgrading of Chinese products is increasingly pressing.⁷⁴

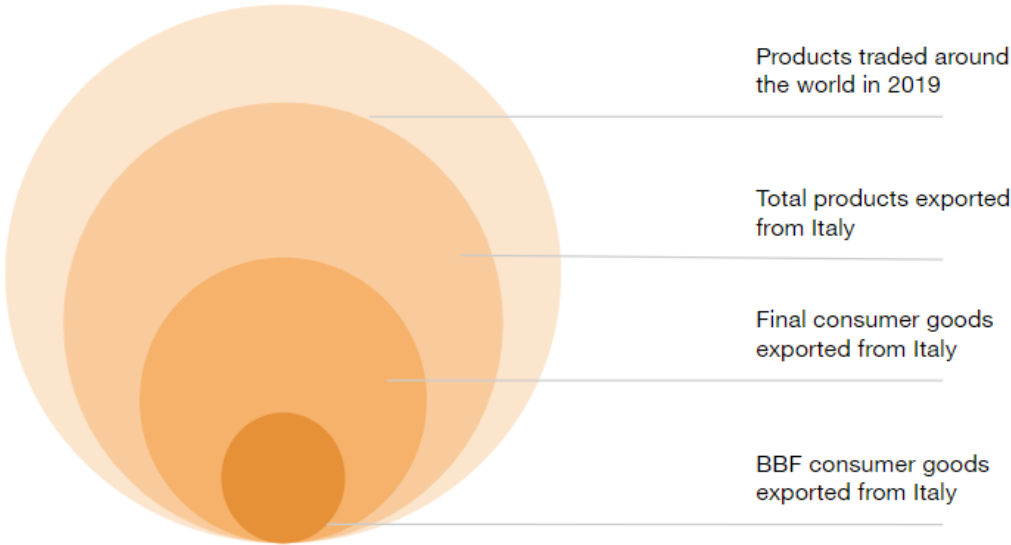


Figure 4.1 Source: Centro Studi Confindustria. Report: Esportare la Dolce Vita (2021)

⁷³ Ibid.

⁷⁴ Il Sole 24 Ore. *Il «Bello e ben fatto» italiano vale 135 miliardi di export con un potenziale di crescita di 82 miliardi.* (2021)

<https://www.ilsole24ore.com/art/il-bello-e-ben-fatto-italiano-vale-135-miliardi-export-un-potenziale-crescita-82-miliardi-AE7ULCY>

In 2020, China was one of the few countries in the world to record positive growth (over 2%) and, according to the latest estimates of the International Monetary Fund, in the current year it will register a GDP growth rate. A further strong signal in favor of free trade is the conclusion of the Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement that includes the ten countries of the ASEAN group plus Australia, China, Korea, South, Japan, and New Zealand.⁷⁵

4.2 Perception of “Made in Italy” in China

As the Asian markets, in which Chinese is the most relevant one for Italian “Made in Italy” products, it’s necessary to define how it’s perceived by Chinese consumers and how Italian SMEs may be competitive in this market.

When we talk about “Made in Italy” products and the widespread reputation globally, we refer to a much-studied phenomenon in the marketing field, namely the Country of Origin (COO) effect. This effect explains how consumers perceive products from a particular country. In the buying process, this factor can sometimes be more important than price, packaging, or other brand information.

In the global collective imagination, Italy is recognized for its quality and aesthetic sense, often connected to a coveted and attractive lifestyle. This translates into added intangible values for brands, recognized and appreciated also by Chinese consumers.

The perception of a Country and the importance given to the origin of products in the decision-making process is not the same for everyone. It is a phenomenon that changes according to the level of education and knowledge of the market and the individual consumer, but also according to the product sector. It is important to underline that the reputation of “Made in Italy” is very strong in already educated traditional markets. In a heterogeneous and new market like the Chinese one, it can be weak, and even absent in some cases.

Indeed, a common situation is that the Chinese consumers may have a distorted view or a confused and superficial knowledge of the COO of a product. Not all Chinese

⁷⁵ Ibid.

consumers are able to distinguish Italy from other European countries, which is why brands and products of European origin are generally included in a single homogeneous category. Only the most sophisticated consumers recognize the “Made in Italy”; the new generations of consumers are much more informed, attracted by the history and culture hidden behind a brand.

Another factor to consider when analyzing the Chinese market is the social added value that Chinese consumers attribute to foreign products. For example, the purchase of a luxury item from a foreign brand responds to the need to exhibit or improve one's social status. In this, the perception of the Italian lifestyle constitutes a competitive advantage. Italy, on the other hand, is perceived as the country of chocolate thanks to the success of the Ferrero company with its Ferrero Rocher, having the better of Swiss companies that traditionally dominate the European markets.

A further element that can have a strong influence on the perception of “Made in Italy” is the Country Sound Branding. It is a strategic use of names and sounds that aims to recall a country-product relationship in the consumer's mind. This relationship does not always correspond to the truth, but it is considered to have an added positive value for market acceptance.

An example of the search for the Italian character of the name is pasta Gallo, a popular brand of pasta in China. For an inattentive consumer, at first glance it might seem an Italian brand, but reading the information of origin, one realizes that it has very little Italian and that it is produced in Spain.

The phenomenon of Country Sound Branding is generally believed to have a negative effect both on the image of a country and on the original brands of that Country. The improper use of a Country image by local companies in China causes confusion in the consumer, decreases the competitiveness of foreign brands, as well as can cause damage to the image in the case of lower quality products. A much worse scenario is when this phenomenon approaches counterfeiting.

However, it has been observed that at the same time it can be a useful tool for creating a COO perception in emerging markets. The repeated use by Italian companies of images, sounds and cultural references that recall Italy, help the consumer to create a spontaneous link between a category and a country.

4.3 The role of globalization in business

These theories have been considered valuable and useful thanks to globalization growth and China participation in there. Indeed, in the past half century, globalization has developed quickly. The expansion of cross-border marketing has been supported by the gradual elimination of trade barriers and the appearance of a global consumer culture. Although global convergence seems undeniable, some basic characteristics of local consumption experience are not following it. An example could be seen in China where, despite the quick evolution of technologies, behaviour and material progress, cultural changes are not included. At this point indeed, in 2002 Mooney wrote in his article that the expectations were that with increased openness and capitalism in China, the Chinese would turn to Western values. Instead, they are rediscovering the teachings of Confucius, which for centuries have been the moral guidance of Chinese people. China wants to become modern while retaining its core values.⁷⁶

According to Ted Levitt, in 1983, globalization and the introduction of new technologies would guide consumers more homogeneously in needs and wants, looking for high quality products at a low price.⁷⁷

In this century a lot of scholars tried to study this phenomenon focusing on describing this evolutionary process which mitigates the costs and risks associated with operating in international markets. This process looks at reducing costs and risk of understanding new markets' culture and getting culturally similar, expanding the business into these new local markets, and focusing also on global markets.

First, during the 1980s, Michael Porter noticed a strong difference between multidomestic and global markets. Indeed, in his opinion, competition becomes global when a firm's competitive position is significantly affected by its position in other countries and vice versa.⁷⁸ But even though a company wants to become global, it's not so easy because of wide differences in consumer needs in other markets, local

⁷⁶ Mooney P. (2002). Learning the old ways. *Newsweek*

⁷⁷ Vescovi T. (2019). International Marketing to China. *McGraw Hill*.

⁷⁸ Porter M.E. (1986). Changing Patterns of International Competition. *California Management Review*, XXVIII (2), 9-39.

regulations and legal barriers or non-tariff barriers, so some prefer to remain in multi-domestic markets.

Unfortunately, going global entails a lot of risks and, if the firm really wants to have success, must find the right strategy. Disconnection between the original source and marketing, for example, it's a problem that finds his solution only in export-processing zones in emerging countries, such as China. Moreover, the COO (Country of Origin) Effect may be perceived as not unique as it should be, and consumers could get it as well.

When firms gain a certain experience in foreign markets, it's difficult to manage their international development and their exportations. For this reason, it's necessary to describe four perspectives, which are: ethnocentrism, polycentrism, regiocentrism and geocentrism.

Ethnocentrism refers to the behaviour of those companies which consider their international businesses as secondary in front of their domestics, so, they used to apply their own language to the foreign markets provoking a strong distance between the parties.

Geocentrism, instead, refers to those companies that consider their domestic market as same as another domestic market, depending a lot on political, ideological, or societal trends.

Regiocentrism it's typical of more open companies and flexible in terms of global marketing strategies, indeed, they adopt them still counting on culture and local marketing strategies.

Polycentrism it's adopted by those companies which see and accept any difference in foreign markets, indeed, in this case it's common the usage of specific marketing programmes for each country.

Globalization should be considered as a learning opportunity and has to be done in the most appropriate way. Thanks to globalization, companies can understand new cultures and consumer behaviours, get to know similar environments, and establish positive business relationships based on affinity, communication, trust, cooperation and so on. This type of good relation can have positive impacts also on partnership

opportunities, gaining new contacts and distributors and creating a niche market that can really conquer local consumers.⁷⁹

These approaches, in international markets, need to be put together with strategies like standardization-adaptation, geographical concentration-dispersion and integration-independence.

Standardization strategy is used when companies want to adapt their already existing strategy to other countries. This strategy could be useful in terms of the way in which products or promotions are perceived, but it's not the right option for each country and for any firm because foreign consumers are not considered as people with different habits, traditions and so on, are considered, thanks to globalization, as any other in the domestic market.

Geographical concentration-dispersion, according to Porter, refers to the fact that each company has to configure its best value chain, exploiting comparative advantages and being responsive to local needs⁸⁰. For instance, concentrated – value creating implies an increasing economy of scale, instead, dispersed value – creating implies more connection with customers and competitors, competitive innovations and to adapt firm's methods to approach new consumers.

Integration – independence refers to the way in which competitive moves are managed in a global context. The problems in organizations, so, depend on how they relate between headquarters and subsidiaries, understanding when it's time to limit subsidiaries' autonomy and when the firm has to reinforce its worldwide coordination.

⁸¹

So, cross – cultural marketing needs to adapt to local consumer habits or standardize cost advantages localizing the products. The increasing interest in growth through emerging and developing nations will make this even more important. Recently, international marketers had even espoused country-centric marketing for sizable emerging markets, as the demand characteristics, nature of competition and infrastructure are all likely to be very different from developed nations.⁸² But, learning

⁷⁹ Usunier J.C. and Lee A. (2013) Marketing Across Cultures. *Person*.

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Douglas S.P., C. Samuel Craig (2011). Convergence and Divergence: Developing a semiglobal marketing strategy. *Journal of International Marketing*, 19 (1), 82.101.

by doing is necessary in order to find the right approach for similar markets, such as emerging countries, and then apply a sort of satellite strategy from one to another, taking notes of socio-demographic variables, languages, institutions and so on.

Focusing on China, some scholars had noticed that, since the entrance of China to the World Trade Organization (WTO) in November 2001, something of importance has changed. The country started to approach its economy to the world's one, getting into the globalization system. Globalization was not perceived in the same way by anyone in China and that caused a long and strong debate among pro and anti-globalization factions. First, globalization was considered as inevitable by most of the Chinese elite and, as Wang Xuan, professor of science at Beijing University, said, it's excusable for China to miss a short period, but it would be terrible and therefore unforgivable to miss a whole age. Second, a lot of scholars affirmed that globalization it's not only an economic matter, but it has the power to modify political systems in the domestic structures. Third, some Chinese scholars saw in the affirmation of globalization, the failure of Stalin's assumption of two parallel world markets, indeed, they perceived it as the success of a free market economy.⁸³

Among lots of positive and negative opinions about that, some interpreted it using a more realistic attitude, looking for which could have been the long-term benefits for their country. These were: the possibility to make Chinese domestic industry more efficient and competitive towards foreign countries; speed up the Chinese economy adapting to regular frameworks of modern management; boosting FDI; reinforce government institutions in order to better interact with the international community. With these points, China would have been able to solve the problem of unemployment, income disparities and competition among specific sectors' firms.⁸⁴

Then, after these first feelings, China really got into globalization systems and there everything has changed, becoming successful in it. The best example of that is the Belt and Road Initiative (BRI) designed by Chinese President Xi Jinping, which caused the growth of globalization in China but also the possibility to build a strong trade network of small/medium enterprises around Asia. Thanks to BRI, Beijing's image has

⁸³ Xuewu Gu. *China and its Reactions to Globalization*.
<http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=C47D933B0819E28F45A0C5E299DFC46A?doi=10.1.1.200.5874&rep=rep1&type=pdf>

⁸⁴ Ibid.

been strengthened as a net direct and net financial investor, working on a globalization with Chinese characteristics, which looks more like an outward expansion of influence, adopting a truly multilateral approach.

BRI is not only an infrastructural development project (with both physical and digital aspects), but it also includes other spheres of cooperation, such as energetic, healthy financial cooperation. At this point, during Covid-19 pandemic situation, China re-opened the already existing health infrastructures in order to communicate to the entire world the strength of its initiative, helping other countries providing medical services and humanitarian aid. Moreover, according to Yao Yang, professor at the National School of Development at Peking University, BRI should be transformed into an operative institution, in Europe, in order to better help emerging countries.⁸⁵

According to more recent studies, China has totally been able to use globalization in the most appropriate way, reaching the position of first economic power in the world. China, using a mix of globalization, an excellent economic policy strategy, tradition, and Confucianism, indeed, duplicated its GDP. This could have been possible thanks to the ability of Xi Jinping of apply his soft power of China and transforming it into the post-imperialist country, richer, more aggressive and focus on reaching its objectives.

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4.4 Going global strategies

So, according to China recent excellent growth in the world economic landscape, we notice how important is establishing a good presence in a new Country, above all if it is rich of a high level of competition, global and not.

⁸⁵ Amighini (2021). *Come cambia la Belt and Road Initiative*.
<https://aspeniaonline.it/come-cambia-la-belt-and-road-initiative/>

⁸⁶ Di Taranto, Mascolo. *Capire la Cina. Luiss open*.
https://www.huffingtonpost.it/entry/capire-la-cina-di-g-di-taranto-e-r-mascolo_it_5f749042c5b6d698bb26bd45/

First, when a company decides to enter a new market, far away from its factories and its habitual consumers, should select the right market entry strategy. The process usually follows the coming steps, which depends on how much the firm is ready or not to risk, invest its financial commitment and empower its marketing strategies. The lowest potential approaches, but also the first for most brands, are exporting and licensing. The highest, instead, are establishing joint ventures and Foreign Direct investments (FDI).

Exporting, which consists in producing products in a Country and selling them in another one, could have several benefits and it's considered the less risky among going global strategies because the company can make the least number of changes to its products. It could be indirect, when the good is domestically produced and sold through an intermediary or distributor; or could be direct when the company don't need any intermediary to sell the products in another country.

On another hand, licensing, which include both contract manufacturing, contract assembly and franchising, it's when a company offers a trademark or any type of intellectual properties in exchange of a fee. This approach is perfect for those firms which are interested in starting their business with a competitive advantage giving the foreign country the opportunity to produce the good locally.

Then, among the highest potential approaches, joint ventures refer to the moment in which a company decides to start its business together with a local partner. In this case, both the firms share ownership, control, and profits. The advantages of this form of collaboration in business are a lot, such as the financial help that the foreign company receives from the local partner or the helpful advice in creating the right marketing, communication and advertising strategies and reach local consumers.

Instead, FDI represents the biggest commitment in entering a foreign market because the company invests and owns a foreign subsidiary or division. FDI could be the first option for those companies who have no fear or risk approaching a new country as China, due to their budget, dimension or successful experience in other countries, or the last option after the previous stages.

FDI main advantages include less costs, a better understanding of local consumers' habits and last but not least, less local restrictions. For the already analysed brands,

for example, Nestlé made a sizable direct investment in China for its ice-cream production in order to make its global brands such as Drumstick and many others.⁸⁷

Instead, focusing now on the global competition that comes out during going global approaches to a foreign market, for example, some years ago, in US but also in other countries like India, Argentina or China, happened the “cola war”, which was waged by Pepsi-Cola and Coca-Cola and many other similar conflicts happened in these years. For this reason, a lot of companies started making alliances and agreements in order to achieve common goals such as competitive advantage and customer value creation.⁸⁸

Moreover, a lot of these firms, before making alliances and trying to reach the best competitive advantage in the market, have to choose which strategy use in order to get consumers’ attention. Some of the most relevant are standardization and adaptation strategies but it’s also important to remember the central role of product during all the stages and analysing them.

4.4.1 Standardization and adaptation

Because getting into a new foreign market requires the best option in term of strategy, in order to be successful, when a company decides for applying standardization or adaptation, has for sure make a good evaluation of some factors as budget, popularity, product impact, consumers habits and so on.

So, reasons for standardization are mainly environmental factors, such as culture, language, politics, or religion, but also costs of reduction as economy of scale. Company that prefers this approach usually know that their brand name is recognizable everywhere, so they start a business easier to control thanks to implementation strategies, getting a quick Return on Investment (ROI) and a growing innovation.⁸⁹

⁸⁷ Vescovi T. (2019). *International Marketing to China. McGraw Hill.*

⁸⁸ Ibid.

⁸⁹ Ibid.

Instead, reasons for adaptation mainly depends on the motivation of top managers who are ready to help the company growing a stronger staff commitment, benefits, and legal issues.

Now it's important to remember which are the point that firms should consider in order to choose the better one for their business.

Indeed, all products, before being standardized or adapted to a foreign market, should respect some regulations, physical characteristics, a specific style and packaging, branding strategy or COO effect.

So, analysing them as much as possible, according to standardization approach, products would be modified less, so, has to fulfil, above all in the F&B sector, quality, safety, size, and ingredients required by the foreign country. Following those rules for imported products it's not easy as could seem and sometimes requires a very long time to be approved.

Moreover, for those who choose adaptation, it's important to understand the new market habits and differences in order to adapt the product physical characteristic as much as possible. This regards for example design, colours, marketing strategies, ways of communication, packaging dimensions but also a good branding communication strategy. This last point, indeed, has a central role during the diffusion and the selling stage of a product in a global market because if the brand uses an original name may choose the best translation or something that could reminds its consumers its values and ideals.⁹⁰

4.4.2 Product Life-Cycle Theory

For instance, the Vernon Product Life-Cycle Theory is part of each product life and is responsible for any stage promotional advertising strategy. Indeed, this theory explains how a product changes from the first introduction into a new market throughout growth, maturity and then decline.

⁹⁰ Ibid.

So, introduction is the one in which companies start to invest as much as possible in promotion and advertising to build awareness among consumers trying to stimulate *primary demand*, that will be transformed in *selective demand* at a maturity phase of the cycle. Also, pricing can be high or low, using a *skimming strategy*, helping the firm to cover the costs of development, or using a *penetration strategy* fighting competition.

Then follows the growth stage in which it's common to find a rapid increasing of sales. In these stage advertising shifts to selective demands in which products are compared to other competitors' and try to gain market share towards innovations and improvements.

Moreover, the third one, maturity stage, is the moment in which the most competitors leave the market and it's time for a brand to apply product *differentiation strategy* and loyalty programs, finding new consumers. Finally, the decline stage, the last one, it's the one in which sales drop and products can be forgotten, removed from the market but also find a new life in those less-developed countries. (Vescovi, 2019)

Behind these stages, Product Life-Cycle Theory hides some important aspects such as length, the shape of sale curves, how they vary in the different levels of products and the rate at which consumers adopt products.

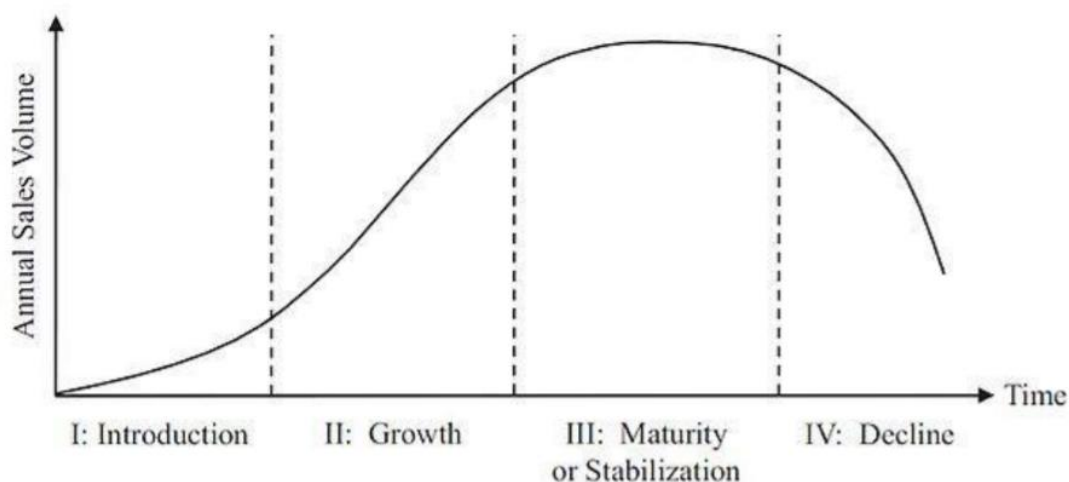


Figure 4.2 Source: Vernon (1996). *The Product Life-Cycle Theory*

4.4.3 The 4D Model

According to a recent report realized by Bain & Company⁹¹, the process of adopt the 4D model should be considered by foreign multinational brands which aspire to reach the same strength of Chinese brands in this market. Indeed, following this strategy, also them will be able to act and think like local firms or even like the new Chinese “unicorns”, which are able to test 10 ideas at once.

The model consists in Designing products for Chinese consumers, deciding directly in China, Delivering goods as quick as Chinese companies and adopt the most appropriate Digital way, as we already described in the previous chapters. Indeed, following these steps, also foreign companies will have success in China.

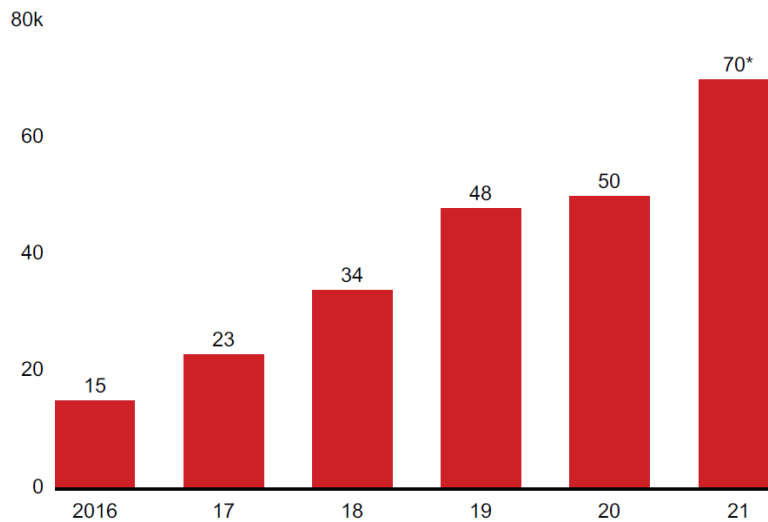
Furthermore, the latest numbers have shown the coming of a new “D”. Indeed, the next turn will be probably of Dare to big, which, thanks to the growth of Chinese market, has become the key to win.

For instance, the number of insurgent brands in the Chinese landscape is growing and more and more competitors are appearing in many categories. Indeed, according to these data, the local insurgents are not afraid of foreign brands competitors and are still trying to be the first in the market. For example, Milkground, recently acquired by Mengniu, produces cheese in China since 2016. In these last years the brand made new stick cheese products conquering a high share, from 4% to 28% and perfectly answering consumers demand, leading product quality and effective investment for channel development.⁹²

⁹¹ Bain & Company (2022). *How to Behave Like a Chinese Brand*. https://www.bain.com/contentassets/9a73d85ef2344408802c5f8dc4a76f25/bain_brief_how-to-behave-like-a-chinese-brand.pdf

⁹² Ibid.

Number of new insurgent brands launched on Tmall



Tmall's 2021 Double 11 results

700+

Insurgent brands reached the **top of their category** by sales value

275

Insurgent brand sales had 100% **CAGR** in past three years

90+

Insurgent brands kept **top of their category** for three consecutive years

Figure 4.3 Source: Tmall data; Moojing; Bain experience. * All data measured by GMV is in RMB; 70K refers to new sellers that joined Tmall

Moreover, a perfectly suitable example of well using the 4D model, is Wumart that, after acquiring Metro in 2019, totally the German business approach in order to reach Chinese consumers. Indeed, the brand designed its stores according to the Chinese markets, so the local popular club stores, then decided in China. Indeed, if during the pre-acquisition stage, most of the decisions were made in the HQs, after the acquisition stage, the brand started to manage them directly locally. Then obviously opened its e-commerce platform, integrating its online and offline services through a well-designed Metro mobile App.

Design for Chinese consumers is the “D” in which a lot of foreign brands have invested in the last years because applying this method, they established more and more R&D centres and Innovation hub in China. For example, as already mentioned, Nestlé, not only started to work more with Alibaba Group, but also expanded its factories and hub in Beijing, Shenzhen etc. Thanks to this approach, brands can easily develop well-designed creative packaging during Chinese festivals or personalize products understanding Chinese consumers, or also develop ad hoc marketing campaigns.

Deciding in China has become important for a company creating a “China-centric operating model”. It is made of 5 stages: governance and organization; local

empowerment; talent management; separate and tailored KPIs; micro-battles and “fast failing” culture.

Delivering product as fast as Chinese are used to is a huge but not impossible challenge that Tesla has already won when, during earliest moments of Covid-19 pandemic, after finished its factory in December, sold the first cars at the end of the month.

Last but not least, Digitalization is the key to success of any brand which wants to survive in Chinese market, following everyday updates of each channel, from social media accounts management to e-commerce platforms, as already described in Chapter 2.⁹³

4.5 Confectionery “Made in Italy”

Moreover, getting away from confectionery international brands experience, in the “Made in Italy” landscape a lot of big brands have been able to get Chinese consumers appreciation, both with well-developed entry market or marketing strategies and unique quality of Italian products. Indeed, as already said, Italian products and, more specifically confectionery, has already been considered “premium” in China. Hence, Italian confectionery sector has going through an exponential growth in these years above all among middle class consumers and young generations, thanks to their quite high interest towards international brands and above all about Italian high-quality products. So, as already described in the previous chapter, the most important categories in which our territory has been valuable in Chinese confectionery sector are chocolate, ice-cream, usually mixed with the previous one creating exceptional shops, pastries and biscuits or coffee.

⁹³ Ibid.

For example, it's a common thing not only see the mix of chocolate and ice-cream but also among this last and coffee, which demonstrate an eminent cross-pollination among western products.⁹⁴

Moreover, among these products, going deeper into Italian confectionery production, also other categories can be mentioned like chewing gum and candies, as also Perfetti Van Melle will soon demonstrate, but also regional specialties like confetti and torrone, expression of Italian local tradition. All these products, also including nougatine, lollipops, liquorice, or confetti, which are always used during religious festivities and occasions, reached more than 30,66 tons of production in the first half of 2018.

4.6 Italian players in confectionery sector: Venchi, Ferrero Rocher, Perfetti Van Melle

Now, according to the going global theories described, each foreign brand that would like to invest in Chinese market has to apply the most appropriate strategy to its business. So, as we already analysed the most relevant international players of confectionery sector in China, it's necessary focusing on "Made in Italy" brands and their approaches.

Among these brands, above all for chocolate and ice cream products, Venchi is one of the most successful brands in China. They started their activity in Italy in 1878 producing chocolate pralines in Turin and then, became a symbol of the city, started to grow, and expand their production.

After several years, the brand renewed itself making its chocolate a premium product and opening more and more factories all over the world. As known, Venchi mission is to create and distribute the best chocolate in all its forms and consistency,

⁹⁴ ICE – Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane. (2018). *Market Overview on Gelato, Cofee and Sweet Food in China*.

https://www.sigep.it/sigep/note-di-mercato/2019/ice-canton_market-overview-on-gelato-coffee-and-sweet-food-in-china-2018.pdf

and this is what Venchi did creating more than 350 chocolate types rich of both innovation and tradition.⁹⁵

So, looking outside Italy, in 2006 Venchi, after improving its ice-cream production abilities, launched its “Choco-gelateria” retailing format in the international landscape. Its main distribution, as a premium brand, was in luxury malls, airports, and other specific strategic points of selling.⁹⁶

Moreover, thanks to China increasing demand for chocolate products, Venchi obviously expanded its business in the Chinese market. At this point, regarding brand positioning strategy, the brand decided to keep its “Venchi” brand name, pronounced in China as *wenqi* but also interchanging it on social media using the characters 闻绮, which reminds consumers to the ideal of elegant, beautiful chocolate products.

The opening happened in 2003 in Hong Kong, finally opening the first store in there in 2011. After this first experience, the brand grew up its retail shops in the mainland China offering its consumers the opportunity to taste ice cream and chocolate as an experience on site through the five senses experience or the previous mentioned retailing format of “Choco-gelateria”.

Moreover, due to the high-speed growth of e-commerce and digital platforms in China, in 2017 Venchi already opened its Tmall Flagship Store.⁹⁷ This digitalization process is still growing and in 2020 Daniele Ferrero, CEO of Venchi, declared that thanks to digital and investments, the brand will grow more and more opening other stores in China and Japan.⁹⁸

⁹⁵ *Venchi, cioccolato all'avanguardia che viene dal passato.*
https://www.ansa.it/terraegusto/notizie/rubriche/dolcicipiaceri/2012/06/11/Venchi-cioccolato-avanguardia-che-viene-passato_7017456.html

⁹⁶ *Venchi, 140 anni crescita.*
<https://foodcommunity.it/venchi-140-anni-crescita/>

⁹⁷ *Venchi brings the 'five-senses' chocolate experience to Asia.*
<https://retailinasia.com/in-shops/venchi-ceo-on-the-five-senses-retail-experience/>

⁹⁸ *Venchi guarda all'estero, punta a sud est Asia e agli Usa.*
https://www.ansa.it/piemonte/notizie/2020/12/14/venchi-guarda-allestero-punta-a-sud-est-asia-e-agli-usa_9e720a9d-7082-4ba5-aab3-d2063c49b37f.html

One of the core business abilities of Venchi, shown both offline and online, it's to create something special for each Chinese gift-giving occasion, such as Mid-Autumn Festival, creating mooncake limited edition gift-boxes or Chinese New Year. Indeed, these products as the others are usually well communicated through Chinese social media Official accounts, so WeChat and its WeChat Mini-Programs, Weibo, and the ecommerce platform Tmall. ⁹⁹



Figure 4.4 Source: Venchi Tmall Flagship Store

⁹⁹ Venchi Chinese Social Media Accounts and website:

Weibo:
https://weibo.com/p/1006067275083075/home?from=page_100606&mod=TAB

WeChat Mini-Program:
https://mp.weixin.qq.com/wxawap/wapreportwxadevlog?action=complain_feedback&appid=wx934393a215ecbbb0&pageid=vendor/pages/home/home.html&from=3&version_type=0&version_code=61#wechatredirect

Website:
https://www.venchi.com.hk/zh_tw/

Now, the second brand, not for importance, it's Ferrero. Ferrero had an explosive success in China but not, as many thought with the international core business product, Nutella, but with a little golden praline, Ferrero Rocher.

In any case, starting from the first choices of the brand in China, it decided to translate its brand name in 费列罗 *Fèilièluó* and then approached, as other brands, the strategic city of Hong Kong in the '80s. The strategy adopted was an export-based entry mode, in order to have low risks and investments.

Ferrero Rocher was launched in China in 1984 and for that day had never left the country becoming a relevant luxury product in the Chinese market. Its incredible success can be described through the 4P of marketing mix, which are packaging, product, promotion, and price. First, thanks to culture knowledge of Chinese consumers, it's easy to notice how the products fits well with this typical one. Ferrero Rocher, a chocolate praline with hazelnuts and packed into a golden foil, perfectly reminds them richness, wealth, and harmony. Indeed, according to these attributes, a lot of people like selling it for special gift-giving occasions as Mid-Autumn Festival, Chinese New Year or others in which caring family and friends are mainly reminded.

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Moreover, the product has a well-balanced flavour thanks to milk, hazelnuts and a thin wafer which perfectly satisfy Chinese taste in terms of sweet and size. Recognized as a premium product, Ferrero adopted a premium price strategy. This way, the product has been perceived as an example of "Made in Italy" quality and uniqueness.

Then, regarding place and promotion, the brand decided both to distribute it through local distributors being part of Chinese GDO Carrefour and Watson's Mart in Hong Kong and then in Mainland China through first-tier cities supermarkets.¹⁰¹ Thanks to its big success, in 2011 the brand launched also its social media official accounts and approached the ecommerce platforms of Tmall Flagship Store and Jd.com, where

¹⁰⁰ Lawrence L. Allen (2009). *Chocolate Fortunes: The Battle for the Hearts, Minds, and Wallets of China's Consumers*.

¹⁰¹ Ibid.

gained a lot of success also thanks to KOL collaborations and well-done communication strategy. ¹⁰²

Regarding WeChat and Weibo, digital marketing strategy is still daily updated not only with KOL partnerships but also with post, featured WeChat newsletter and ad hoc campaigns for special occasion, such as the one made for 2022 Chinese New Year where the video highlights the values of Ferrero, which are family, love, and harmony.



Figure 4.5 Source: Ferrero Official Weibo Account. A special edition gift-giving Ferrero Rocher pack sponsored by 李现 KOL

Even though Ferrero Rocher is the core business of Ferrero in China, the company animates its social media accounts also following special events like the Beijing Winter Olympic Games 2022. In this occasion, for example, the company realised a featured

¹⁰² Ferrero Chinese Social Media Accounts and website:
Weibo:
https://weibo.com/ferrerotiamo?refer_flag=1005055013
Tmall:
https://ferrero.world.tmall.com/shop/view_shop.htm
JD.com:
https://shop.m.jd.com/?shopId=1000072521&utm_source=pdappwakeupup_20170002

newsletter using Kinder brand. Indeed, thanks to its inner characteristic of being loved by children, it was perfect to communicate values of Ferrero but also to let them have fun with their families playing different sports. Indeed, they promoted the brand through a real physical event where these children could play together in a room divided in different areas, like family, fair play, friendship, and fun, where each of them had different games. ¹⁰³

Moreover, leader of confectionery sector in China, in particular for candies, it's turn of Perfetti Van Melle. It is an Italian-Dutch Group in the production and distribution of confectionery, candies and chewing gum. It took on its current name in 2001 after Perfetti acquired a majority stake in Dutchman Van Melle. In 2006, it acquired the Spanish lollipop manufacturer Chupa Chups for 440 million of Euro, becoming the third largest group in the world after Mondelēz International and Mars Inc.

The group it's know all over the world because of its famous brands like Alpenliebe, Mentos, Chupa Chups, Golia, Goleador, Morositas, as well as the Vigorsol, Daygum, Brooklin, Vivident, Big Babol and Happydent, made its first appearance in China in 1994 using a distribution network.

Among them, one of the most appreciated brands in China is Chupa Chups and, for this reason, in 2014, the company, in collaboration with the licensing agency Beanstalk, leveraged Chupa Chups heritage linking to its Chinese consumers. In order to reach good results, indeed, the brand decided to include the brand in other lifestyle categories like apparel, sport, app, video games, gift, pet accessories and so on. ¹⁰⁴

After these choices, obviously part of digitalization in the world but also in China, Chupa Chups opened its ecommerce platform service, JD.com ¹⁰⁵, and its WeChat Official Account, from which it's possible to reach the ecommerce platform, know more

¹⁰³ *WeChat newsletter about Ferrero Beijing Winter Olympic Games 2022.*
https://mp.weixin.qq.com/s/1KQQ9Qi_mdg2GwNFB9aBuQ

¹⁰⁴ *CHINA: Perfetti Van Melle partners with Beanstalk in Chupa Chups China push. (Just Food)*
<https://www.just-food.com/news/china-perfetti-van-melle-partners-with-beanstalk-in-chupa-chups-china-push/>

¹⁰⁵ *Chupa Chups JD.com ecommerce platform.*
<https://shop.m.jd.com/search?keyword=%E7%8F%8D%E5%AE%9D%E7%8F%A0&searchPage=&scrollTop=&shopId=1000075683&vendorId=1000075683&searchSort=&shopCategoryId=&active=&lickSku=&skus=&jdDeliver=0&pageFrom=>

about the Group, read the featured newsletter and so on.

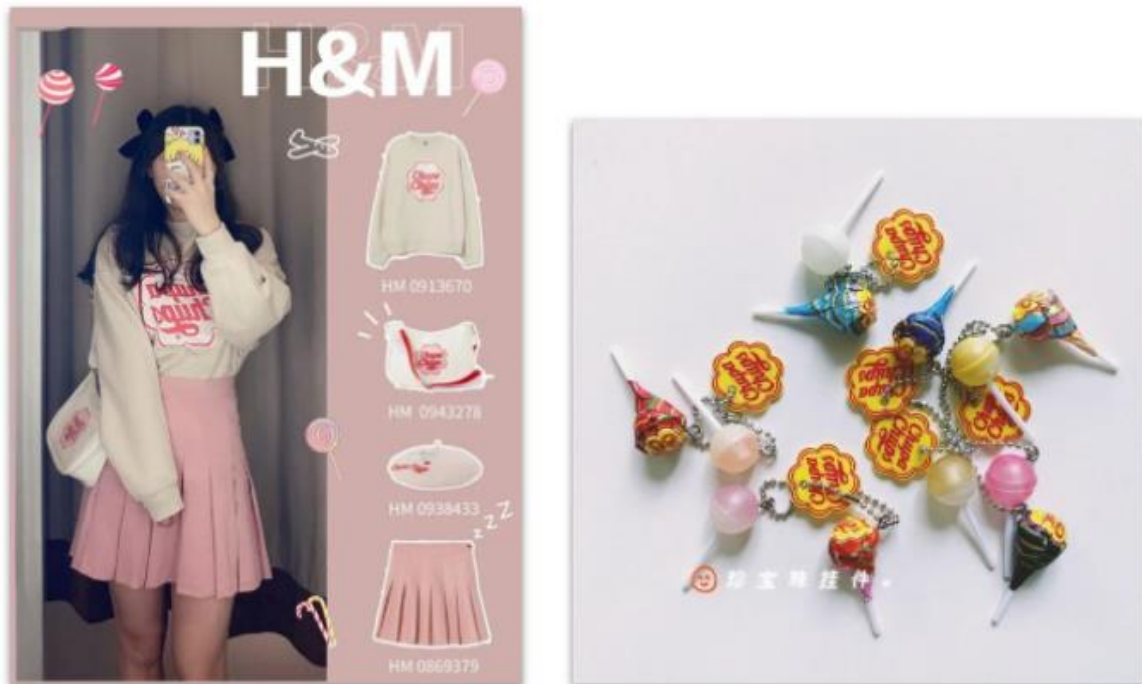


Figure 4.6 Source: Little Red Book. Chupa Chups and H&M.

Moreover, also Alpenliebe had a strong success in China and in there the group produced some flavour that, only after the success had among Chinese consumers, arrived in Italy, like coffee or lollipop, really appreciated by young generation. During all these year in China, Perfetti Van Melle took part at the Chinese consumers changes in terms of habits. If, 20 years ago, they were used to buy this type of products only during specific festivities, now have become an everyday treat. ¹⁰⁶

Nevertheless, Mars and Mondelez, as already said, are the most relevant in China an international brand, Perfetti Van Melle business is still growing and in 2016 grew double digits. ¹⁰⁷

¹⁰⁶ *China's changing sweet tooth. (China Daily)*
<http://www.chinadaily.com.cn/a/201505/08/WS5a2b4875a310eefe3e99f5fc.html>

¹⁰⁷ *After a solid 2016, Perfetti looks for new growth abroad thanks to the launch of new products. (Il Sole 24 ore)*
<http://www.italy24.ilsole24ore.com/print/AEsQ22F/0>

So, “Made in Italy”, as well as other international brands, had a strong role in confectionery sector in China and, for this reason, the next chapter aims to describe Loacker business in China, how it has grown in these years and how much wafer biscuits are appreciated by Chinese consumers.

5. Case study: Loacker

5.1 History of the Brand

Loacker company was established in Bolzano (Italy) in 1925 by Alfons Loacker who acquired the pastry shop where he had been working since he was a boy and created the first “Cialda di Bolzano”, the ancestor of the known Loacker. Just at the beginning it had those characteristics that today still define the real essence of the product: delicious thin, crumbly delight and filled with creams which have a unique taste.

So, the production of wafers started, and, thanks to the perfect match of ingredients, the product immediately won over consumers' hearts, the company launched its first packaged wafers. During the following years, the company got bigger and other members of the family joined it making successful changes both in terms of production plants and packaging, which became “freshness-safe”.

Then, in 1975, the Brand started to expand its distribution first in Italy and then also in other countries, above all in Middle East, China, and Japan. Now it exports in more than 100 countries. Ten years later, in 1985, the known mascots, Loacker Gnometti, arrived Italian TV advertising, making a really job in terms of awareness and leadership in Italian market.



Figure 5.7 Source: Loacker Sustainability Report 2020. Gnometti Loacker Brand Ambassadors.

After its big success, Loacker decided to open its first Loacker Café in Brennero, bringing wafer lovers to live an immersive experience through the history of the Brand finding out how it was in 1925.¹⁰⁸

Since that moment, indeed, the company shared the same strong values which always guided it in reaching its success and development: natural taste, highest quality standards, environmental responsibility, valuable employees, uniqueness, innovation and technology advantage. Quality of ingredients which makes recipes as delicious, as well as the loved Dolomites where the company lives. The raw materials, indeed, according with the Brand, are the real essence of the authentic taste of Loacker wafers, thanks to no add aromas, dyes, hydrogenated fatty acids or preservatives, they maintain their original crunchiness and fragrance, also thanks to the high-quality packaging.¹⁰⁹ All of them are perfectly well-communicated by the famous Loacker slogan: “Loacker, Pure Goodness” or the Italian version “Loacker, Che Bontà!”

The theme is strictly linked to the attention of the company to sustainability, farmers, and their family. For example, the Brand supports the “Cocoa Farming Program”, choosing Ivory Coast and Ecuador as the lands from where obtain cocoa. Even though these territories have different morphology, climate and social customs, they provide two different varieties of beans, both essential to create the rich shades of Loacker chocolates. In there, the Brand actively supervise the selection and quality control phases, the local cooperatives and small farming communities, building authentic relationships with them. In particular, Ecuadorian cocoa, also called “fine flavor”, is noble. Its aroma is floral, the bouquet is soft and fruity, for connoisseurs. Recognized by the ICCO, it was already known to the Maya. Ecuador is currently the third cocoa producing country with 7% of the total world production (ICCO, 2019).¹¹⁰

¹⁰⁸ Loacker website:
<https://www.loacker.com/int/en/about-us/the-story-of-a-family>

¹⁰⁹ Loacker website:
<https://www.loacker.com/int/en/about-us/quality-from-nature>

¹¹⁰ Loacker website:
<https://www.loacker.com/int/en/about-us/quality-from-nature/our-cocoa-farming-program>

Then, milk, one of the most important ingredients of Locker wafers, is a NON-GMO milk, directly produced in the heart of Dolomites, indeed, thanks to the recent partnership with Brimi, in 2019 Locker made its own “Dolomites Milk in South Tyrol. The milk obtained kosher and halal certifications, absolutely relevant at an international level.¹¹¹

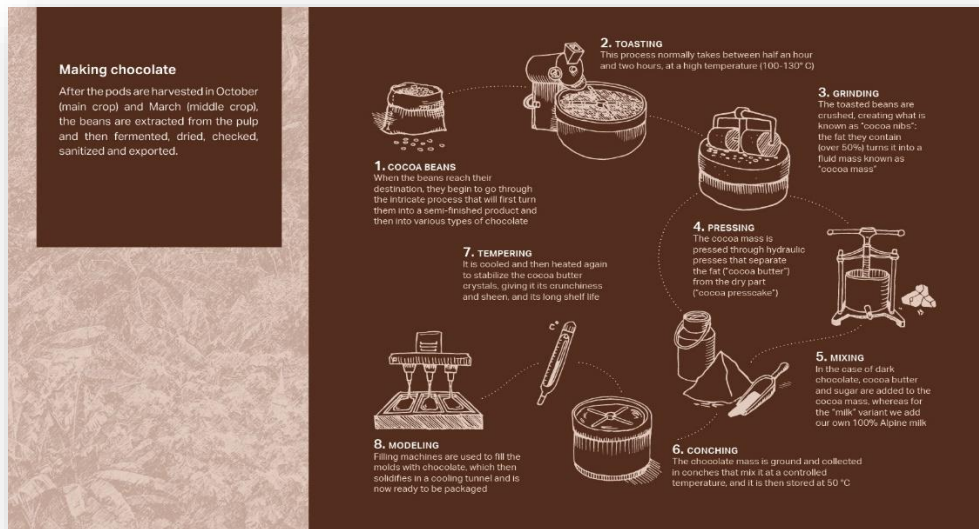


Figure 5.8 Source: Locker website. Making chocolate stages.

Moreover, sustainability is also part of innovation process, indeed, not only creating new products but also improving the already existing one, the Brand tries to satisfy its consumers taste, desires in terms of packaging, environment and so on.

During these years, the Locker production has been expanded, indeed, starting from the production of only classic wafers, then introduced also patisserie specialties, chocolate snack bars, chocolates, chocolate bars and cream spreads. Not only simple package of snacks but also specific festivals, such as Christmas, East, Mum’s Day, seasonal items, gift boxes and customized products, reaching at least 200 pieces. All of these, instead, are perfectly in line with Locker brand values and standards and are uniformed across all markets.¹¹²

¹¹¹ Il Sole 24 ore. *Alto Adige, Locker apre impianto per usare solo latte locale.*
<https://stream24.ilssole24ore.com/video/economia/alto-adige-loacker-apre-impianto-usare-solo-latte-locale/ACrRz02>

¹¹² Locker Sustainability Report 2020.

Locker has a today an intertwined developed distribution system and exports its production in more than 118 countries, the most in Middle East as the graphic shows. In 2020 the share of exports on turnover reached the 70%, a big growth compared to 2010, when it was only 50%. Thanks to its perfectly central position in Europe, South Tyrol has the role of a distributor for international brands like Twining's, Ovaltine, Pema, Darbo and Lorenz between Italy and German-speaking countries.

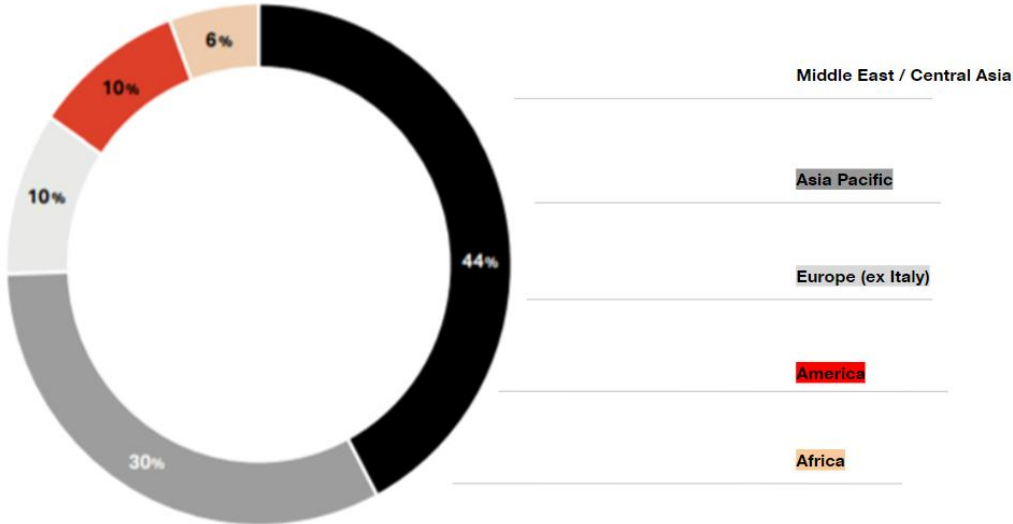


Figure 5.3 Source: Locker Sustainability Report 2020. Locker distribution worldwide.

Moreover, the Brand reached a turnover of 355 million Euros in 2019 with 957 million of packaged specialties (including wafers, pastries, and chocolate desserts), recording a market share of 56,5% in the Italian market and a 4,6% in the global one for confectionery sector. ¹¹³

https://www.locker.com/mediaObject/02_About-us/Sustainability/Locker_Sustainability_Report_2020/original/Locker+Sustainability+Report+2020.pdf

¹¹³ Il Sole 24 ore. Locker: wafer punto di forza ma faremo nuovi dolci. <https://www.ilsole24ore.com/art/locker-wafer-punto-forza-ma-faremo-nuovi-dolci-ADxmrQk>

5.2 Locker Business in China

Among these international markets, even though the strongest its Middle East one, China and Asian Pacific areas are getting stronger in the last years. So, in order to provide a more detailed possible overview of the Brand growth in China, I had the opportunity, thanks to Locker courtesy, to interview the China Market Representative for Locker at Shanghai. After more than 14 years of experience in China and having worked with various companies such as L'Oreal, Danone, Vileda and Ferrero, he started his own business and his career in Locker.

The Locker family in China currently consists of a few people involved in business management, e-commerce, and offline communication.

Locker entered China more than 20 years ago, with a distributor originally from Hong Kong, which is still there, as was usual in the 90s and early 2000s. In that period indeed, entering the Chinese Food & Beverage market through Guangdong was the easiest way possible. The reasons behind this choice were the use of the same Cantonese language, spoken both in Hong Kong and in Shenzhen, the possibility to move between these two cities, selling different products though the supply chain. So, thanks to this strong system, the Brand decided to also conquer Shanghai, Beijing, and the rest of the mainland China.

The process of expansion had several steps, first conquering small and then bigger cities in the territory because of, due to distance and lack of a direct control from the headquarters, Locker registered a strong difficulty on being aware of the needs or how the products have been sold in small provincial and remote villages in the Chinese territory, equally. So, it was decided to keep this type of distribution, and expand it after a quite focused study of consumers.

Then we moved on to focus on the right cities, starting from Shanghai, Beijing and Guangzhou, and then moving to Hangzhou, Suzhou, Nanjing, Shenzhen etc. In this way we focused on cities with a higher population density, especially from the middle class, higher sales and better investment opportunities.

At the start, Locker, as many other similar companies who enter Chinese market, didn't know well how to approach it, due to a lack of knowledge of the market, not a

big budget to invest to reinforce local market or sales, but now, after year of building awareness, brand positioning and other innovations in terms of marketing strategies, the Brand has grown, and it's loved by Chinese consumers.

Since the first moments, the Brand registered some difficulties as the geographic distance between China and North-Italy, where the company is located, which provoked the unclear visibility to know what was really happening in the Chinese market, but also the difficulties of a lack of communication, both due to different language, culture or just the time zone, which always made delays.

Sales has been organized according to the trading business, due to the size of Chinese market, so they have been managed by various distributors and retailers within the value chain, all factors that have facilitated a large distribution within the country. This choice was right. The Chinese consumers, indeed, highly appreciated Loacker products thanks to their qualities such as Made in Italy authenticity, the crunchiness of the wafer and the fact that they are not too sweet, they are a popular product for the Chinese, as well as for Ferrero Rocher, for example. All this has resulted in a certain visibility.

Now, how the Brand is known in China? This thesis has already noticed how important is choose the best brand strategy for each company, so, Loacker decided to change its name for this market. As known, pronouncing foreign names for Chinese people it's not easy so, reading "Loacker" was quite impossible. At this point, the Brand decided to associate their products with the name of 莱家 *Lái jiā*¹¹⁴. Unfortunately, the real problem is that the packaging still not use it and the products are still sold in China using the international logo and brand name of Loacker. It created misunderstandings between consumers so much to push them to recognize the products only by seeing the package instead of hearing its brand name.

¹¹⁴ 莱家 *Lái jiā* stands for the Brand name which Loacker company decided to adopt in Chinese market. The reason of this choice probably refers to the meaning of the single characters, which together create something new and perfect for the brand image.

So, 莱 *Lái* refers to the simple character 来 *Lái* which means "come to, arrive, take place". Then, 家 *jiā* which means "home". Indeed, form the union of these two characters the Brand should emphasize the concept of bringing home Loacker products. Moreover, this meaning is strongly linked to the value concept of family, which Loacker wants to share with its consumers and remind about itself.

These aspects, both the absence of the name and the absence of marketing investments given the trading business, until the last years, meant that the first stage of the marketing funnel, awareness, was not completely gained among Chinese consumers. So, the only way to buy the products was to manage the distribution well, and so it was, but without any strong investments in marketing, visuals, special offers at the checkout.

This happened because the Brand decided to totally trust on local distributors, which sold a lot of products but that didn't really need an expansion of the Locker in terms of business innovations, marketing and so on because their business would have been changed or cancelled.

Speaking of recent times, after the success reached thanks to distribution and sales, the Brand wasn't really known in the Chinese market until 3-4 years ago. The reason was not only the adopted distribution system, efficient but not perfectly enough nowadays, but also the lack of the right communication channels, so social media, and ecommerce. Almost 4 years ago, Locker invested its marketing growth in these channels, improving its social media presence in China, opening its Official Account of WeChat, Weibo, Douyin, Little Red Book, Pinduoduo, Alibaba and a Flagship Store on Tmall.¹¹⁵

This last touchpoint is the one in which Locker drives all its consumers and where had increased its purchases. The store is a single-brand store that allows both to increase sales and the corporate culture, the product, the company values, the breathtaking landscape, and context in which it is located, the quality of the product and the history of the company. All this to the Chinese customer, like any other, and allowed him to recognize the quality and goodness of the products as well as the raw materials used.

So, after having filled a certain gap in growth and innovation compared to other companies, as well as the whole F&B sector, Locker perfectly understood how to change its business in China both physical and digital. Indeed, it started by helping

¹¹⁵ Locker Tmall Flagship Store and Weibo Official Account:
https://locker.world.tmall.com/shop/view_shop.htm?spm=a220o.1000855.1997427721.d4918089.28806323ags6Jd

<https://weibo.com/u/6535422767?sudaref=www.google.com>

importers to work alongside someone in China in order to overcome the distribution process and making bigger investments on the marketing side.

The Brand identified some specific products suitable for certain distributors, for example, for convenience stores it was necessary to create small packaging products, with smaller margins and continuous promotions to encourage people to try and taste the product. Convenience stores, however, remain a solid point because, especially during the pandemic, a period of short trips, people preferred to go to these proximity stores.

So, the strategy of the Brand only includes convenience store and digital marketing but not any physical Locker Flagship Store. The reasons of this choice are several. The first is awareness. Indeed, the awareness generated by this type of store, although it may be well done or positioned in a beautiful location, is very limited, especially considering where it/they would be located. This is because of China great size territory, so, both one or 200 would be useless along the territory and would only represent a cost in terms of logistics, employees, location etc., and not a real source of income. Even making only 5 for advertising purposes would be definitely useless.

After all these efforts the results have been seen, Locker has grown so far and continues to grow, in 2021 it was expected to grow by 20%, and in the next 5 and 10 years it is expected to double and triple Locker sales. These are certainly aggressive plans, but also well-structured plans by target, city, customer and channels.

5.3 Marketing and Digital Marketing strategies

According to the 2021 Locker Yearly Report, for which I got to many thanks the company and the already mentioned China Market Representative for Locker, Juan Pablo Carriquiry, the Brand has grown a lot in term of awareness and sales, both using social media strategies and KOL collaborations during live streaming selling sessions.

For that regards social media landscape, here follows an overview of that for the Brand.

Loacker digital performance of 2021 whole year

- The exposure of 3 official channels are over 16 million exposure by the whole year of 2021.

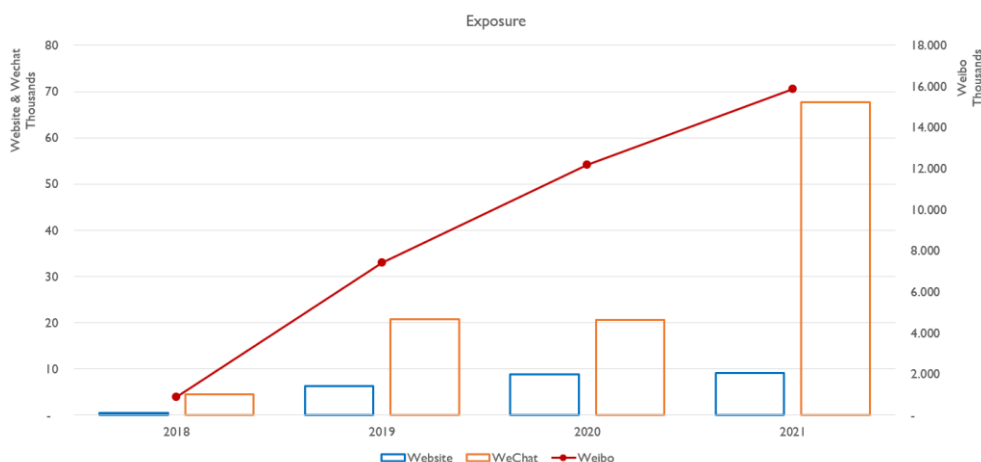


Figure 5.4 Source: Loacker-China. Loacker Digital performance of 2021 whole year.

Weibo Official Account, it has been opened in December 2020 and, since that, a lot of media buy was spent on the post of store promotions. Weibo reached 25.622 million followers in 2021, the increasing was of +18.921 million followers, it has nearly tripled compared to the previous year. Moreover, the engagement has been much higher than expected, above all thanks to the regular use of lucky draws or scratch cards.

Instead, for WeChat Official Account, the followers reached 18,161 million, with an increase of +11.254 million in the last year. This happen because, even though Christmas campaign scored a good share, the second one about Winter coming has been more appreciated by consumers. The main reason is awareness. Consumers became more and more aware of Loacker brand every day and more about lucky-draws, which registered a higher participation and a faster response, also thanks to the quick distribution of prizes.

Moreover, Loacker decide to approach Little Red Book through partnership collaborations with KOC reaching a great success, as more than 4.870 likes.



Figure 5.9 Source: Loacker-China. Example of content marketing of Loacker on Little Red Book in 2021.

Now, after this short overview of the impact of social media on Loacker business in China. I'm going to shortly analyse some successful campaign adopted during 2021.

The first campaign of the year regarded 2021 Chinese New Year for which the brand realized greeting cards with scratch card inside. The participation to the CTA was quite good also because Chinese consumers are used to receive and send this type of cards during festivals or special occasions and then ordering online. Indeed, thanks to a QR Code, consumers could easily scan it and get a coupon.

The second one of the 2021 was "Loacker 2.0", in which the aim was to increase purchase thanks to innovative digital marketing strategies live livestreaming sessions. Indeed, the Brand launched a Taobao livestreaming with the KOL Weiya, which was able to sell in just 3 minutes more than 75.000 packs of 250g "Quadratini". The idea has a great success indeed and it was impressive. Thanks to it Loacker reached in a just a moment thousands of people and gained their attention increasing the level of awareness and sales, which from that moment have been up to 10% off the Tmall Flagship Store.

Moreover, the event was sponsored through the other digital touchpoints of Loacker, such as introducing WeChat, Weibo, Tmall footers which directly recall following the Official Account, ad hoc graphics, and communication posts on social media or,

enriching the prize of scratch cards giving to winners a Loacker tote bag, in order to become a daily presence for them.

The digital channel most used was Douyin and specific Douyin Advertising and KOL promotion with the objective to recall consumers to ecommerce platforms and increase engagement. Those advertising increased exposure during 618 Shopping Festival¹¹⁶. The campaign was composed of three steps and videos which, using a well-done storytelling, the consumers were involved in the process of firstly going on Tmall Flagship Store of Loacker, then explore the new recipes and differences from other products and finally the video tutorial of making a cake using Loacker “Quadratini” as an ingredient.

Instead, advertising was also realized for offline communication, such as through lift ads, visible during the first two weeks of June in Beijing, Shanghai, Nanjing, Hangzhou, Chengdu, and Suzhou.

¹¹⁶ 618 is an online Shopping Festival launched by JD.com in 2010 to coincide with the platform's birthday celebration. JD.com was born in 1998 as an online store of technology products under the name of Jindong Mall. In 2007 it became 360.buy before being transformed into JD.com in 2013.

A source of attraction for Chinese consumers during 618 are obviously the numerous discounts that are exceptionally applied on this date, with the possibility of pre-ordering the desired products so as not to lose them at an exceptional price.

Given the scale of the event, in 2019, both Tmall and Pinduoduo officially took part in the event for the first time. In addition to JD.com and Alibaba, other e-commerce platforms, such as kaola.com, vip.com and ymatou.com, have also joined the 618 by promoting attractive discounts. The 618 Shopping Festival has thus become the leading mid-year online event for web users in China.

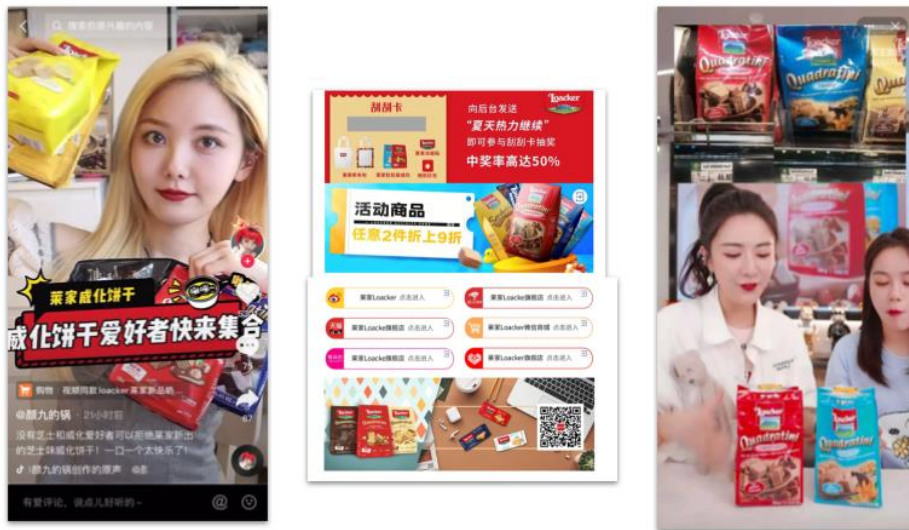


Figure 5.10 Source: Loacker-China. "Loacker 2.0 campaign" Douyin KOL Sponsorship (left), Lucky scratch cards (centre), Weiya Live streaming selling session.

Then, Lift Ads became also one of the most important touchpoints during the launch of Cheese flavor "Quadratini". Indeed, the most were in some residential buildings' lifts display in Guangzhou and Shanghai. The idea was successful and, together with KOL and KOC sponsorship of Little Red Book and Douyin, and QR Landing pages made up for it, increasing both awareness among Loacker and its new flavor, but also purchases.

In conclusion, according to Loacker recent data, all these social media and Marketing campaigns made launched in 2021, reached a great success, allowing the Brand to increase the awareness by more than 30% (data collected respectively in 2019 and 2022 with specific research in 15 cities).

Final considerations

At the end of this thesis, I would like to share my personal considerations about this topic and to what extent not only confectionery sector worldwide, but also “Made in Italy” one is going to grow up in Chinese market.

Confectionery sector in China has grown in different ways through large distribution channels, local partners collaboration and the upcoming of the new digital channels era. Together with the common difficulties in approaching Chinese market for foreign brands, as already described, Chinese population has changed. Indeed, nowadays most of the Chinese population is totally dependent from the digitalization in which lives every day and makes every action or purchase.

So, for this reason, the aim of this thesis was not only to emphasize how confectionery sector has grown in China but also how locals, and above all international brands, have been able to understand the digital fast changes of China and find the right approach to reach consumers.

Hence, after a deep analysis of this topic, throughout the first chapter I firstly recognized the importance of culture and how much Chinese consumers behaviour have been influenced of. Indeed, thanks to the theories of Hofstede and Trompenaars but also the main difference between *guanxi* (关系), which refers to relationship networks supported by reciprocal obligations and *mianzi* (面子), which indicates the concept of reputation in front of others. This chapter has revealed how these traditional behaviours together with the already mentioned theories about culture may influence interpersonal relationships, people personalities and decisions in everyday lives.

As well as also Confucianism, thanks to its principles of acquiring personal salvation through right actions, guides consumers not only in their everyday lives but also influence their buying processes. Indeed, some scholars have noticed that lowering the cost of doing business in countries influenced by this ideology, like China, Japan, or Korea, it is possible to understand their economic success. The main reasons are loyalty, reciprocal obligation and honesty in dealing with others, three important values in the Confucianism system.

These theories have helped to find out which are the main fundamentals and reasons behind Chinese consumers behaviours and choice for the purchase decision making process, about food and confectionery sector.

Properly, the meaning behind food habits describes usages of people, such as the choice of eat a specific number of times each day, the position assumed during meals, cooking styles and the role of the person in charge for preparing meals, types of beverages (such as hot water in China) drunk while eating or the value hidden behind that meal (for example a communal event, family reunions). For example, I discovered the strong impact of all these theories measuring in which quantity people are involved in highly publicly consumed or shared products and give a great importance to social harmony and family relationships. Obviously, this is also common in China where this aspect reveals how Chinese people find out a meaning behind any product, which is symbolically an expression of gratitude, approval, or disapproval.

Chinese consumers, indeed, have a more cognitive style, tending to adopt a more concrete and synthetic orientation, in all the stages. Also, Chinese consumers, which are strictly influenced by Confucianism, tend to have a more utilitarian shopping style focused on price, quality and value and less impulsive tendencies.

Moreover, throughout the second chapter, I decided to better analyse which are, not only the habits, but also the drivers which guide the Chinese consumers during their purchasing decisions. For this reason, thanks to the fast growth of digitalization era, I focused my examination on the main social media platforms which gained a great success in China but also on KOLs partnerships, Influencer marketing strategies, Livestreaming sessions and e-commerce growth.

Indeed, digital strategies are the most relevant for people in everyday life, especially in China which, according to 2021's data, count more than 1 million users. So, looking at this first part, the thesis has examined the central role of social media in consumers' lives describing and the way search engine like Baidu and platforms like Wechat, Weibo, Xiaohongshu and Douyin, work.

Following, the second part regards KOLs and Influencer Marketing strategies, one of the most impactful strategies in order to reach common people to communicate the

brand message. Indeed, according to data, the engagement produced thanks to KOLs is 8 times higher than basing the strategy only on official accounts on social media and more than 80% of Chinese consumers are too used to be influenced by these celebrities.

Moreover, regarding this topic, I discovered the great improvement reached by technologies applied to Influencer marketing strategies. As already analysed, indeed, another point of difference in Chinese marketing strategies is the virtual idol trend. Thanks to their fast growth many brands started to approach this type of communication, reaching even more consumers than KOLs and KOCs can make every day, only using the power of smartphones and the vast number of users in China.

I believe this phenomenon would revolutionize not only Influencer marketing but also the other ways in which brands try to reach consumers, above all today thanks to Metaverse fast growth.

The third part focuses on Livestreaming and e-commerce, the two strategies which reformed the Chinese digital landscape. Throughout this chapter, I decided to explain how this phenomenon has grown and which of these platforms succeeded more, such as Douyin and Xiaohongshu as social commerce platforms or Tmall and JD.com. So, analysing this phenomenon, I learned that Liveshopping is at the centre of shopping leaves, attracting 81% of Chinese shoppers. When the pre-sale of Singles' Day 2020 started, Taobao Live recorded deals of over 6 billion EUR within the first 30 minutes. This let me reflect to what extent Chinese e-commerce has grown in this period and just how also western brands and countries should learn from.

As a matter of fact, for Food&Beverage sector, in 2021 Chinese consumers spent 234,8 billion USD buying food online, ordering it through delivering apps and increasing, this way, the e-grocery phenomenon. This demonstrates in what way these people are used to make use of the large Chinese digital landscape and how it is fated to grow.

Moreover, I decided to focus all these data on the main theme of this study, which indagates on how confectionery sector is perceived in China, how it changed, and which are the most loved confectionery food categories by Chinese consumers, that are ice-cream, chocolate, biscuits, and wafers.

So, as data shows, ice-cream market reached a high growth rate during the last years and China has become the first market of ice-cream consumption in the world in 2019. Here, I described which type of consumers have contributed to reach these numbers, which type of ice-cream formats and flavours, or throughout which type of selling, so social media platforms, social commerce, exhibitions, flagship store and so on.

Then I made a similar analysis focusing on chocolate rising market, examining how it started in China and which difficulties have met. Indeed, since its foreign nature, chocolate as always been considered an icon of Western world, the most efficient way to enter the Chinese market was using the *gift-giving* packaging.

Following, the same study regarded biscuit and wafers in China. I discovered a large appreciation of snacks, above all among young generations, who increased their consumption during Covid-19 pandemic emergency and smart working times. Indeed, snacks were considered helpful not only to feed but also to take a rest and start conversation with other people. This trend deals with the main categories which is composed of: flavours, packaging, design, and the main international players.

Hence, as shown in the third chapter, many international players like Mars, Hershey, Nestlé, Godiva or Mondelez have reached great objectives and competitive advantages thanks to the adoption of several marketing strategies. Some of them correctly decided to change their brand name using one that in China could have been easily reminded, others made themselves a unique brand only for the Chinese market. Moreover, others aimed more on creating ad hoc physical campaigns popular during specific Chinese festivities like *gift-giving* packaging.

This last option, I consider strong and impactful in Chinese market but, sometimes, too fixed and common. In other words, I believe that the trend is captivating, but sometimes not quite well sponsored and innovative. Moreover, just because confectionery sector companies are used to apply this type of packaging format during these occasions in China, I believe they should try to make something different from other competitors to not only reach already active consumers, but also inspire others both with their quality products and creativity.

As international brands gained success in China, also “Made in Italy” did, above all thanks to its uniqueness of flavours, raw materials, and ingredients quality, but also for its long tradition of Italian patisseries, considered a real form of art.

So, throughout the fourth chapter, I examined the Confectionery Made in Italy finding out the way in which it is perceived by Chinese consumers, to what degree the role of globalization in business is relevant, discovering the efficiency of some strategies such as standardization and adaptation, product life-cycle theory and the 4D model.

Indeed, I found out the great perception of the “Bello e Ben Fatto” Italian model where Food is considered one of the most pertinent sectors, and which embodies Italian excellence in terms of design, attention to detail, quality of materials and workmanship.

Moreover, Chinese consumers are really captured from Italian quality, uniqueness, and lifestyle experience. Indeed, thanks to the study of the Country-of-Origin Effect (COO) and the Country Sound Branding phenomena, I have better understood, according to the level of education and knowledge of the market and the individual consumer, or the product sector, at what rate underlining the reputation of “Made in Italy” is important and quite strong in already educated traditional markets. In a heterogeneous and new markets like the Chinese one, it can be weak, and even absent in some cases.

Indeed, a common situation is that the Chinese consumers may have a distorted view or a confused and superficial knowledge of the COO of a product. Not all Chinese consumers are able to distinguish Italy from other European countries, which is the reason why brands and products of European origin are generally included in a single homogeneous category. Only the most sophisticated consumers recognize “Made in Italy” products; the new generations of consumers are much more informed, attracted by the history and culture hidden behind a brand.

Another factor to consider when analyzing the Chinese market is the social added value that Chinese consumers attribute to foreign products. For example, the purchase of a luxury item from a foreign brand answers to the need to exhibit or improve one's social status. In this, the perception of the Italian lifestyle constitutes a competitive advantage. Italy, on the other hand, is perceived as the country of chocolate thanks to the success of the Ferrero company with its Ferrero Rocher, that had the better of Swiss companies that traditionally dominate the European markets.

Instead, the phenomenon of Country Sound Branding is generally believed to have a negative effect both on the image of a country and on the original brands of that Country. The improper use of a Country image by local companies in China causes confusion among consumers, decreases the competitiveness of foreign brands, as well as can cause damage to the image in the case of lower quality products. A much worse scenario is when this phenomenon approaches counterfeiting.

However, it has been observed that at the same time it can be a useful tool for creating a COO perception in emerging markets. The repeated use by Italian companies of images, sounds and cultural references that recall Italy, help the consumer to create a spontaneous link between a category and a country.

Then, according to Mooney, Ted Levitt, and Michael Porter's theories, I focused the topic on understanding the role of globalization in business and how companies, above all Italian ones, should try to have success. Indeed, I agree with their idea of central role of that in business and how the elimination of trade barriers has been able to increase the appearance of a global consumer culture. This has also been possible thanks to some relevant "going global" strategies.

Indeed, through this part of the fourth chapter, I reported a specific description of exporting, licensing, joint ventures, and foreign direct investments (FDI) approaches. But also, the difference between standardization and adaptation strategies, the Vernon Product Life-Cycle Theory and the recent 4D Model from a study realized by Bain & Company, which concentrates on those brands who want to become as strong as national brands in the Chinese market.

I believe Italian big brands but also SMEs of "Made in Italy" confectionery sector who have not even launched their business in China, should consider as soon as possible to do it and share the goodness of our territory. Indeed, according to this study, the possibilities of success are greater than expected and, after choosing the best plan to enter the market, I'm quite sure of the big potential of Chinese market and its consumers' appreciation.

Moreover, as already analysed throughout many foreign brands direct expertise, including Loacker, the best marketing choice has been to mix offline and online communication. Loacker, for example, created lift advertising campaigns together with contents on Official Social Media Accounts, collaborations with KOLs and KOCs on

Little Red Book and Douyin or organized specific launches and campaigns for shopping festivals like 618 Shopping Festival or 11.11 Single's Day Shopping Festival.

I firmly believe Chinese digital landscape growth is the key to reach the most incredible results ever because, thanks to its speed and variety of contents reaching consumers is easier than before. The reason is that using offline approach only, could be difficult both due to other competitors' strategies and the greatness of the Chinese territory, that at the same time makes difficult to reach users using physical strategies.

So, as Locker rightly did, the first step is to build awareness of the brand in China, using as much as possible touchpoints, above all the online one. The first step indeed, for those who cannot manage themselves an office in China, is to work with agencies which can successfully help them to open their brand Official Account on Weibo, WeChat and after completed the awareness stage, going through Little Red Book and Douyin, not only simple Official Accounts but also Social Commerce platforms.

Only after these steps, consumers will be interested in that product and brand, they will engage on the published contents and participate to online contests, which have been very profitable for Locker and finally buy the product, both using the same platform in which they found the Brand, like Little Red Book, but also on specific e-commerce platforms like Tmall or JD.com, the last step to open and finally have results and ROI of the campaigns.

Moreover, as already shown in the previous chapter, these last 20 years of Locker business in China has changed. The main innovations regarded its communication strategy, its approach to the market and little also its distribution, not removing the already well-developed one but integrating it with e-commerce platforms and a direct seller strategy.

This new approach of Locker totally renewed the way in which people thought about Locker in China and, even though the problems caused by Brand name and Logo adoption in China, not perfectly adapted to Chinese consumers, the Brand grew up its business more than before.

The evidence is certainly the strong impact reached thanks to the last year campaigns, both offline and online. Thanks to the upgrade of distribution system, and opening of these new channels, more Chinese consumers, above all young

generations started to buy Loacker products not only in local shops but also online through successful livestreaming selling sessions. As the first chapter evidenced indeed, Chinese digital natives now represent about 15% of China's population and are considered the main players of domestic consumption growth, are the main users of innovative technologies and are quite interested in international brands' products.

In the end, I believe Loacker could gain even more objectives and results during next years, maybe enriching the actual digital approach with new digital trends like Metaverse, NFT, Digital Yuan, collaboration with upcoming virtual idols like Ayayi, already partner of some international brands active in the Chinese market, and other future and currently still unknown potential strategies of success.

INTERVIEW TRANSCRIPTION

Interviewed: Juan Pablo Carriquiry

Chi è Juan Pablo? Juan Pablo è attualmente il China Market Representative per Loacker, con sede a Shanghai. Dopo un'esperienza lunga più di 14 anni in Cina e aver lavorato con diverse aziende quali L'Oréal, Danone, Vileda e Ferrero, ha iniziato una propria attività e anche il suo percorso in Loacker.

La famiglia Loacker in Cina è attualmente composta da poche persone che si occupano della gestione del business, dell'e-commerce e della comunicazione offline.

D: Vista la presenza, da molti anni di Loacker in Cina, potresti parlarmi un po' di come è iniziato e di come è cambiata negli ultimi anni?

R: Loacker è entrata in Cina più di 20 anni fa, con un distributore originario di Hong Kong, che c'è ancora, come si era soliti nei anni '90 e primi anni 2000, ovvero entrando nel mercato cinese del Food & Beverage attraverso il Guangdong. Questo ovviamente perchè, dato anche il fatto che si parlava la stessa lingua, il cantonese, era più semplice muoversi tra Shenzhen e Hong Kong, così come provare diversi prodotti, quindi era più facile il flusso della supply chain. Quindi, come tante altre aziende, ha iniziato a svilupparsi dal Sud della Cina conquistando poi Shanghai, Pechino e il resto del Paese.

Così come molte aziende di medie dimensioni, data la non approfondita conoscenza del mercato cinese e un budget non così elevato da investire per costruire una base marketing/vendite in loco, Locker ha iniziato il tuo percorso in questo modo.

Data la distanza geografica dell'azienda, non c'è, in Cina, una chiara visibilità di quello che succede, così come il fuso orario, la cultura o la lingua sono tutte cause della difficile comunicazione tra i due. Vista la grandezza del mercato cinese, Locker ha impostato le sue vendite secondo il business di trading. I prodotti di Locker sono stati molto apprezzati in Cina perché, grazie a qualità come il "Made in Italy", la crunchiness del wafer e il fatto di non essere troppo dolce, sono un prodotto gradito ai cinesi, così come per i Ferrero Rocher, ad esempio, e per questo sono stati gestiti da diversi distributori e retailer all'interno della value chain, tutti fattori che hanno facilitato una grossa distribuzione all'interno del Paese.

Tutto questo ha comportato una certa visibilità, anche se non riconducibile al nome perché, infatti, per i cinesi è molto difficile leggere il nome "Locker" e, per questo, associano i loro prodotti al nome "Laijia" (莱家), che non è nel packaging e, per questo, solo vedendo effettivamente il prodotto riescono a riconoscerlo. Questi aspetti, sia l'assenza del nome, sia l'assenza di investimenti marketing dato il business di trading, hanno fatto sì che non si generasse awareness nel consumatore cinese. Quindi, l'unico modo per acquistare i prodotti era gestire per bene la distribuzione, e così è stato, ma senza particolari investimenti in marketing, visual, offerte speciali alle casse, perché per gli importatori era abbastanza. Ciò che gli importatori guadagnavano non veniva reinvestito in maniera intelligente generando più business e promozioni perché secondo loro, con la crescita del business in Cina, ci sarebbe stato il rischio che l'azienda decidesse di aprire una sede fisica tagliando sui distributori locali.

Parlando di tempi recenti, posso dire che nonostante si fosse raggiunto una size in termini di vendite di circa 20.000.000 di euro grazie alla distribuzione, non si era davvero presenti sul territorio e sui giusti canali, che invece stavano iniziando a riscontrare una discreta crescita generale. (Alibaba, Pinduoduo etc.) Questo, così come il calo delle vendite nei supermercati, ha fatto sì che ci si accorgesse che non si cresceva più come prima e che la vera crescita era nelle mani di negozi di prossimità e il digital. Come risolvere la questione quindi? Ovviamente per poter avere una possibilità in questa nuova prospettiva erano necessarie delle capabilities differenti da

quelle degli importatori, così come esperienza, prodotti dedicati e quant'altro, come una maggiore conoscenza dei consumatori e delle loro abitudini d'acquisto. Tutte cose difficili da gestire a distanza, dall'Italia.

Oggi, da tre anni a questa parte, Loacker ha fatto dei cambiamenti per far fronte a questi problemi iniziando con la creazione di un Flagship Store su Tmall, una monomarca che permette sia di aumentare le vendite sia di comunicare la cultura aziendale, il prodotto, i valori aziendali, il paesaggio e il contesto mozzafiato in cui si trova, la qualità del prodotto e la storia dell'azienda. Tutto questo al cliente cinese, come qualsiasi altro piace, e gli permette di riconoscere la qualità e la bontà dei prodotti come anche delle materie prime utilizzate. Ecco, tutto questo prima mancava.

Anche l'e-commerce è stato implementato, molto importante nel digital, dove non serve solo un Flagship Store, ma serve anche essere presenti su Tmall Supermarket, il C2C di Taobao, Pinduoduo, Douyin e tutto l'aspetto relativo ai social media dove poter promuovere il Brand e rimandare, attraverso link e QR code, all'acquisto online.

Prima di tutto questo, diciamo che Loacker si trovava a dover colmare un certo gap di crescita e innovazione rispetto ad altre aziende, così come tutto il settore F&B.

Successivamente si è passati a capire che tipo di prodotti fossero adatti per determinati distributori, per esempio, per i convenience stores era necessario realizzare dei packaging un po' più piccoli, con margini più ridotti e continue promozioni per spingere a provare il prodotto. I convenience store rimangono comunque un punto saldo perché, soprattutto durante la pandemia, periodo di brevi spostamenti, la gente preferiva recarsi proprio in questi negozi di prossimità.

Quindi riassumendo: Canali giusti, giuste capacità e giusto focus.

Prima, quando ci si basava solo su importatori e distributori, il focus mancava. Perché? Perché controllare un Paese così grande, a distanza, è davvero difficile ed essere a conoscenza delle necessità o di come si venda il tuo prodotto nei piccoli paesini di provincia e sperduti nel territorio cinese, altrettanto. Quindi si è deciso di mantenere, in parte, questo tipo di distribuzione affiancando un'altra, quella di cui abbiamo appena parlato.

Successivamente si è passati a fare focus nelle città giuste, ripartendo da Shanghai, Beijing e Guangzhou, per poi spostarsi su Hangzhou, Suzhou, Nanjing, Sheng Zheng

etc. In questo modo ci si è concentrati sulle città con una maggiore densità di popolazione, soprattutto appartenenti alla classe media, maggiori vendite e possibilità di investimenti migliori.

Il marketing era una grande lacuna di Loacker perché gli importatori non vi si dedicavano troppo e quindi era necessario implementarlo. Come? Attraverso un buon utilizzo dei social media ma anche attraverso altre forme di advertising come cartelloni pubblicitari all'interno degli ascensori o in metro, tutti mezzi che avrebbero portato ad aumentare l'awareness. Tutto questo non c'era.

Si è iniziato aiutando gli importatori ad affiancargli qualcuno in Cina in modo da ovviare il processo di distribuzione e facendo degli investimenti più grossi lato marketing.

Dopo tutti questi sforzi i risultati si sono visti, Loacker è cresciuta fino ad ora e continua a crescere, quest'anno si prevede una crescita del 20%, e nei prossimi 5 e 10 anni si prevede di raddoppiare e triplicare, rispettivamente, le vendite. Si tratta sicuramente di piani aggressivi, ma anche di piani ben strutturati per target, città, cliente e canali.

Una domanda, dunque, oltre al Flagship store e all'utilizzo della distribuzione, avete intenzione di aprire degli store fisici monomarca?

No, non abbiamo intenzione di averli per diversi motivi: in primis l'awareness generata da questo tipo di store, per quanto possa essere ben fatto o posizionato in una bella location, è molto limitata, soprattutto considerando dove si troverebbero e la presenza decisamente limitata (anche 200 non basterebbero) se paragonata alla vastità del territorio; in secundis, i costi (per la location, logistici, per il personale e quant'altro) sarebbero troppo elevati e non varrebbe la pena realizzarli. Anche farne soltanto 5 a scopo advertising sarebbe decisamente inutile.

Invece sempre rimanendo in area digital, avete pensato anche a un piano di vendite in live streaming?

Sì, abbiamo iniziato ad utilizzare il live streaming quest'anno attraverso dei piccoli KOL e dei KOC preparandoci al botto che abbiamo avuto con il selling live streaming di giugno con Li Jiaqi e Weiya. È stato un vero e proprio successo perché abbiamo venduto 75.000 confezioni di quadratini da 250g in 3 minuti; quindi, è stato davvero impressionante e centinaia di migliaia di persone che li hanno visti presentare ha avuto un forte impatto sia sull'awareness sia sulle vendite, che sono in aumento del 10% sul Flagship Store.

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