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UNIVERSITE CATHOLIQUE DE LOUVAIN

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**The Chinese Organic Market:
Challenges and Opportunities for European Companies**

Academic Director:
Jean-Christophe Defraigne

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Submitted by

Roxane de Callataÿ

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Abstract

This thesis aims at guiding European companies in their conquest of the Chinese organic market. It covers an in-depth analysis of the marketplace and an extensive literature review of its consumers with a view to providing insights into the attitudes of Chinese organic consumers, their preferences and purchase behaviours. To complement theory, the case of Belvas SA, a Belgian manufacturer of organic fair-trade chocolate based in Ghislenghien (Hainaut), is meant to support and illustrate the problematic. Furthermore, a field research, structured around four specific research questions related to the mind-set of Chinese consumers, has been conducted in Beijing throughout June 2016 to present a comprehensive picture of the current habits and beliefs in China. To sum up, this thesis builds further on the current international business knowledge of the Chinese organic market, and is interesting for European companies willing to export organic food to China since concrete recommendations are given on how to address this particular market.

Key words:

Organic Food – Chinese Consumers – Recommendations for Export – Business in China

My thesis provided me with a wonderful opportunity to explore a challenging topic and meet fascinating people in China as well as in Belgium. I would like to thank them for their valuable assistance along the way: Jean-Christophe Defraigne, my academic director, for his support, experience and competent advice; Thierry Noesen, CEO of Belvas, for his experience in China and his willingness to succeed on the Chinese organic market; My parents, Suzanne and Christophe de Callataÿ for their continuous support and their valuable tips; Li Heyi 李和怡 for the translation of my survey into Chinese, as well as her time and patience; And Professor Zheng and Professor Beyer von Morgenstern for their inspiring academic experience at Tsinghua School of Economics and Management.

I hope that my thesis will contribute to the advancement of scientific research and help European corporations to develop and market their organic food products in China. I could not agree more with Sheth, who wrote: *“research on emerging markets is not just a “nice thing to do”; it is increasingly becoming a necessity”* (2011, p.180), especially in a context where, *“China’s development poses the greatest ever environmental challenge for the modern world in terms of speed, size and scarcity”* (Ho, 2006, p.3).

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1. Part 1: Introduction

1.1 Chapter 1: General Introduction

Fascinated by the complexity of doing business in China, the author decided to focus this thesis on the Chinese consumers and the inherent cross-cultural challenges for European companies to access and penetrate this important marketplace. To be positioned ahead of the curve it was crucial to acquire deep knowledge on how to address the needs and values of the ‘new Chinese consumers’¹, who are currently reshaping the global business eco-system on a massive and unprecedented scale. This interest has been nurtured during the studies of the author and has eventually led her, this year, to the Tsinghua School of Economics and Management in Beijing for her exchange program, as part of the CEMS Master in International Management. The objective of this thesis, therefore, is to make an in-depth analysis of the Chinese organic market and its consumers in order to detect challenges and opportunities for European companies. Despite the lack of data, combined with a lack of transparency, the hope of shedding light on an under-investigated topic and of providing guidance to Western companies prevailed in the decision to conduct this research. The interest of this thesis also rests on the fact that in a context of limited natural resources, the economic growth of the most populated country poses a major global challenge to the protection of the environment and the world eco-system. The development of the organic food market can be seen as a proxy for the interest of Chinese consumers in sustainable and environmental friendly innovations².

The case of Belvas, a Belgian manufacturer of organic fair-trade chocolate based in Ghislenghien (Hainaut), is meant to support and illustrate the problematic of this thesis. Indeed, attracted by the high potential of the Chinese organic market, the company launched its products in China two years ago but failed, as the challenges and barriers unfortunately got the upper hand over the potential opportunities. This strategic failure was due to a misunderstanding of the market and of its consumers. Therefore, to make recommendations for success in China and to give insights into the behaviours of Chinese organic consumers, this thesis covers an analysis of the Chinese organic market (Part 2), an extensive literature review of the preferences, behaviours and motives of Chinese organic consumers (Part 3) and an

¹ (Zhou and Wong, 2008)

² (Thøgersen and Zhou, 2012)

exploratory field research with an online survey during the author's stay in Beijing (Part 4) to present a comprehensive picture of the current habits and beliefs in China.

Furthermore, this thesis confronts the theory with the experiences and frameworks of teachers (like Professor Zheng and Professor Beyer von Morgenstern) at Tsinghua University, considered as the best university in Mainland China.

1.1.1 Case Study

The problematic of this thesis is to understand how the Chinese organic market is evolving and if it could be an interesting opportunity for European companies to export organic food to China. Indeed, many people are aware of the challenging market conditions in China, as well as risks and potential growth opportunities. However, few people know how to reach the Chinese consumers and how to address their complexity and uniqueness, in a fast moving market economy.

1.1.2 Personal Research Interests

Some foreign companies have failed to take advantage of the opportunities of the changing Chinese market in the last decade. Many of them decided to move to China to benefit from the short-term benefits but have not made the effort to understand the Chinese consumer thoroughly and to adapt their business model to the particularities of the Chinese market. Since most of them have only made minor changes to their business model to address the Chinese market, they have, in the best case, been able to report exceptional results to their headquarters without unreasonable investments. However, their future financial performances in China might be compromised as they have only been able to benefit from the natural growth of the Chinese market, but they have not taken advantage of the demographic changes within the country³. According to Professor Dr Ingo Beyer von Morgenstern, partner at McKinsey & Company, their growth has often been lower than the growth of their local competitors and they have been pushed towards the high-end of the population, which is getting smaller and smaller. This means that their future growth could be jeopardized in China and they might be pushed aside by local Chinese competitors, even in their home markets, as Chinese firms have been able to reach the Chinese middle class market with cheaper and often better-tailored products

³ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

and are now moving to the West with their products, like Huawei and Haier (Beyer von Morgenstern, 2016).⁴ However, for the sake of precaution, it is worth mentioning that this is only one prediction, amongst others.

The Chinese organic market caught the author's attention because of its impressive evolution in recent years. To put into perspective, between 2000 and 2006, China moved up forty-three places in the worldwide ranking of organic land, from forty-fifth to second (Paull, 2008a). Also, in 2006, China increased the considered global organic land by twelve per cent and was, therefore, responsible for sixty-three per cent of the annual global increase of land under organic rules (Paull, 2008a). Already in 2008, John Paull commented: *"China's Organic Revolution has put it at the forefront of the worldwide organic movement, with now, most likely, more organic farmers and more land under organic horticulture than any other country"* (Paull, 2008a, p.262). Two years later, Lagos *et al.* nuanced this statement by forecasting: *"within ten years, annual organic consumption growth might be 30 to 50 per cent. If such growth is realised, China will eventually become the fourth largest organic market in the world. Post believes that the trend will indeed continue increasing, and that significant gains are possible in the medium term"* (Lagos, Scott, Rasmussen, Bugang, Chen and Sindelar, 2010, p7). Reliable data is lacking for more recent statistics.

In view of these developments, studying a Chinese growing market with a focus on consumers is extremely valuable in the development of one's professional career, business knowledge and experience.

1.1.3 Methodology

The conclusions and recommendations of this thesis rely on three main parts:

- (1) A general overview and state-of-play of the current situation of the Chinese organic market;
- (2) An extensive literature review of the Chinese organic consumers;
- (3) An exploratory empirical research to detect trends and opportunities in the Chinese organic market and its consumers.

⁴ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

Those elements are necessary to understand, master and forecast the opportunities of the Chinese organic market and the Chinese organic consumers for European companies. Indeed, the general overview of the current situation focuses on the market by combining theoretical findings and practical insights through the experiences of Belvas, a Belgian organic chocolate company. The literature review summarizes the current state of the published academic literature on the consumers. Finally, the empirical research aims at deepening the research on the Chinese consumers by looking at four specific research questions with respondents in Beijing (see Part 4: Empirical Research for the research questions).

1.1.4 Scope

This thesis will take a European perspective on the demand for organic food products by the Chinese organic consumers of Mainland China with a focus on Tier 1 cities (like Beijing, Shanghai, Shenzhen and Guangzhou). The production and export of organic food in China, as well as the consumers of Hong Kong and Macao will not be covered in this particular analysis.

1.1.5 Challenges

When studying a trendy Chinese market and its consumers, three main challenges arise. First, the cultural and language barrier limit the access to Chinese authors and literature. Secondly, because government-related entities tend to embellish figures, statistics and numbers, the interpretation of the collected data might be distorted. Also, the censorship and the propaganda related to sensitive issues (like pollution) are omnipresent and data research or data transmission tools, like Google are not allowed in China, which makes it challenging to find reliable information during a stay in Beijing. The censorship of Facebook, in turn, makes it difficult to reach Chinese consumers by means of an online survey. Finally, the study of a recent trend implies that it is difficult to take a step back, as most of the writings are recent and descriptive. Consequently, the reader must consciously keep these challenges in mind during his or her reading.

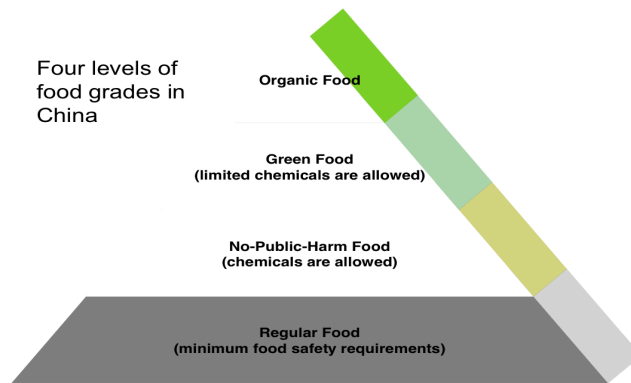
1.1.6 Definitions

Before introducing the current situation of the Chinese organic market, a conceptual background is needed to clearly define certain concepts.

1.1.6.1 Food Certification Labels

As indicated on the graph in Figure 1, China knows different types of labels for food products besides regular food: no-public-harm food, green food and organic food (Lagos *et al.*, 2010).

Figure 1: The Four Types of Food in China



(Source: Lagos *et al.*, 2010, p.11)

The definitions of the three labels are the following:

- Organic = “Organic food is produced using methods that do not involve modern synthetic inputs such as synthetic pesticides and chemical fertilizers, are not genetically modified, and are not processed using irradiation, industrial solvents, or chemical food additives”(Woke, 2011).
- Green = “Green food refers to a growing sector of production that uses a limited amount of chemicals” (Datamonitor, 2004, p.7).
- No-harm = hazard free or non-polluted food (Chen, Lobo and Rajendran, 2014) = “‘No-public-harm Food’ is the minimum food safety requirements developed by the Chinese government. [...] At the current time, most Chinese food products do not meet these minimum safety standards” (Chen, 2006, p.22).

1.1.6.2 City Tier System

China counts 600 cities with very different backgrounds, populations, business opportunities, average household incomes and economic developments. Therefore, to structure and improve business in China, analysts and business people have introduced a classification system: the city tier system. This classification system is not official but is used by most of the people inside as well as outside China to determine the attractiveness of a particular city, for investors for instance. Despite the lack of official classification standards, the system usually refers to

five concepts: Tier-1 cities, Tier-2 cities, Tier-3 cities, Tier-4 cities and Tier-5 cities. Those are non-official clusters of cities with similar sizes, growth rates and opportunities. Macau and Hong Kong are not included in the system (Cheng, 2014).

In short, Beijing, Shanghai, Shenzhen and Guangzhou are Tier-1 cities. They are the most international, most developed and prosperous cities of China with the most educated and affluent consumers. They attract many domestic and foreign investors as they drive the economic development for the last decades. The Tier-2 cities are increasingly popular for investors because of their rapid growth. Their consumers are becoming wealthier and have more access to consumption. Tier-3 cities and Tier-4 cities are less international, less developed and currently less expensive but the potential of growth is significant. Tier-5 cities typically are smaller rural cities (Cheng, 2014).

2. Part 2: The Chinese Organic Market

This part aims at summarizing the current situation in theory, as well as in practice. The first chapter covers an introduction to the Chinese economy and its challenges, an overview of the recent food scandals as well as current pollution issues in China, the Chinese organic market, the overall trends, innovations and legal framework. The second chapter illustrates the challenges and opportunities for foreign companies through the case study of Belvas, a Belgian company. The focus is on the market, while needs and behaviours of the consumers will be discussed in Part 3.

2.1 Chapter 1: Current Situation

2.1.1 Introduction to the Chinese Economy and the Demographic Challenges

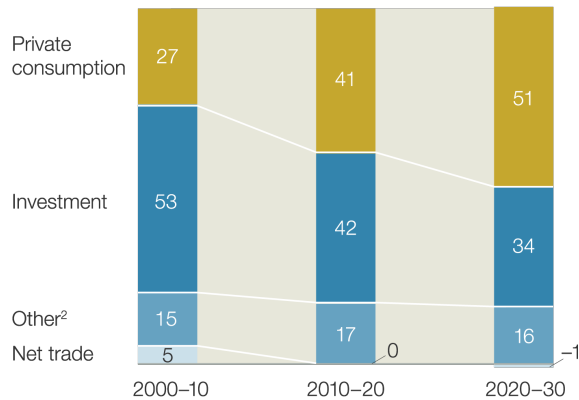
In 1978, before its open door policy, the People's Republic of China limited its international trade and maintained a rigid state control on imports in order to become industrially independent (Wei, 1995). This reluctance towards foreign investment and trade, implied limited exports to the rest of the world, a relatively low share of world trade and, therefore, a relatively poor ranking (thirty-second) on the worldwide volume of exports (Wei, 1995). However, the shift from a centrally planned economy to a market dominated economy (Christiansen, 2009) in the 1970s, and the membership in 2001 of the World Trade Organization (WTO), have allowed the country to benefit from an average GDP growth rate of nine per cent annually over the last twenty years, and, therefore become the fastest growing economy, as well as one of the most important trading countries worldwide (Coleman, 2015). Today, its GDP Annual Growth Rate is 6,7 per cent, which is the lowest rate since 2009 (Trading Economics, 2016). This has led the Chinese Communist Party to speed up⁵ the progressive move towards a consumer-driven economy, which implies a service- and consumption-driven approach, to react to the slowing growth (McKinsey&Company, 2013). The objective of the policies put in place by the government is threefold: boost the growth of the household incomes, enhance the social safety system and enlarge the service industry and the private companies, in particular SMEs (McKinsey&Company, 2013). The consultants of McKinsey expect the productivity and efficiency of the workers and the government to increase in the following years, which will

⁵ For further information, please refer to: Lardy, N.R. (2006). China: Toward a Consumption-Driven Growth Path. *Institute for International Economics*, No. PB06-6, 1-13.

transform the structure of GDP from mainly investment- to primarily consumption-led (see Figure 2 for the graph) (McKinsey&Company, 2013).

Figure 2: GDP Structure of China

Real GDP growth decomposition,¹ %



(Source: McKinsey&Company, 2013)

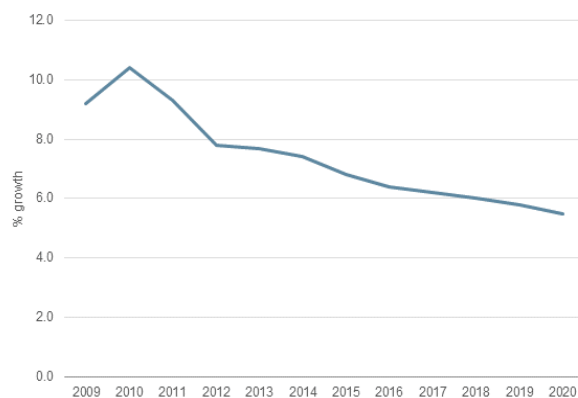
They also expect the growing cities, especially the smaller cities with currently less than 1,5 million people, to be crucial in the next few years because of their extremely high contribution to the overall urban GDP increase. Indeed, their fast rise will count for forty per cent of the total increase, whereas cities with currently 1,5 to 5 million residents will have a contribution of twenty-five per cent. The remaining thirty per cent will be covered by the biggest cities. Finally, according to their analysis, China has a bright future for companies that will be able to adapt to new trends in developing cities, to benefit from the increasing demand for consumption goods and services, and to innovate (McKinsey&Company, 2013).

Size-wise the People Republic of China is the most populated country in the world with a population of 1,3 billion people (Coleman, 2015) and 452 million households (Boumphrey, 2015). However, opponents to the government claim that the one-child policy, introduced thirty-five years ago to avoid a demographic boom, has triggered a demographic crisis because of the combination of a rapidly ageing population with a shrinking labour force, as well as a serious gender imbalance (Phillips, 2016). The combination of one-child policy and difficult economic situation avoided 400 million births in three decades (Phillips, 2016). The former has therefore been loosened this year to address the economic challenges of the ageing population. All Chinese couples are now theoretically allowed to have two children (Phillips, 2016). But experts are sceptical about the long-term impact of this relaxation, especially in cities where the

cost of living is relatively high (Phillips, 2016). The Chinese population also has higher expectations than ever before, because of the combination of their access to more choice and their higher purchasing power⁶ (Davis, 2013). Indeed, in eight years, since 2000, “*the annual per capita disposable income of urban residents increased by about 250%⁷*” (Davis, 2013, p.353), which has made them increasingly demanding (Davis, 2013).

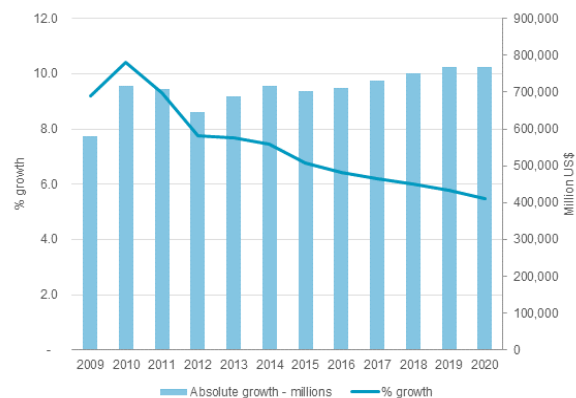
Another aspect worth mentioning when introducing the Chinese economy is the lack of transparency and the limited accessibility to verifiable data. Indeed, economists are even questioning the official GDP growth rates given by the Chinese government, as the curve is too smooth according to their expectations for such a rapid economic growth (Pilling, 2015). Therefore, as mentioned above, it must be taken into account that some numbers or recommendations might be biased due to the absence of sufficient transparent and verifiable data. Finally, many people are obsessed by the declining GDP growth rate, but by focusing too much on the percentages of the growth rate of the Chinese economy, those same people tend to loose sight of the bigger picture of the Chinese economy and its absolute numbers (Orr, 2016). Even if its GDP growth rate is lower than nine per cent today, the importance of the Chinese economy for the world, as well as its part in the worldwide economy is increasing (Orr, 2016). As shown on the graphs in Figure 3 and 4, China is growing in absolute numbers. Euromonitor International (2015) forecasts (with the prices of 2014 and an annual growth of 6,1%) an increased GDP of US\$3,728 billion by 2020, which can be compared to the contribution of the Eastern European economy (Boumphrey, 2015).

Figure 3: Real Growth of GDP of China



(Source: Boumphrey, 2015, p.1)

Figure 4: Real and Absolute Growths of GDP of China



(Source: Boumphrey, 2015, p.2)

⁶ Wang, G., Li, F., & Liu, X. (2008). The Development of the Retailing Industry in China, 1981–2005. *Journal of Marketing Channels*, 15, 145–166.

⁷ China Statistical Yearbook (2009). <http://www.stats.gov.cn/tjsj/ndsj/2009/indexeh.htm>

2.1.2 Pollution and Food Scandals in China

It goes without saying that many environmental challenges arise when a developing country with a population of one fifth of the entire planet starts economic reforms and rapidly becomes one of the leading economies in the world (The World Bank, 2016). Indeed, to boost its economic development, China has been using dirty, cheap and polluting coal for the last decades, which is extremely harmful for the people and the environment (The Guardian, 2016). Today, China has the highest emissions of CO₂ worldwide (Wong, 2016), has toxic smog and bad air quality in most of its big cities (The Guardian, 2016) and has an extremely polluted nature, because twenty per cent of its land and forty per cent of its rivers are dirty (Wright, 2015a). And as pollutants end up in consumers' plates, heavy pollution has important consequences on the food industry, especially on the agricultural sector (Wright, 2015a). According to Chinese sources, already in 2008 nine million hectares of grown land were “*suffering from agricultural chemical contamination*”⁸ (Paull, 2008b, p.2).

Moreover, China's reputation has been harmed by many food safety scandals in the last decade. The most notorious, and the only one that will be detailed in this thesis⁹, is the Sanlu tainted milk powder scandal of 2008, which “*showcases all of the weaknesses of the Chinese political and economic system: poor enforcement of national standards at the local level, inadequate regulation, and a lack of accountability and transparency*” (Wishnick, 2009, p.210). In 2008, the Sanlu Group added melamine to its milk powder (Ramzy and Yang, 2008). Melamine is a chemical component of plastic that had been added to the milk powder to fake the protein amount (Ramzy and Yang, 2008). But because this tainted milk powder was toxic for infants, 300.000 babies fell ill, 16 developed kidney stones and 6 died (Huang, 2014). Many scandals erupted in the meantime, but the milk scandal became popular because it made it clear to the Chinese consumers that the government did not put the priority on public health and the safety of its people (Wishnick, 2009). It also triggered the reaction of Chinese consumers of preferring organic food and imported foreign products, because of their perceived higher safety and quality (Wright, 2015a).

To summarize, domestic and international trust in Chinese food weakened over the past decade due to the combination of food safety scandals and a polluted environment.

⁸ MOA (2004). Report on the State of China's Food Security. Ministry of Agriculture, Beijing, April.

⁹ But in 2011 seven important food scares occurred (Carey, 2012).

However, McKinsey & Company destroys the myth of the inability of the country to recover from its environmental issues and encourages positive thinking about China. First, in most of the cases, the shift to an industrial economy inevitably leads to more pollution. Many countries experienced this shift before but managed nevertheless to move forward (Woetzel, 2015). Also, Chinese do care about the situation as many of them (more than hundred fifty million people in three days) watched the “Under the Dome” documentary presented by Chai Jing last year, which describes the dramatic facts about the air-pollution of the country. Furthermore, many measures are taken by the government to reduce the consumption of coal and to help companies use greener energies (Woetzel, 2015). Indeed, the government has recently announced in its 13th Five-Year Plan, which lists the social and economic priorities for the period of 2016 to 2020 (Haacke, 2015), that it would tackle the severe pollution and the lack of energy efficiency (The World Bank, 2016).

2.1.3 Chinese Organic Market

The Chinese organic market is a ¥10 billion¹⁰ market (Euromonitor International, 2016). It is in its early development stage (Euromonitor International, 2016) since it currently represents only 1,01% of the total food market in China (Wright, 2015a) and 3% in the Chinese health and wellness packaged food market (Euromonitor International, 2016). It is also an inhomogeneous market as organic milk represented 96% of the market value sales in 2015 (Euromonitor International, 2016).

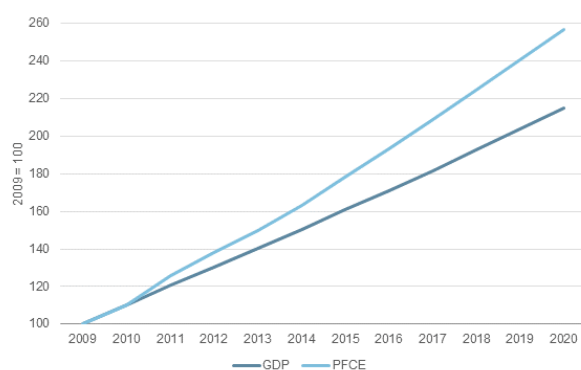
However, forecasts of its growth are optimistic¹¹ as it reported a 25% growth last year (Euromonitor International, 2016), tripled in 8 years and is still much lower than the average of 5 to 8% in developed countries (Wright, 2015a). Moreover, even if the Chinese organic market is currently mostly export-oriented (Xin, Xiang and Xinpeng, 2015), both the increasing interest in safe and healthy products amongst the Chinese consumers and the increasing household incomes are fuelling the Chinese demand for organic products (Euromonitor International, 2016). Indeed, the trend for health and wellness is characterized by a growing interest for natural diets and organic products, which are seen as less artificial, tastier and of higher quality (Euromonitor International, 2016). In addition, with the economic shift of investment to consumption, the private consumption growth will be higher than the real GDP

¹⁰ At the date of 11th of May 2016, the exchange rate was: €1 = ¥7,413 (European Central Bank, 2016).

¹¹ Value of sales = ¥21 billion in 2020 (at constant current prices) with a 16% Compound Annual Growth Rate (Euromonitor International, 2016).

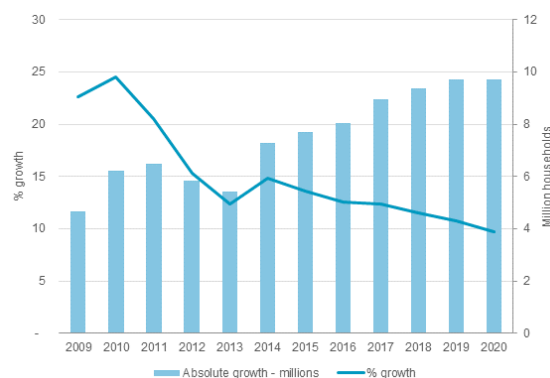
growth in the next five years (Boumphrey, 2015) (see Figures 5 and 6 for the graphs with the exact numbers). The incomes of Chinese households will also continue to grow and, in the next 4 years, the number of households in China with a US\$25.000 disposable income (based on the prices of 2014) will increase by 45,8 million, which covers more than all the German households (Boumphrey, 2015) (see Figures 5 and 6 for the exact numbers). This will have a positive impact on the sales of organic products to middle and high-income households, especially in big cities (Euromonitor International, 2016). Basically, the market is currently attracting only the “*high-income health-conscious consumers*” (Euromonitor International, 2016, p.2) but its target is growing fast and the absolute numbers are relatively important, because a small percentage in China is not comparable to a small percentage in Europe.

Figure 5: Private Consumption and Real GDP



(Source: Boumphrey, 2015, p.2)

Figure 6: Absolute Growth of Household Incomes



(Source: Boumphrey, 2015, p.3)

This growing market induces interesting opportunities for businesses as well as the hope for a brighter future for public health (Xin, Xiang and Xinpeng, 2015). As mentioned by Xin, Xiang and Xinpeng: “*the recent development in the organic agriculture space in China has been interesting from a business perspective*” (Xin, Xiang and Xinpeng, 2015, p.1). Indeed, to satisfy the increasing demand, high-end stores and specialty supermarkets are popping up like mushrooms in China. Ole Supermarkets, for instance, a new chain of supermarkets, selling mainly imported products, benefits from the trend and expands impressively in the big Chinese cities (with an estimation of fifty stores annually) (Wright, 2015a). Carrefour and Wal-Mart also reacted to the trend, and have both introduced special policies in China to provide safer food. Carrefour developed a “food safety lab” in order to check the quality of the food before it is sold, and Wal-Mart invested in a cooperation of carefully selected farms for its organic and green food, which is in line with its Direct Farm Program of 2007 (Wright, 2015a).

However, the main barriers to the growth of the Chinese organic market are the lack of trust in organic certifications, the high premium prices and the limited access to organic products (Euromonitor International, 2016):

- (1) Consumers are sceptical about the organic concept because of historical food scandals and misuse of the labels. However, trust is coming back recently, because of stricter regulations of the certification process¹². It becomes more controlled and trusted by the Chinese consumers (Euromonitor International, 2016).
- (2) According to a survey conducted in Beijing and Shanghai (with 204 respondents), 71% of Chinese organic buyers would pay a 20 to 50% price premium for organic food (Wright, 2015a). Organic products are relatively expensive in China, because of the rigid organic certification process and the high-end positioning of the existing brands. Therefore most of the Chinese consumers cannot afford to pay the high premium price. For instance, organic milk is often sold twice the price (Euromonitor International, 2016). For concrete price premiums of three retailers in Beijing (in 2010), please refer to Appendix 1 (Lagos *et al.*, 2010).
- (3) Distribution of organic food is limited because of the relatively low demand. However, the numbers indicate that a recent shift is noticed in the distribution of organic products from small specialists retailers to big supermarkets and hypermarkets, because those channels also want to benefit from the high individual profit margins and the increasing demand (see Appendix 2 for the exact numbers) (Euromonitor International, 2016). Two important companies of the dairy industry, Inner Mongolia Mengniu and Inner Mongolia Yili, have initiated this shift by leveraging on their own distribution chains to reach smaller towns and different types of channels. This shift has thus a very important positive impact on the sales of organic products as it increases the accessibility to different consumers and will probably push down the prices¹³ (Euromonitor International, 2016). See Appendix 2 for more details about the distribution channels from 2010 to 2015.

¹² The China Organic Food Certification Organisation is in charge of the certification process. The official organic certification is only assigned if strict conditions are met. This means that no non-organic pesticides, preservatives, fertilisers or additives can be used in the production process of food (Euromonitor International, 2016).

¹³ According to the forecasts of Euromonitor International, the unit prices of vegetables/ seed oil will drop by 9% in the next years, and the unit prices of milk, by 1%. This has been computed with the prices of 2015 (Euromonitor International, 2016).

The market is currently mainly driven by four types of products: milk, vegetables, rice and prepared baby food, but incumbents introduce new products to the market to benefit from the profitable trend and the high growth potential (Euromonitor International, 2016).

Regarding competition, the main players of the packaged food market are the Chinese dairy companies Inner Mongolia Mengniu and Inner Mongolia Yili. Together, they possessed 68% of the market last year, with a more or less equal contribution. The third company is Inner Mongolia Shengmu Organic Milk, a specialist in organics, and holds a 16% share of the market. For the baby food market, Hain Celestial has 82% of the market value. The presence of multinationals is marginal in this market (Euromonitor International, 2016). However, foreign imports of organic food have a brighter future, as China is forecasted to become the first importer of foreign food items in two years. The value of the food imports is expected to value 480billion RMB and, according to Kimberly Wright, the imported organic products will become particularly interesting, as they are more and more accessible to the Chinese consumers, and hence, considered as more affordable (Wright, 2015b).

Finally, the International Trade Centre has identified eight groups of organic consumers in China: *“white collar families, families with young children, families with health issues, overseas returnees, business people from Chinese Taipei and Hong Kong (China), government officials, young people, and foreigners living in China. White collar families, accounting for 40% of organic consumers, are the largest group”* (International Trade Centre, 2011, p.8). They want to buy organic food because they are convinced that it is better for their health, the taste is superior and it is environmental friendlier (Thøgersen and Zhou, 2012).

2.1.4 Trends in the Chinese Organic Market

2.1.4.1 Online sales

Online distribution platforms specialized in organic food products have emerged as an alternative solution for Chinese consumers and a promising option for the growth of the organic market in China. On the one hand, it overcomes two of the main barriers for most of the consumers as it is a cheaper and more transparent about the certifications, and on the other hand it responds to the growing demand of smaller cities in China, that are almost not served by the physical organic stores. Today, KateandKimi.com and FieldsChina.com are the two most

popular online retailers for organic products and FieldsChina.com sells its products to consumers of more than two hundred Chinese cities (Wright, 2015b). This goes along with the forecast of Professor Doctor Ingo Beyer von Morgenstern, partner at McKinsey & Company: *“Growth in private consumption and the largest internet community globally will bring large expansion of e-commerce platforms as physical retail networks are unable to expand fast enough to meet demand”*¹⁴ (Beyer von Morgenstern, 2016). However, two farms, HaSi Farm, in Beijing, and DuoLi Farm, in Shanghai, have succeeded by developing a different business model. Both have integrated the complete supply chain of their organic products, from the farming to the door-to-door delivery. This successful business model allows the players to better control the quality of the food and to have higher margins. To marketing their business, both use WeChat, the local social network, more or less equivalent to Whatsapp, and word-of-mouth (Xin, Xiang and Xinpeng, 2015).

2.1.4.2 Smaller Portions

Regarding the perceptions of consumers, convenience and quality must be met to satisfy their expectations. For quality, the consumers expect safety, functionality, freshness and credible certification labels, whereas for convenience, consumers prefer to have smaller quantities, that are cheaper, easy to store and to prepare, as well as accessible in hypermarkets and supermarkets (International Trade Center, 2011). According to Professor Doctor Ingo Beyer von Morgenstern¹⁵, partner at McKinsey & Company, Chinese consumers go four times more often to retail stores than European consumers, but the size of their basket is on average two thirds smaller. Retailers should, therefore, adapt the size of the products to the needs of the Chinese consumers, instead of ignoring the cultural differences (Beyer von Morgenstern, 2016).

2.1.4.3 Online Promotion

To promote the market, the cheapest and the most used mean is the Internet, since the target group are frequent users of it. Many retailers use the Internet to sell their organic products online, but some use it only as a way to advertise about their brand and be transparent about their certification process (International Trade Center, 2011). For the colours, one must know

¹⁴ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

¹⁵ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

that some colours cannot be used to promote products in the Chinese culture. White, for instance, might refer to death and mourning and should be avoided where possible (Aslam, 2006). For a deeper understanding of the different meanings of colour in the Chinese culture, please refer to Appendix 3.

Moreover, because Chinese people are extremely price sensitive they like to receive advertisements on their phone. As a result, videos and advertisements are sent on a daily basis to most of Chinese phone numbers.

2.1.4.4 Organic Gifts

Another trend in the organic market is the use of organic food as presents. Since many consumers are concerned about the safety of their food but cannot afford the considerable price premiums, in both, professional and private contexts, organic products are offered as valuable gifts to show gratitude and care (Lagos *et al.*, 2010).

From the author's personal experience in Beijing, gifts are extremely important for social life in China, and people are willing to spend an important percentage of their income for presents to family members and friends. This might be due to the isolation of most of Chinese people, who are working or studying far from home, and the importance of close family relationships in a collectivist culture.

2.1.5 Green Food Innovation

Organic food has been invented in Europe¹⁶ (Thøgersen and Zhou, 2012). However, in 1990, China came up with the innovative concept of Green Food to tackle the abusive use of chemical pesticides in the food production. This certification, halfway between regular and organic food, was divided five years later into two grades (A and AA) to bridge the gap with the international organic certification (Paull, 2008b). *“For the production of Green Food A, the use of pesticides, fertilizers, and other agricultural chemicals is extremely restricted. For Green Food AA, all chemicals are prohibited to be used in the production process. Therefore, Chinese Green Food AA is equivalent to organic food”*¹⁷ (Paull, 2008b, p.7). This has on the one hand

¹⁶ Lockeretz, W. (2007). *Organic farming: An international history*. Wallingford, UK: CABI.

¹⁷ Lu, W. (2005) Trade and Environment Dimensions in the Food and Food Processing Industries in Asia and the Pacific, A Country Case Study of China, Department of Agricultural Economics, Zhejiang University, Hangzhou.

allowed a smooth transition for farmers from chemical to organic farming and on the other hand allowed China to be seen as an agricultural innovator, since this model can be replicated by other countries willing to move to a massive production of organic food (Paull, 2008b). A few years ago, most of the people were already familiar with the Green Food certification, which was not yet the case for the organic label (Paull, 2008b). The table below sheds light on the different types of Chinese eco-food as well as their relative importance and productivity rate in 2007. Unfortunately, reliable data for recent numbers is lacking. Since it is not the focus of this thesis, the table only aims at giving a reasonable idea of the proportions.

	Organic	Green	No harm/ Hazard free	Total
Hectares (million)	3,11	10	21,07	34,18
Percentage of total cultivated hectares in China	2,5	8,2	17,3	28,0
Percentage of total eco-food cultivated hectares in China	9,1	29,3	61,6	100
Tons (million)	19,56	72	152	243,56
Productivity (tons/hectare)	6,3	7,2	7,2	7,1

(Source: Paull, 2008b)

The accuracy of the measurements, as well as the classification into different categories, might be biased due to the overall pollution of the country and the lack of transparency of official figures. Indeed, because twenty per cent of land, and forty per cent of rivers are dirty due to pollution (Wright, 2015a), even agricultural land that is considered as organic, might be spoiled, and generate tainted food products.

Moreover, the table clearly indicates the pyramidal structure of eco-friendly food labels in China: the proportion of no-harm food is bigger than green food, which is in turn bigger than organic food (as shown in Figure 1 in Part 1). Moreover, the productivity of green food equals the productivity of no-harm food, whereas the price premium is higher. This means that both green food and organic food have a bright future since the potential loss of productivity is minor compared to the potential price premium of the final products. Finally, the innovation of green food can definitely be seen as a success since one third of the total eco-friendly food is considered as green today.

2.1.6 Legal Framework

Last year, the government has updated the Chinese Food Safety Law (which had not been changed for the last 6 years) to tackle the concerns related to food safety amongst the Chinese consumers, the lack of confidence in locally produced food, as well as the turmoil on the local social media about food scandals (Wright, 2015c). The Revised Food Safety Law of the People's Republic of China, considered as the *“harshes food safety regulation in China so far”* (Wright, 2015c), entered in application the 1st of October 2015 (Murphey, 2016). The main objectives of this revision were to improve the monitoring of the supply chain of food companies, to reinforce the overall regulation in China and to have stricter penalties in case of violation of the law (Fu, 2016). It has been enforced to solve the general dissatisfaction with the difference in quality between the Chinese exported products and the products for local consumption, as well as the lack of trust of Chinese consumers in domestically produced food. This revision might therefore also be seen as a crucial element of the aforementioned objective of boosting domestic consumption to maintain the economic growth of the country (Fu, 2016). This law has therefore important consequences for all the companies operating in the food industry in China, as the overall lack of trust was an important catalyst of foreign imports. Indeed, foreign companies detected that the rising middle class became an interesting target because of their readiness to pay a premium for foreign brands, as those were associated with safety and quality. In infant formula, for instance, local brands only share the last twenty per cent of the market (Wright, 2015c).

Since October 1st, 2015, the responsibility of online retailers has increased since they are held responsible for the safety of the food they offer online. The revision of the law forces them also to know all the actors in their supply chain, to control their licenses and to be able to inform their consumers about the information of all their food distributors. Foreign firms exporting food products to China are required to adapt to the changes of the law too (Wright, 2015c). For instance, the following information needs to be mentioned in Chinese on the labels of imported products: *“product name, net content, ingredient list, names of any food additives, the shelf life, production date, storage conditions, directions for usage, product origin, exporter and buyer's name and contact information, etc.”* (Wright, 2015c). Moreover, people are incentivised to detect violations because they receive rewards by revealing it to the public. This “whistle-blowing” might also lead to food recall. Although it is not explicitly explained how the application of the law will be controlled in practice, it is recommended to take the new guidelines seriously to avoid possible sanctions (Wright, 2015c). Furthermore, the new food safety law implies higher fines for firms in cases of violation of the food safety measures. Now,

consumers can ask for a compensation of three times their total loss (important health issue or death), whereas before 2015 it was limited to ten times the price of the product or two times the cost of the loss. The chance for food recall of imported food is also much higher than before (Wright, 2015c).

Regarding licenses, companies and individuals need to apply for the Food Distribution License, at the Administration of Industry and Commerce, in order to be able to sell food products (Shu, Ku, Zito and Wang, 2014). Foreign companies must make sure that they comply with the regulations in this respect.

2.2 Chapter 2: Current situation in practice

2.2.1 Barriers

The goal of this section is not to list all the possible practical challenges of addressing the Chinese organic market for two main reasons: on the one hand, challenges depend heavily on the product category, and on the other hand, barriers are well known by foreign companies if those have already tried to address the market. The objective is rather to picture some of the difficulties in order to have a better understanding of the current situation. Nevertheless, most of the barriers of the Chinese organic market have already been mentioned above, in the theoretical chapter (like the ‘whistleblowing’, the changing laws, the higher fines for firms in cases of violation of the food safety measures, the lack of trust in organic certifications, the limited access to organic products, the low awareness of the organic concept among most of the Chinese consumers, the high premium prices, etc.).

However, for the sake of completeness, it is important to add that corruption and bribes are common in China, which distorts the rules of competition since organic labels and licenses can be bought unethically (Luo, 2015). Also, some authors mention that the quick rise of the organic market could be “*a marketing hype*” (SBH China, 2015) without the necessary foundations to capitalize on. This is due to the poor understanding of the consumers of the real benefits of organic food, which induces doubts about its superior value (SBH China, 2015). Regarding the product categories, regulations and limited product shelf lives favour packaged foods (like olive oil, infant food, dairy products, grain products and wine) (SBH China, 2015).

Finally, many practical barriers are inherent to the export of food in a cross-cultural context and must be added to the technical challenges of the Chinese organic market. In this perspective, companies face challenges like the language barrier, the cultural differences, the necessity to rely on the infrastructure of an emerging country, the legal aspects of local contracts and/or courts, the local taxes, the costs of transport of food products, the lack of strong local business connexions, the local competition, etc.

2.2.2 Opportunities

Next to the aforementioned macro-economic opportunities of the People's Republic of China, like increasing household incomes and the consumption boost, foreign companies can also benefit from more specific opportunities related to the organic market and its consumers, as well as from the opportunities of Western imports in China.

First, the price premium to get rid of pesticides is relatively higher in China than in Europe (Thøgersen and Zhou, 2012). Whereas Chinese consumers typically pay a premium of 20 to 50% per cent of the original price (Wright, 2015a), in Europe and the USA this price premium is limited to ten to forty per cent¹⁸ (Thøgersen and Zhou, 2012). Organic vegetables, for instance, are even sold five to ten times the price of regular vegetables in China (Lagos *et al.*, 2010). For concrete price premiums of three retailers in Beijing (in 2010), please refer to Appendix 1. More generally, the average willingness to pay of Chinese consumers for eco-labels (the China Environmental Label in this survey) is 8,71 to 9,51 per cent (Shen, 2012).

Secondly, the demand for imported food products is recently growing by fifteen per cent every year in China, which implies that the total imports of food products are more than four times bigger than ten years ago (Wright, 2015a). Kimberley Wright forecasts: “by 2018, China is expected to become the top importer of foreign food products, with the total value of food imports set to reach RMB 480 billion (US\$77 billion)” (Wright, 2015a). And: “of particular interest among food imports are organic food items. Once seen as a luxury food item, imported organic foods are an increasingly accessible option for a Chinese consumer base with a growing disposable income” (Wright, 2015a).

¹⁸ Winter, C.K., & Davis, S.F. (2006). Organic foods. *Journal of Food Science*, 71(9), 117–124.

Moreover, next to the usual benefits of export, like risk diversification, boost of sales, longer product life cycles (Ng and Chan, 2013), the massive population of China makes it “*one of the hottest markets right now*” (Ng and Chan, 2013, p.1). Indeed, many foreign companies are rushing to China because even a modest market share in a market of millions of potential consumers still implies impressive absolute numbers (McEwen, Fang, Zhang and Burkholder, 2006). However, even if the prospects of the market are interesting (Lagos *et al.*, 2010), China should not be seen only as an important consumer base. Many companies have failed because they have only looked at the number of consumers, without taking the trouble to understand thoroughly their needs and desires (Beyer von Morgenstern, 2016).¹⁹

2.2.3 Case Study: Belvas SA

Belvas is a Belgian company based in Ghislenghien (Hainaut) that manufactures and sells organic fair-trade chocolate. In 2005, Thierry Noesen founded the company with as its leitmotiv “only natural ingredients” (Belvas, 2015). Since then, the company has received many regional, national, and even international awards for its sustainability and environmental friendly management. Amongst others, Belvas received the Award of Future Generations (in 2013), the Silver Trophy for the Economy Network Manager Alliances (in 2012), the Horizons Award (in 2012), the EMAS Award (in 2011) and has been nominated for the greenest European micro-enterprise (in 2011). Moreover, the company received its A-level certification for the last four consecutive years, responds to the highest standards of hygiene and possesses the Certysis organic certification (Belvas, 2015). Mr Noesen, its founder and CEO, aims at developing the best products with the best materials in the best possible environment. Therefore, he is determined to improve his business by lowering the CO₂ emissions of the factory and reducing its environmental footprint. He also considers organic as the most sustainable option for food. To sum up, Belvas produces Belgian chocolates whilst preserving the planet thanks to the use of the most organic, fair-trade natural ingredients and green energy in its factory (Noesen, face-to-face interview, 2015) (please refer to Appendix 4 for the contact information of Mr Noesen).



¹⁹ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

Building up on the great progress in the export of its products in Belgium, throughout Europe and across the world, Belvas decided, two years ago, to address the Chinese market through a partnership with a local specialist dealer. His strategy in China was to sell only few products (mostly truffles and organic chocolate tablets) in speciality stores of Tier-1 cities. However, Mr Noesen admitted in November last year, during our first meeting, that his strategic move was a failure for various reasons. He faced many entry barriers and could not penetrate the market as expected. For instance, he had to change his labels at least four times in the past years to comply with the changing legislations. Moreover, because of the requirement of a Chinese name for the product, he could not use the original word for “truffe” because a French brand had already protected the word for a round piece of chocolate (which was different from Belvas’ truffles). In addition, with the new legislation, European labels are considered as less valuable. Therefore, Belvas should pay for an organic audit from a Chinese partner to sell its products with the Chinese organic label (Noesen, face-to-face interview, 2015). By way of illustration, please refer to Appendix 5 for one example of the requested documents to export food from Belgium to China (i.e. the Health Certificate). Mr Noesen stressed that a lot of paperwork is required to access China, much more than in any other country of the world. He needed, for instance, to complete the documents from AFSCA (or Agence Fédérale pour la Sécurité de la Chaîne Alimentaire), the customs, the export, etc. (Noesen, face-to-face interview, 2016)²⁰.

To conclude, Belvas is a typical example of a small European company that exports organic food globally and would like to benefit from the unique opportunity of the Chinese market. This thesis aims at helping the company in finding the most promising penetration strategy in China.

²⁰ For further information about the certification process, please refer to Appendix 6 and Appendix 7 for the flow charts of the Certification Process (COFFC, 2014a) and the application process for the Organic Product Transaction Certificate (COFFC, 2014b), respectively.

3. Part 3: The Chinese Organic Consumers

This chapter aims at better understanding the Chinese organic consumers as well as their willingness to buy imported organic products through a review of the existing academic literature. It covers three main topics: an introduction to the Chinese consumers, the preferences of Chinese consumers and their purchase intentions and behaviours. In most of the cases, recent literature has been preferred to older scientific articles, in order to be as close as possible to the current situation. This is mainly because China is evolving at a fast pace and literature needs to be up-to-date to be accurate and useful for further recommendations and conclusions. The essence of this third part is explained by Zhou and Wong: *“Of late, Chinese consumers are showing a tendency to move away from foreign brands in favor of local offerings in some product categories”* (2008, p.470). Therefore, *“there is an important need to look into consumer motives, perceptions, and purchase behaviour for foreign brands, especially in the fast changing marketplace in developing countries”* (Zhou and Wong, 2008, p.471). This literature review of the Chinese organic consumer relies on an initial knowledge of the reader, about China, its culture and its consumers.

3.1 Chapter 1: Introduction

3.1.1 Needs and Values

To be able to sell foreign products as gifts, for instance, it is crucial for foreign companies to understand Chinese consumers' financial altruism. In 2013, Guo *et al.* studied the differences between the financial values and financial needs of consumers across six different cultures: American, Brazilian, Chinese, Russian, Taiwanese and Tunisian. Concretely, the authors have looked at the financial need beliefs of consumers (their trust in how other people manage money, their own ability to run budgets and their financial independence), as well as their financial attitudes (their approach to materialism and altruism) and have drawn conclusions on the extent of universality of financial needs. Their results tell us that financial needs are similar across the six different cultures and can be considered as an extension of the universal human needs. However, financial values (materialism and altruism) are culturally embedded, which suggests that gifts and wealth have different connotations depending on the culture. The Chinese culture, for instance, is interesting because of the unique relationship between materialism and altruism. In the Taiwanese and American cultures, no significant standardized

correlation is observed between materialism and altruism. On the contrary, in China, the two constructs are significantly and positively correlated. Chinese respondents with a high score for materialism also have a high score for financial altruism (Guo *et al.*, 2013). This can be explained with the theory of Tang *et al.* (2008) since ‘love of money’ (close to materialism) is not correlated with ‘helping behaviour’ (close to altruism) in relatively wealthy countries (USA and Taiwan for instance), whereas it is positively correlated in relatively poor countries (Egypt and Poland for instance) (Guo *et al.*, 2013). This builds further on the analyses made in 2011 by Podoshen *et al.*, which concluded that young Chinese adults are more materialistic than Americans. However, the authors also found that young Chinese adults tend to spend too much money on conspicuous products at the expense of the care of their parents. In other words, *“China’s Confucian way of life may have significant challenges in the road ahead as buying patterns may lead to a potential rift in traditional family obligations”* (Podoshen *et al.*, 2011, p.23). This evolution might be an explanation why Chinese children are legally obliged to return to their parents’ place as often as possible, to visit. If they do not come back, parents can launch a judicial proceeding for ‘being neglected’ (Guo *et al.*, 2013). It all remains to be seen what Chinese consumers understand by ‘financial altruism’, if it does not include care of their parents.

Secondly, to reach Chinese consumers, foreign companies must understand the lingual needs of their target. Therefore, Lin and Wang (2016) studied the language choices in advertisements of multinational companies compared to local companies in a monolingual country, like China. They aimed at comparing the results of Krishna and Ahluwalia (2008), who have studied bilingual populations, with monolingual populations, in order to provide managerial recommendations for foreign companies. According to Krishna and Ahluwalia (2008), bilingual consumers do not perceive any differences in the language used by local companies for ad slogans, whereas for products from MNCs (multinational companies), bilingual consumers prefer foreign languages (like English) for luxury goods and local languages (like Hindi) for necessity products. This asymmetric effect is, however, not observed among monolingual populations for products sold by MNCs. Local companies, in turn, are subject to this asymmetry. Therefore, Lin and Wang suggest MNCs to use foreign languages in ad slogans with a monolingual target, regardless the type of the product (Lin and Wang, 2016).

Furthermore, Kravets and Sandikci (2014) explored the needs, preoccupations and values of the new middle class buyers of emerging markets and the impact on their purchase behaviours, in order to suggest marketing strategies to managers of Western countries (especially regarding product portfolio management, marketing mix and positioning of brands). The interest of new middle class buyers of emerging markets resides in the current “*imperative for growth*” (Kravets and Sandikci, 2014, p.125) of companies. Indeed, to ensure their current level of production, companies need to find new consumers to enlarge demand, and grow. This middle class is considered as united because it induces self-identification among many emerging populations and generates a perception of material comfort despite the economic, social and political reorganisations. Even with a large heterogeneity, they are very influential since they often define what is ‘normal’, ‘proper’, ‘the good life’ as well as ‘the must haves’ for other citizens (Kravets and Sandikci, 2014).

From their findings, the authors brought three managerial implications forward:

- (1) Consumers focus on functionality and efficiency to obtain “*competently ordinary best self*” (Kravets and Sandikci, 2014, p.137). Companies can react on this tendency by offering ‘basic’ as well as ‘appetizer’ product lines. The latter will allow complementing and individualizing an ensemble, which meet consumers’ demand for individualization whilst offering efficient, quick and safe choices (Kravets and Sandikci, 2014).
- (2) NMC (or new middle class) consumers strongly desire belonging to, and aligning with, the ‘global middle’. Therefore, foreign companies could imagine positioning their brands as average in their respective categories. Instead of differentiating from the competition, they could highlight typicality since the average positioning inhales comfort, trust and reliability. However, average or typical does not automatically rhyme with mediocre, because even Louis Vitton, a luxury brand, could be considered as typical in emerging markets. Average brands involve strong connexions with the pictured global middle standard, which makes them very attractive (Kravets and Sandikci, 2014).
- (3) Feelings of inequality, exclusion and discrimination might have a negative impact, in the longer run, on the loyalty of consumers to foreign companies. For instance, when new international products are introduced, consumers expect from foreign companies a transparent communication on delay in emerging markets (compared to the date of launch in developed countries). Indeed, through social media consumers know a lot

about what happens in Europe/USA and consider delay in emerging markets as discriminating. In fact, marketers should be careful with all the local differences in the marketing mix to avoid misunderstandings and unintended interpretations, which could lead to lower performances (Kravets and Sandikci, 2014).

To complement this analysis, Wu, Cai and Liu (2011) studied how values and needs of Chinese consumers affect online shopping. As expected, demographics (especially income level, education and gender) play a major role in the differences in Internet usages and online purchases. More surprisingly, the probability of turning into an online purchaser is linked with the affiliation to the Communist Party, despite its popular conservative connotation. In other words, members of the Communist Party have higher chances to become heavy users of online shopping. Regarding individual value orientations, only ‘openness to change’ and ‘self-enhancement’²¹ significantly influence the online purchase behaviours of people, directly or indirectly. Basically, the authors found that value orientation and lifestyle are good predictors of how people will use the Internet and how they will purchase products online (Wu, Cai and Liu, 2011).

3.1.2 Public Face, Prestige and Image Saving

Understanding the Chinese concept of ‘mianzi’ 面子 is crucial when doing business in China (Lin, Xi and Lueptow, 2013). Indeed, mianzi, “*the public self-image that every member wants to claim for himself*” (Brown and Levinson, 1978, p.66), represents the concept of face and self-esteem in the Chinese culture and plays an important role in the daily lives of Chinese consumers (Lin, Xi and Lueptow, 2013). Extensive research has analysed how mianzi affects business operations and decisions, but Lin, Xi and Lueptow have studied how it influences the purchase intentions and behaviours of Chinese consumers. In the Chinese culture, face is associated with dignity. Therefore, when someone gains face in public, his entire family is glorified, whereas when someone loses face, his entire family is harmed²². Because “*how one is perceived by others is of grave concern*” (Lin, Xi and Lueptow, 2013, p.538), in interpersonal relationships, Chinese people master mianzi by praising somebody, as well as saving, keeping and giving somebody else’s face in public. For instance, losing a game on purpose allows someone else to keep face in public (Lin, Xi and Lueptow, 2013).

²¹ Please refer to original text for further details

²² Schneiderman, S. (1995). *Saving Face: America and the Politics of Shame*. Alfred A. Knopf, New York

Although many consumers across the globe are influenced by their self-esteem, prestige and dignity in their decision process, Chinese consumers are interesting because of the relatively high impact of mianzi on their purchase decisions in comparison with their annual incomes. As summarized by the authors: *“More and more Chinese consumers seem to favour ostentatious consumption so as to gain face. However disposable income in China is still low. Consequently, Chinese consumers have the dilemma of how they can build a better public image with limited financial resources”* (Lin, Xi and Lueptow, 2013, p. 539). To understand the differences in consumption behaviours of young Chinese consumers (younger than forty years old) in public and in private contexts, the authors have conducted an on-line survey in China. The conclusion is the following: no matter how much they earn, Chinese consumers tend to buy expensive products in public to gain face by being praised by the others, and cheap products for private use, because they cannot gain face in a private context (Lin, Xi and Lueptow, 2013).

However, foreign brands need to be careful with their own interpretation of the save-face concept (‘mianzi’ 面子). Intuitively, people in Western countries tend to believe that Chinese consumers gain face by buying foreign brands, because of the popular high demand for foreign brands in the luxury market. But this trend is changing, and the passion and eagerness for foreign brands is slowing down in China. According to the authors, mianzi is not impacted by the origin of the brand but by the price paid in public for the product. In other words, Chinese consumers gain face when buying expensive products, which they can show to others, or give as presents. Consequently, many Chinese consumers do not have clothes dryers or dishwashers at home, because they do not equally benefit from relatively expensive items for private use (Lin, Xi and Lueptow, 2013).

To sum up, being praised by others is the most efficient method to gain face in the Chinese culture. This encourages Chinese consumers to buy relatively expensive products (in comparison with their household income) for external use and avoid unnecessary expenses in a private context. Moreover, the origin of the brand is less important than the price paid for the product (Lin, Xi and Lueptow, 2013). Therefore, foreign brands could seize the opportunity of being offered as presents, since Chinese consumers are ready to pay high prices for gifts to be praised by their friends, colleagues or family members.

Because price is an important aspect in the purchase decision process of Chinese consumers, Bolton, Key and Alba studied another aspect of the mianzi concept by analysing the differences in price fairness perceptions between Chinese consumers and American consumers. The two samples have been compared because they represent respectively the collectivist culture and the individualist market culture. According to their results, “*collectivist (Chinese) consumers are more sensitive to in-group versus out-group differences than individualist (American) consumers*” (Bolton, Keh and Alba, 2010, p.574). This means that Chinese consumers prefer (i.e. feel less ashamed) to pay a higher price than a stranger (part of the out-group) than to pay a higher price than a friend (part of the in-group) for the same product. This is because Chinese consumers loose face when they pay more than a member of the in-group, which is less the case with someone of the out-group (Bolton, Keh and Alba, 2010). The take-home message for foreign companies is that price segmentation might be dangerous in a Chinese context as it could provoke loss of face.

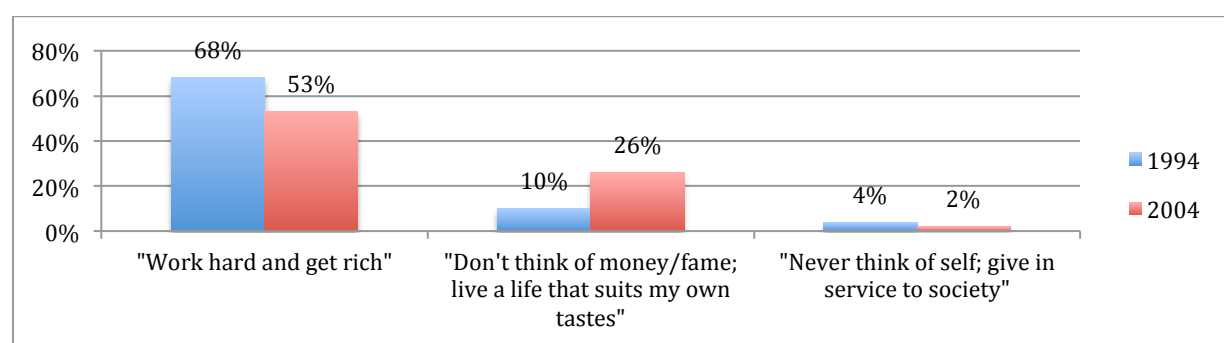
3.2 Chapter 2: Preferences

3.2.1 Insights into Chinese Consumers' Motives

First, Chinese consumers are eager to buy products for entertainment, enjoyment and personal satisfaction before products to save time and labour (McEwen, Fang, Zhang and Burkholder, 2006). For instance, the recent increase in household income in China has induced a much stronger growth rate for technological and fashion goods (like TVs, DVD players and mobile phones) than for functional products (like vacuum cleaners and refrigerators). This is counterintuitive if one knows that ten years ago less than seven per cent of Chinese had a vacuum cleaner and only one in four had a refrigerator at home. As mentioned by the authors, despite the room for improvement in functional product categories, “*conspicuous consumption is as apparent in the Middle Kingdom as it is in the West, and lots of attention is being paid to staying current*” (McEwen, Fang, Zhang and Burkholder, 2006, p.76). Basic households goods have not been the best bet for foreign companies in the last decade. However, it is not clear if this insight is due to cultural aspects or economic aspects. Indeed, the cheap labour force could also be the reason of this societal behaviour, because consumers can hire someone to clean or repair at relatively low cost, which could be a barrier to investment in expensive, functional products.

Secondly, the Chinese consumers aged 18 to 24 are driven by open-mindedness towards market ideologies combined with a pride of their local traditions (McEwen, Fang, Zhang and Burkholder, 2006). They have access to media and technology and expect a special treatment, adapted to their new needs and values. Their attractiveness is due to their current ‘buying spree’ (McEwen, Fang, Zhang and Burkholder, 2006). Moreover, the devotion of Chinese consumers for local brands needs to be nuanced. The risk of lower quality acts as a strong barrier to the trust in local brands. Indeed, despite a preference for local brands, consumers would not give up quality for “Made in China” assurance. Only one in five Chinese believes that the quality of locally produced goods is very good, whereas more than thirty-seven per cent thinks it is fair. In five years, the *“preference for domestic goods has dropped from 78% to 67%”* (McEwen, Fang, Zhang and Burkholder, 2006, p.72). This slowdown is even more noticed among the urban, affluent and young people. In the meantime, the preference for European goods *“has risen from 19% to 22%”* (McEwen, Fang, Zhang and Burkholder, 2006, p.72). According to the authors, this trend is linked to the fact that the consumers are the producers of the goods, which implies that they know the conditions in which the goods have been produced, as well as the lack of productivity of the employees due to an overall disinvestment of the workers²³. Furthermore, a dynamic analysis of the priorities of consumers allows us to conclude that *“a new me generation”* (McEwen, Fang, Zhang and Burkholder, 2006, p.70) is blooming in China. As shown on the graph in Figure 7, the attitudes towards life and capitalism are evolving. Self-expression, self-satisfaction and personal goals are playing a more important role than ever before (McEwen, Fang, Zhang and Burkholder, 2006).

Figure 7: Results of Survey for Question: “Closest to Own Attitude?”



(Source: McEwen, Fang, Zhang and Burkholder, 2016)

²³ For further information please refer to the entire article.

Regarding responsible consumption, at least two aspects are positively correlated with the willingness to pay a price premium for socially and environmentally responsible products (Guarín and Knorringa, 2014). Consumers are indeed ready to pay more if particular elements are mentioned, like biodegradability and prohibition of child labour. Also, a clear and explicit communication of its benefits for nature or society encourages consumers to accept a higher price. However, intention and effective purchase are still separate concepts, as only one in ten buying intentions (translated by a positive willingness to pay) becomes a real purchase. This is partially due to the fact that people want to give a good image of themselves during surveys and interviews and tend to exaggerate their ethical concerns. Moreover, a gap between theory and practice exists because there are no direct repercussions on the buyers of (un)ethical products (Guarín and Knorringa, 2014).

Guarín and Knorringa (2014) challenged the classic Western vision of responsible consumption, driven by the well-known pyramid of Maslow²⁴. According to many authors, purchasing environmentally and socially responsible products is only accessible to affluent Western consumers, who have already fulfilled all the other layers of satisfaction. In other words, consumers should first fulfil their basic needs (food, beverages, safety, security...) before buying products to feel fulfilled spiritually and emotionally. But according to Guarín and Knorringa we should be mindful of generalizations and automatic transplantations, because developing countries might react differently to ethical consumption. Indeed, money is not the only variable in the decision process and no evidence suggests that consumers of developed countries are more willing to consume responsibly than consumers of developing countries, only because they are wealthier. Income is as important in the consumer preferences as culture, political environment and social habits, which explains why many Chinese consumers are influenced by environmental friendly arguments in their purchase behaviours (Guarín and Knorringa, 2014). According to MasterCard (2007), Chinese consumers pretend that preserving the environment is more important than factors like fashion, brand and price. Only quality remains more deciding. Traceability is also an effective tool to promote transparency and efficiency, which fosters consumers' choices as it increases their trust in organic food. It implies a clear identification of all the actors along the supply chain of the product (Xin, Xiang and Xinpeng, 2015).

²⁴ For further information, please refer to the following website: <http://www.learning-theories.com/maslows-hierarchy-of-needs.html>

As mentioned earlier, another important motive of abounding middle class consumers to spend extra money for foreign imports and safe food is the widespread knowledge of the different food safety scandals about domestic brands. This distrust, translated into increasing demand for foreign brands and organic food goes far beyond Tier-1 and Tier -2 cities alone since online distribution platforms of organic food meet an increasing demand from more than two hundred Chinese cities for instance (Wright, 2015b). It is therefore a duty for active players in the market to enhance the awareness of organic food standards through education of people, in order to develop the market substantially (Xin, Xiang and Xinpeng, 2015).

Finally, for further insights into motives, Lagos *et al.* (2010) have studied the habits of Chinese organic consumers. According to their survey, almost 3 in 4 residents of Guangzhou (Tier-1 city) would be ready to pay twice the price for safer food. In practice, however, the demanded price premium remains an important barrier to consumption and many consumers can only dream about it. Today, the main consumers in China of organic products are corporations (for corporate gifts) and relatively wealthy consumers (for private gifts and household consumption). Consequently, gifts are currently an important business opportunity in the market, especially during Chinese New Year. Another trend is to purchase organic food only for babies and children, as parents consider that they have to be more protected from risks of unsafe food. According to the same source, namely Lagos *et al.*, educated women are seen in the industry as the best buyers of organic food, next to Chinese who have been living overseas and expatriates (Lagos *et al.*, 2010), which shows a certain inconsistency in the results.

3.2.2 Willingness and Animosity to Buy Imported Products

To measure to what extent Chinese organic consumers would be willing to buy imported foreign brands of organic food, Sirieix, Kledal and Sulitang (2011) conducted an empirical qualitative study in Shanghai (a Tier-1 city) about the compromises of consumers between different types of food, namely: conventional food that is produced locally, organic food that is produced locally and organic food that is imported in China. From the three options, local organic food is the most popular among the respondents, on the one hand because it is considered as healthy and on the other hand because its production is perceived as having a positive impact on the environment. Interestingly, the major motive behind the preference for organic food resides in the health issues of consumers as well as the lack of trust in conventional food. The other motives, like concerns about pollution, long transportation of

food or reinforcement of smaller farmers are emerging. Consequently, the main reason behind the purchase of local conventional food is the much lower price (Sirieix, Kledal and Sulitang, 2011).

To sum up, the most striking finding of this study is that altruistic motives in the food industry are emerging in China, next to well-documented individual benefits, like economic and health concerns (Sirieix, Kledal and Sulitang, 2011).

3.2.3 Country of Origin

In the current globalization context, Chinese consumers have access to products from all over the globe. Consequently, to help foreign brands in their marketing strategies, extensive research has been made on the country-of-origin and its role in the purchase decision-making process of consumers. The objective is to understand the mental associations of people with particular countries to predict their reactions to foreign/ imported products that have been designed in country A, manufactured in country B, assembled in country C and branded in country D. (Saran and Gupta, 2012). The industries where country-of-origin has a strong influence are cars, clothes, appliances and food (Melnik, Klein and Völckner, 2012).

Regarding definitions, Bilkey and Nes (1982) defined the ‘country-of-origin’ as the location where a product has been manufactured or assembled. For, Johansson, Douglas and Nonaka (1985) the ‘country-of-origin’ refers to the country where the company’s headquarters are situated. Finally, Roth and Romeo (1992) defined it as the total impression of consumers for products from a specific country, built on previous perceptions of forces and weak points of that country for marketing and manufacturing. By and large, country-of-origin induces a cognitive bias in the evaluation of a product. Indeed, if consumers have a positive perception of a country but do not know its products, they will unconsciously transfer this positive perception to the products and the brands of that country. This phenomenon is called ‘halo effect’. On the other hand, if consumers know a country as well as its products, they develop an attitude similar to their country image towards a brand of that particular country. This is called the ‘summary effect’ (Saran and Gupta, 2012). Hence, Liu and Johnson (2005) concluded that country stereotypes are automatically activated when consumers perceive information related to country-of-origin and, this, unconsciously affects their product judgments even if consumers try to remain neutral towards new brands or new products.

Another way to benefit from country-of-origin associations is by opting for a foreign branding strategy. In concrete terms, this involves that the brand name refers to a particular country for the purpose of evoking desired product qualities. This is increasingly implemented by brands in emerging markets but brands from developed countries are legally forced to be transparent about their real country-of-origin. However, if consumers notice a mismatch between the implied and the actual country, reactions towards the brand depend on the intrinsic purpose of products. For hedonic products, the mismatch will induce in both emerging and developed countries, lower purchase likelihood. On the contrary, for utilitarian products, the awareness of a mismatch will not have significant influence on purchase likelihood, either in developed countries, either in emerging countries. Moreover, if the actual location is an emerging country instead of the pretended developed country the decrease in purchase likelihood is even more significant. These psychological asymmetries are due to the fact that consumers think differently about utilitarian versus hedonic goods (Lusk, Brown, Mark, Proseku, Thompson and Welsh, 2006).

Kumara and Canhua (2009) note that mastering country-of-origin allows making the most profitable choices with respect to location of supply chain. By understanding the perceptions of consumers, companies can play with the benefits and risks of various regions in the world for the different elements of their value chains (Kumara and Canhua, 2009). Nevertheless, managers should be careful with country-of-origin image for two reasons. On the one hand, it impacts perceived quality more than purchasing intentions. On the other hand, it is shaped by the pioneers of the market and might be biased. Beliefs concerning foreign food products depend on the products of the first movers, which are considered as genuine and of better quality. Being a second player in the market is difficult because of this associated lower status. This unlucky fate of followers is due to the mistrust of counterfeit products as well as the importance of history, tradition and hierarchy in the Chinese culture (amongst other aspects) (Gao and Knight, 2007).

3.2.4 Certification Labels and Food Labelling

The more consumers chase environmentally friendly, healthy and safe products, the wider the use of labels in the food industry (McCluskey and Loureiro, 2003). Because consumers are not able to verify by themselves what brands claim about their products, certification labels are

used to reassure and convince people about its veracity and authenticity (Atkinson and Rosenthal, 2014). In China, Shen (2012) explored the reasons behind the willingness-to-pay of consumers for different types of products with the China Environmental Label (a local eco-label) by means of an online survey. The author also compared the average willingness-to-pay among different categories of products (appliance, furniture, glass tableware, building material, soft drink, battery and recycled paper) to measure how much people are willing to spend depending on the category of goods. Hence, people for whom life convenience is less important than environmental conservation are ready to spend more for the seven categories of eco-labelled goods. What is more, in almost all categories (five out of seven) the willingness-to-pay of consumers significantly depend on their experience. If they have already bought eco-labelled products, they will be ready to pay more. Also, belief in the positive impact of eco-friendly products on the environment increases the willingness-to-pay of Chinese consumers. The awareness of the China Environmental Label, in turn, has no significant impact on the willingness-to pay (Shen, 2012). Regarding demographics, younger Chinese have a higher WTP (willingness-to-pay) than their older compatriots for eco-friendly products. Surprisingly, the WTP decreases by 0,1% of the purchase price at every birthday of consumers. Moreover, men have a higher WTP than women because they tend to be more conscious about the planet, which can be explained by the fact that Chinese men tend to be more educated, active in politics and altruistic than women. Besides, income and education also positively influence the WTP significantly (the higher the income/education, the higher the WTP). Having children does not significantly impact the WTP. Finally, the higher the price level of the product, the lower the willingness-to-pay extra for eco-labels (Shen, 2012). By and large, the average willingness to pay of Chinese consumers for eco-labels (the China Environmental Label in this survey) is 8,71 to 9,51 per cent (Shen, 2012). To go further, Shukla *et al.* (2013) concluded that socio-demographic parameters (age, income, family size, gender and education) only had a moderating impact on the link between the psychographic measures (like impulsiveness, deal proneness, smart shopping and brand loyalty) and attitudes of consumers toward private labels.

Regarding the content of food labels, the three most important pieces of information are: best before dates, ingredients and production site. Females are slightly more interested in fat content, whereas males tend to look at protein content of products (Aday and Yener, 2014). However, the reader should be cautious with the conclusions, as the study has been done in Turkey, because of its central position between Asia and Europe, but does not automatically apply entirely to Chinese consumers (Aday and Yener, 2014).

3.2.5 Conspicuousness

How the Chinese luxury market will evolve is “*anybody’s guess*”, says Angela Moh, a consumer analyst at Morgan Stanley (Chandler, Wang and Zhang, 2004). However, many luxury brands rush straight to China because of its conspicuous consumers, who after years of poverty, communism and socialism are now willing to show off their money, their success as well as their new lifestyle. In other words, China moved from Mao’s ideologies to Deng Xiaoping’s motto “*to get rich is glorious*” (Chandler, Wang and Zhang, 2004). Conspicuous Chinese consumers buy foreign brands with big well-known logos. This explains why Dior, Prada, Armani, Cartier and Mercedes have been targeting this segment for the last decade. Chinese retailers confirm that the distinctiveness of the brand identity and the size of the logo are indicators of the growth rate in China (Chandler, Wang and Zhang, 2004).

However, contrary to common belief, the luxury segment is mainly a male segment. In Japan, for instance, most of the conspicuous consumers are single ladies aged twenty to forty. By contrast, in China middle-aged males are the most interesting targets since they amount to at least sixty per cent of the purchases in private and business contexts. Actually, in China, business is driven by good relationships and gifts, and many Chinese business people offer presents to their clients, their suppliers and their partners. Regarding brands for women, the growth is sustained by the presents for mistresses as well as by the remaining percentage of female buyers (Chandler, Wang and Zhang, 2004).

According to O’Cass and McEwen, consumption based on conspicuousness and consumption based on status are two different concepts. Gender differences are limited in status consumption, whereas those are significant in conspicuous consumption. Furthermore, the drivers of status consumption are larger, since they incorporate the drivers of conspicuous consumption, namely interpersonal forces. Status consumption is also impacted by self-monitoring, which is not the case of conspicuous consumption (O’Cass and McEwen, 2005).

In 2008, Zhou and Wong analysed the impact of product conspicuousness, “*the social and public visibility surrounding the consumption of a product*” (Zhou and Wong, 2008, p.471), on perceived value, perceived quality and perceived prestige of imported brands for the younger generation in China. The authors highlight three main findings, regarding the differences between conspicuous foreign products (consumed publicly) and inconspicuous foreign products

(consumed privately). Consequently, perceived prestige and perceived value have a higher influence on the purchase intentions of conspicuous products than inconspicuous products. Perceived quality, in turn, has a higher impact on the purchase intentions of inconspicuous products than conspicuous products (Zhou and Wong, 2008).

3.3 Chapter 3: Purchase Intentions and Behaviours

3.3.1 Consumer Ethnocentrism and Consumer Affinity

Consumer ethnocentrism, defined in 1987 as “*the appropriateness, indeed morality, of purchasing foreign-made products*” (Shimp and Sharma, 1987, p.280), is considered in the literature as a powerful concept to predict the response of consumers to foreign brands²⁵ (Siamagka and Balabanis, 2015). It is rooted in the sociological term of ethnocentrism, introduced in 1906 by Sumner (Shimp and Sharma, 1987) “*to distinguish between in-groups (those groups with which an individual identifies) and outgroups (those regarded as antithetical to the in-group)*” (Shimp and Sharma, 1987, p.280). Concretely, according to Shimp and Sharma (1987), consumer ethnocentrism relies on the feelings of identity and belongingness in the minds of the consumers and impacts the purchase behaviours. It is considered as a consumer bias, inducing a preference for domestic brands over imported foreign brands due to “*the patriotic duty to buy domestic products*” (Siamagka and Balabanis, 2015, p.67). Despite its importance, the mono dimensional definition of Shimp and Sharma remained unchanged until 2015, and many companies have based their global branding²⁶ and positioning²⁷, as well as their entry mode choices²⁸, their country-of-origin communication²⁹

²⁵ Cleveland, M., Laroche, M., & Papadopoulos, N. (2009). Cosmopolitanism, Consumer Ethnocentrism, and Materialism: An Eight-Country Study of Antecedents and Outcomes. *Journal of International Marketing*, 17(1), 116-146.

²⁶ Alden, D.L., Kelley, J., Riefler, P., Lee J., & Soutar, G. (2013). The Effect of Global Company Animosity on Global Brand Attitudes in Emerging and Developed Markets: Does Perceived Value Matter? *Journal of International Marketing*, 21(2), 17-38.

²⁷ Magnusson, P., Krishnan, V., Westjohn, S.A., & Zdravkovic, S. (2014). The Spillover Effects of Prototype Brand Transgressions on Country Image and Related Brands. *Journal of International Marketing*, 22(1), 21-38.

²⁸ Fong, C.-M., Lee, C.-L., & Du, Y. (2014). Consumer Animosity, Country of Origin, and Foreign Entry-Mode Choice: A Cross- Country Investigation. *Journal of International Marketing*, 22(1), 62-76.

²⁹ Balabanis, G., & Diamantopoulos, A. (2011). Gains and Losses from the Misperceptions of Brand Origin: The Role of Brand Strength and Country-of-Origin Image. *Journal of International Marketing*, 19(2), 95-116.

and their balance between standardization and specialization in foreign markets³⁰ on the definition of 1987 (Siamagka and Balabanis, 2015).

In 2015, Siamagka and Balabanis extended and reconceptualised the consumer ethnocentrism concept to address the incoherence between the theory and the measurement of the construct, by adding five dimensions to the definition: ethnocentric pro-sociality, ethnocentric cognition, ethnocentric insecurity, ethnocentric reflexiveness and ethnocentric habituation (Siamagka and Balabanis, 2015) (please refer to the original study for a detailed explanation of the five dimensions). The authors also contributed to the marketing literature by developing and testing a modern measurement tool for consumer ethnocentrism, the CEESCALE³¹ (Siamagka and Balabanis, 2015). On the one hand this new scale helps to better forecast the responses of the markets to new products, and on the other hand, it allows measuring changes (based on time and geography) in consumer ethnocentrism of the different markets, and adapting more systematically to the different dimensions (Siamagka and Balabanis, 2015, p.79).

However, consumer ethnocentrism is luckily not the only driver of behaviours of consumers in an international context. Zeugner-Roth, Zabkar and Diamantopoulos studied the relative impact of three socio-psychological concepts on behaviours of consumers. The three socio-psychological concepts, namely national identity, consumer ethnocentrism and consumer cosmopolitanism have been compared because they rely on different orientations regarding the in-group (the home country) and the out-group (the foreign countries). Indeed, national identity is a pro-in-group concept, whereas consumer ethnocentrism is an anti-out-group concept and consumer cosmopolitanism is a pro-out-group concept. The authors studied the differences of the three constructs in separate contexts (i.e. in domestic markets and in foreign markets) on the product judgment and the willingness to buy. According to their findings, in a domestic environment, the positive influence of national identity is more important than the positive influence of consumer ethnocentrism on product judgment and willingness to buy domestic products. Also, the product judgment of foreign brands is positively influenced by national identity, since the latter does not imply anti-out-group feelings. Consumer cosmopolitanism, in turn, has a positive impact on foreign and domestic product judgment. However, consumer

³⁰ Keillor, B., Hult T. M., Erffmeyer, R., & Babakus, E. (1996). NATID: The Development and Application of a National Identity Measure for Use in International Marketing. *Journal of International Marketing*, 4(2), 57-73.

³¹ For further explanation, please refer to the original article.

cosmopolitanism does not have a significant impact on the willingness to buy foreign brands (Zeugner-Roth, Zabkar and Diamantopoulos, 2015).

Attitudes of consumers towards particular countries also induce a bias in consumer behaviours (Zeugner-Roth, Zabkar and Diamantopoulos, 2015). As mentioned by Zeugner-Roth, Zabkar and Diamantopoulos (2015, p.26): *“Such attitudes are reflected in typical evaluative judgments such as like/dislike, pleasant/unpleasant, and positive/negative and are, in turn, influenced by consumers’ country images as well as any feelings of animosity or affinity”*. In 2011, Oberecker and Diamantopoulos studied the relationship between consumer affinity, defined as *“country-specific favourable feelings toward particular foreign countries”* (Oberecker and Diamantopoulos, 2011, p.45) and behavioural intentions to understand whether positive emotions towards foreign countries could impact consumers’ behaviours. Their study is interesting as it highlights the effects of positive emotions, whereas most of the literature focused on the negative emotions, arising from nationalism, ethnocentrism and animosity. Their study is based on the idea that consumers have a higher willingness to buy foreign products when they include the out-group (the particular foreign country) in their in-group (their home country), or give a highly positive valence to the out-group. This phenomenon appears in both cases, when the foreign country is similar and dissimilar to the home country. However, including the out-group in the in-group does not guarantee loyalty and identification with the foreign country (Oberecker and Diamantopoulos, 2011).

In their study, Oberecker and Diamantopoulos also gave a more detailed conceptualization of consumer affinity. They designed it as a second-order concept with two dimensions, namely Sympathy and Attachment, which cover respectively the soft and strong feelings of people for another country (Oberecker and Diamantopoulos, 2011) (for further explanation of the two dimensions, please refer to the original study). To measure consumer affinity of people, Oberecker and Diamantopoulos have developed a measurement instrument composed of twenty elements. The authors also compared the relative influence of affinity and ethnocentrism on willingness to buy and perceived risk and concluded that: *“our study results clearly indicate that affinity feelings outweigh ethnocentric tendencies in affecting perceived risk and willingness to buy products from the affinity country”* (Oberecker and Diamantopoulos, 2011, p.61). This means that positive affect towards foreign countries cannot be neglected as it predicts purchase behaviours of consumers (Oberecker and Diamantopoulos, 2011).

To sum up, since ethnocentrism has a negative impact on the mind-set of people towards global brands headquartered in developed countries (Guo, 2013), it is a duty for European brands to measure the consumer ethnocentrism and affinity of Chinese consumers with the different measurement scales, to understand exactly how to leverage the emotions towards their countries in the most profitable way. By mastering the construct of consumer affinity, foreign brands might even overcome the obstacles of ethnocentrism (Oberecker and Diamantopoulos, 2011).

3.3.2 Collectivism and Social Compliance

To understand the impact of social compliance on the purchase behaviours of Chinese consumers, as well as the consequences of globalization on the values of the new generation of buyers, Jing Zhang (2010) looked at the differences between collectivistic and individualistic advertisements on the behaviours of Chinese Generation-X consumers, aged from 18 to 35 years, highly educated and relatively rich. According to her research, this generation, also called the Generation Yellow³², is a bicultural generation adopting a unique set of values. Therefore, to conduct persuasive marketing campaigns, foreign companies need to adapt to this change and master the complexity of their mixed values (Zhang, 2010).

Biculturalism implies that people of a particular culture are exposed to another culture. Consequently, they know, understand and value two different cultures and behave accordingly. In this current context, the two most interesting cultures for biculturalism are the collectivistic Chinese culture and the individualistic global marketing culture (mostly derived from the market culture). Concretely, individualistic values are: pursuing individual passions, achieving personal results and feeling unique. Collectivistic values are similar to individualistic values but take more people into account since people commit to establishing success and harmony for the community, as well as “*sharing and enhancing in-group relationships*” (Zhang, 2010, p.69). The author distinguishes two ways of becoming bicultural consumers. The ‘ethnoscapes’, for instance, are mainly immigrants, exchange students and tourists. They have grown up with a particular culture (individualistic or collectivistic) in their native country and have been obliged to adapt to another culture to integrate in their new environment. Alternatively, they have a direct personal experience with that culture. ‘Mediascapes’, in turn, have been confronted to mass media of another culture and have learned to think differently by

³² TIME Asia (2000). *The Ranks of Revolutionaries*. October 23, 156

reading, watching and listening. In other words, they have experienced a virtual experience with the new culture. Regarding the Chinese Gen-X consumers, they are considered as ‘mediascapes’ because they face more and more global mass media, which has allowed them to understand and value the individualistic market culture. Compared to their parents, the rich and educated Gen-X consumers have, next to the collectivistic values, the individualistic values of being unique and pursuing personal dreams, whereas the older generations prefer collective harmony and success only. Put differently, the Gen-X is equally convinced by both individualistic and collectivistic arguments of marketing campaigns, whereas the older generations are more convinced by traditional collectivistic arguments (Zhang, 2010).

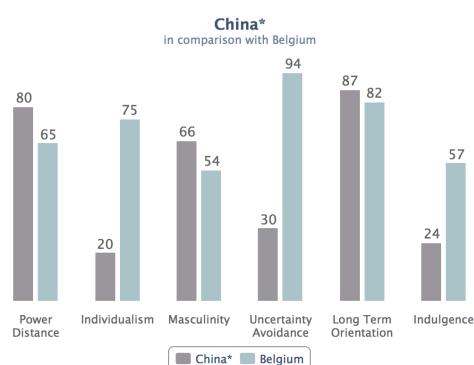
Therefore, to be persuasive, the marketing strategies of foreign companies need to rely on this evolution in values of the younger generations. The managerial advice of the author is: *“If the target market is Gen-X consumers (for example, young urban professionals), both globalization and localization approaches would work because they would find both individualistic and collectivistic appeals persuasive. If the target market is older consumers, the localization approach would work because they still find collectivistic appeals to be persuasive”* (Zhang, 2010, p.70). In other words, the advertising strategy of foreign companies should be adapted to the values of the target. The wealthy and educated younger generation can be reached with both global and local appeals, whereas the older generation, the monocultural generation, is only reactive to local appeals, which are still driven by the typical collectivistic Chinese values. However, the results of the study depend on the types of products, since shared and privately used products differ in their conclusions. This managerial recommendation only applies for shared and publicly used products, like cars and chocolate. Regarding privately used products, like body wash, individualistic arguments were more convincing regardless of the generation (Zhang, 2010).

Moreover, the analysis of Zhang (2010) is interesting since it challenges the national cultural index of Hofstede³³, which describes China as highly collectivist (please refer to Figure 7 for the comparison of Belgium, a proxy for the European culture, and China on the six dimensions of the model). According to the author, the Hofstede cultural index is too static and has not taken into account the dynamic effects of globalization on the local values of the new generations. Today, individuals are interconnected and values are less bound to geography

³³ For further information on the model and its dimensions, please refer to the official website: <https://geert-hofstede.com/national-culture.html>

since they are mixed to other cultures. On the one hand, people move physically to other countries and, on the other hand, virtually to other cultures through the access to social media, art, mass media, etc. (Zhang, 2010). As a side note, this conclusion is also interesting for foreign companies from a technical perspective. If the younger generation is targeted properly, profits are potentially even more sizable because the younger generation is more prone to use consumer credit to be able to consume more (Ding, 2015).

Figure 7: Comparison of China and Belgium on the Six Dimensions of the Hofstede Cultural Model



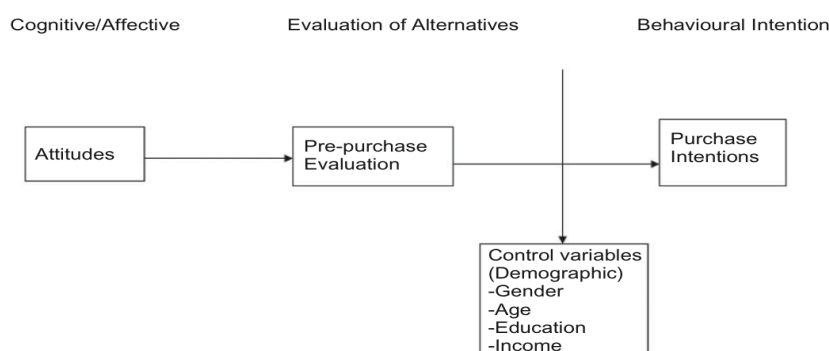
(Source: Hofstede, 2016)

In another study, Zhou and Wong (2008) have studied how social compliance influences purchase intentions in China. Social compliance is defined as the individual tendency to conform to the influence of an imaginary or actual reference group, which acts as a standard for individuals' behaviours, aspirations and evaluations. According to their observations, results depend on the nature of the products, since inconspicuous or conspicuous products have different results. For conspicuous products, like mobile phones, athletic shoes and casual clothes, perceived quality and perceived prestige have a greater impact on purchase intentions among people who tend to have a higher social compliance. On the contrary, perceived value has a relatively higher influence on purchase intentions of consumers with lower social compliance inclinations. For inconspicuous products, like bottled water, shampoo and toothpaste, only perceived prestige weighs heavier in the purchase decision process of high social compliance buyers. The other purchasing motives (perceived value and perceived quality) have significantly more impact on consumers with a low social compliance inclination (Zhou and Wong, 2008).

3.3.3 Drivers of Purchase Intentions

The decision making process of Chinese consumers for organic food is summarized by Chen, Lobo and Rajendran (2014) in the following conceptual framework (see Figure 8). The framework is based on three consecutive elements: a rational/emotional stage, an evaluative stage and a behavioural stage. Chinese consumers start their decision making process by creating attitudes towards organic food by confronting cognitive and affective aspects. Once their attitudes towards the organic products are stable, they look at the different alternatives and evaluate the possibilities. Finally, in the last stage, the purchase intentions of organic food are influenced by demographic information, namely gender, age, education level and income level (Chen, Lobo and Rajendran, 2014)

Figure 8: Conceptual Framework of Purchase of Organic Food



(Source: Chen, Lobo and Rajendran, 2014, p.347)

Regarding the first stage, the authors concluded that five dimensions explain most of the variance (58,41% exactly) in the different attitudes towards organic food. Put differently, five dimensions are important in the decision making process of Chinese consumers when having the intention of buying organic food. Those dimensions have been constructed with the different items of the survey, which has been conducted in 2014 by the authors. The five dimensions are:

- (1) 'Certification' grouping the following items of the survey: 'certification', 'food safety', 'enforcement', 'correct labelling', 'government regulation' and 'information';
- (2) 'Sensory appeal' grouping: 'appearance', 'taste' and 'smell';
- (3) 'Convenience' grouping: 'price', 'value relative to price' and 'availability';
- (4) 'Country of origin' grouping: 'produced in China', 'country of origin', 'awareness' and 'brand name';
- (5) 'Social status' grouping: 'packaging', 'face saving' and 'social status' (Chen, Lobo and Rajendran, 2014).

The most important dimension for Chinese consumers is ‘Certification’, whereas the least important dimension is ‘Social status’. The reason behind the low score for social status resides in the mianzi concept, as explained earlier. Indeed, Chinese consumers do not pay attention (or pay less attention) to social status for products that are consumed in a private context. By contrast, ‘Certification’ has a high score in the purchase intentions because Chinese consumers are profoundly concerned with safety of food. Therefore, clear certification labels and transparent information are highly valued by Chinese consumers in the decision process for the purchase of organic products (Chen, Lobo and Rajendran, 2014).

Based on the five dimensions, and their relative importance to people, Chen, Lobo and Rajendran have divided the respondents to the survey in three main clusters: the safety conscious (35% of the respondents), the gastronomes (37,5% of the respondents) and the sceptics (27,5% of the respondents) (Chen, Lobo and Rajendran, 2014). The table below sheds light on the main differences between the clusters by indicating their level of interest in the five dimensions, when purchasing organic food.

Dimension	Highest importance	Average importance	Lowest importance
Certification	Safety conscious	Gastronomes	Sceptics
Social status	Sceptics	Safety conscious	Gastronomes
Sensory appeal	Safety conscious	Gastronomes	Sceptics
Convenience	Sceptics	Safety conscious	Gastronomes
Country of origin	Gastronomes	Safety conscious	Sceptics

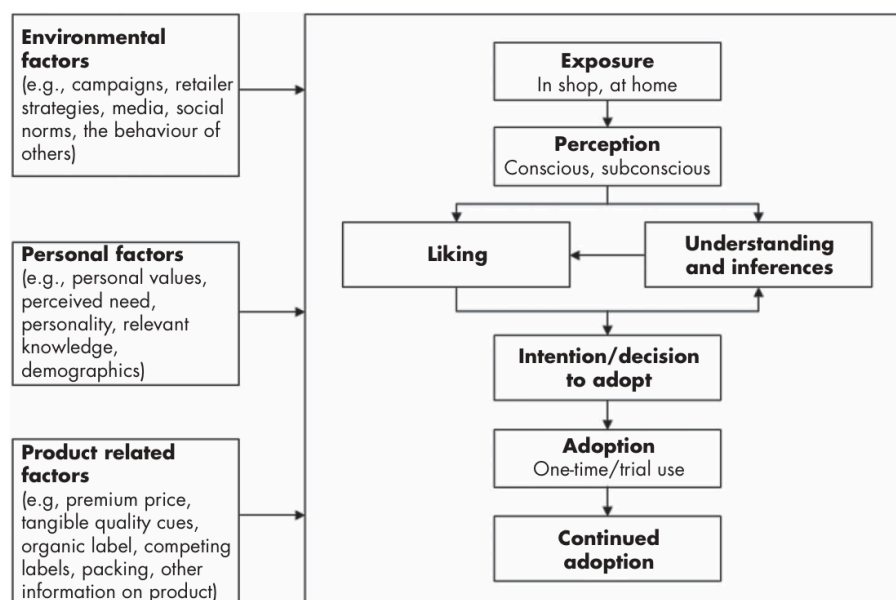
(Source: Chen, Lobo and Rajendran, 2014)

3.3.4 Adoption Process and Early Adopters

To predict the future evolutions of the Chinese organic market, Thøgersen and Zhou analysed the differences between the adoption process of organic food in China and in Europe, where the organic concept was created. They looked at the motives of early adopters of organic food in Guanzhou, a Tier 1 city of Mainland China, and tried to make links with the existing research on the Western organic markets and consumers (Thøgersen and Zhou, 2012). According to the authors, the “*innovation adoption model for organic food*” (Thøgersen and Zhou, 2012, p.315) of Chinese consumers is composed of seven stages: Exposure, Perception, Understanding and

Inferences, Liking, Intention/Decision to Adopt, and finally Continued Adoption (see Figure 9). At every stage, consumers are impacted by three main factors: environmental factors, personal factors, as well as factors related to the product (Thøgersen and Zhou, 2012).

Figure 9: Adoption model of organic food



(Source: Thøgersen and Zhou, 2012, p.315)

Furthermore, it is to be noted that early adopters might also be seduced by the green food innovation, as they perceive a win-win situation for farmers and environment. Farmers enrich themselves by limiting the use of costly and damaging chemicals, which, in turn, protects the natural environment (Sanders, 2006).

3.3.5 Demographic Differences

According to Chen, Lobo and Rajendran (2014), gender, education level and age have no significant impact on the purchase intentions of organic food. However, income level, pre-purchase evaluations and attitudes significantly influence the purchase intentions of organic food. As expected, the higher the household income of the respondents, the higher the purchase intentions of organic food. The same applies for the attitudes and pre-purchase evaluations, since, the better the attitudes (or the pre-purchase evaluations) towards organic food, the higher the purchase intentions. These conclusions rely on the results of a survey of 935 respondents conducted in four major cities of China (Beijing, Shanghai, Chengdu and Shenzhen), representing the four cardinal points of Mainland China (Chen, Lobo and Rajendran, 2014).

The recommendations of the authors are as follows: *“The findings of this research study have important implications for marketers of organic food in urban China. They should attempt to leverage on these findings by targeting and educating the higher income group about the beneficial effects of consuming organic food. They should also promote trials of organic food products aimed at this particular segment”* (Chen, Lobo and Rajendran, 2014, p.353).

For the sake of caution, it is worth mentioning that it is only one understanding of the market.

3.3.6 Brand Loyalty

Chinese consumers differ from Western consumers on many aspects but the brand loyalty patterns in China are similar to European loyalty patterns. Indeed, the Chinese packaged products markets are ruled by the same principles: the multi-brand loyalty and the double jeopardy effect. The multi-brand loyalty implies that most consumers buy several brands in a particular product category and often have more than one favourite brand. The double jeopardy effect, in turn, explains that brands with limited market shares face both smaller volumes and lower frequencies of purchase (Uncles, Wang and Kwok, 2010).

Moreover, more and more Chinese consumers adopt a multi-brand loyalty, instead of an exclusive brand loyalty. Despite the geographical disparities in the speed of transition, this trend is similar across the country (Uncles, Wang and Kwok, 2010).

4. Part 4: Empirical Research

This fourth part aims at building further on the existing literature and providing insights into the attitudes of Chinese consumers in the food industry by analysing primary data collected through an online survey in Beijing in June 2016. Consequently, this section is an exploratory research with a view to making recommendations on how to succeed in China (in Part 5). It covers research questions, methodology, analysis of results, further results and limitations.

4.1 Chapter 1: Research Questions

In order to detect if Chinese consumers would be ready for a transition to organic food, three dimensions in their current mind-set in, line with the literature review on the Chinese consumers in Part 3, have been looked at:

- Their trust in certification labels;
- Their willingness to try new products and be different from their community;
- Their attention to well-being and the “*taste of life*” (McEwen, Fang, Zhang, and Burkholder, 2006, p.71).

However, since this thesis provides a European perspective to detect opportunities for export, the research questions will be partially focused on European products and brands. Therefore, this empirical research is structured around the following research questions to detect whether the educated Chinese consumers from Beijing, the main target of this survey, would be interested in imported organic brands.

- A. Do Chinese consumers trust European certification labels more than Chinese certification labels in the food industry?
- B. Do Chinese consumers prefer European brands than Chinese brands when purchasing food?
- C. Do Chinese consumers like to try new brands/products when purchasing food?
- D. Do Chinese consumers follow their personal values and tastes when purchasing food?

4.2 Chapter 2: Methodology

4.2.1 Methodology

The purpose of this empirical research is to answer aforementioned research questions (by weakening or strengthening positive or negative answers to every question) in order to make recommendations and detect opportunities for foreign companies. To draw meaningful conclusions, the set of data and accompanying graphs have been analysed with common sense. However, because of scientific rigor, no hypotheses can either be ‘rejected’ or ‘confirmed’, as no SPSS analysis has been conducted, and no significance level, integrated. Therefore, for the sake of caution, the reader must keep in mind that this research is exploratory and that findings must be considered as indicative.

4.2.2 Data Presentation and Survey

To respond to the four research questions, the author conducted an online survey in Beijing during her stay in China with the help of Chinese colleagues and friends. It has initially been created in English and it has been translated in Chinese by Li Heyi 李和怡, CEMS student at the Tsinghua School of Economics and Management. The survey, detailed in Appendices 9 and 10, has been distributed through social network connections to reach as many Chinese consumers as possible. Although the voice of every Chinese consumer would have been interesting to hear, the educated Chinese consumer of Beijing has been taken as main target group because of its hypothetical higher awareness of the organic certification as well as its higher accessibility.

4.2.2.1 Design of Survey

The design of the survey has been adapted to Chinese standards thanks to the class of Marketing Research: Methods and Applications given by Professor Zheng Yuhuang during the author’s exchange term at Tsinghua University. According to Professor Zheng, the design process of a good and helpful questionnaire consists of 10 essential steps, which have all been integrated in this survey (see Appendix 8 for the ten steps)³⁴. Moreover, to pre-test and improve the quality of the questionnaire it has been read and commented by European colleagues, as well as Chinese colleagues before its online release, to avoid misunderstandings about the

³⁴ The steps of the questionnaire design process have been covered during the third class of Marketing Research: Method and Applications, on the 9th of May 2016 at the Tsinghua University of Beijing.

questions. Their suggestions have been included directly (not reported) to ensure optimal clarity.

Concretely, the main objective of this survey is to make an exploratory research to discover trends in the Chinese food market that could become export opportunities for foreign companies in the organic industry. Therefore, one needs to know whether the Chinese consumer would be ready to buy imported organic food. If he would, the objective will be to detect how to take advantage of this emerging market, whereas if the respondent would not be ready to buy imported organic food, it would be interesting to detect the main reasons behind it. This would lead to an indication whether a potential export is feasible, or on the contrary, needs to be delayed or abandoned. Put differently, the purpose of this field survey is to measure the readiness of the educated Chinese consumer to buy imported organic food and to detect possible opportunities for foreign companies exporting organic food.

The structure of this survey relies on the indications of Professor Zheng Yuhuang: screening questions, warm-up questions, focus questions, difficult questions and, last but not least, demographics³⁵. Please, refer to Appendix 9 for the English version of the survey, and Appendix 10 for the original Chinese version that has been distributed, online, in June 2016. Moreover, all the questions are closed-ended questions, or multiple-choice questions and for most of the survey questions, a five-point Likert scale (namely from 1 to 5) has been used. This is because *“previous studies³⁶ have confirmed that 5-point Likert scales are comprehensible with Chinese consumers, and widely applied in Chinese food consumption studies”* (Chen, Lobo and Rajendran, 2014, p.348). It also allowed measuring the strength of what people affirm and believe, which is crucial in an exploratory study.

4.2.2.2 Implementation of Survey

To reach as many people as possible within the main target group, a convenience sample has been chosen. According to the class of Marketing Research: Methods and Applications given by Professor Zheng Yuhuang, a convenience sampling collects ‘convenient elements’ selected for practical reasons. Indeed, through WeChat, the local social network platform, the author’s

³⁵ The structure of the questionnaire has been covered during the third class of Marketing Research: Method and Applications, on the 9th of May 2016 at the Tsinghua University of Beijing.

³⁶ Kim, W.G., Ma, X., & Kim, D.J. (2006). Determinants of Chinese hotel customers’ e-satisfaction and purchase intentions. *Tourism Management*, 27, 890-900.

friends and colleagues at Tsinghua University have circulated the online survey to their own Chinese connections during the month of June 2016. However, the number of respondents is limited because of the necessity to rely on colleagues and friends with a convenience sample.

4.2.2.3 Closure of Survey

On the 1st of July 2016, the survey has been closed. In one month, 63 respondents have taken the survey. The dropout rate is 0% according to Qualtrics, the website on which the survey has been realised and analysed. Unfortunately no figure can be computed for the response rate since the website does not compute how many people have seen the link of the survey during the month of June (Qualtrics, 2016).

4.2.2.4 Encountered Issues

Uninformed of the services provided by the Louvain School of Management, there was no other possibility then to use the license of a student at the Bocconi University of Milan to access the Qualtrics website. However, one week after the closure of the survey, the license expired and the access to the website was denied due to an “incorrect brand for username”. This technical problem, independent of any own will, has made it impossible to use all the data of this survey after a certain date. Fortunately, the rough data had been saved and the responses of the respondents before the technical issue, but the export of an excel file with all the answers, to use SPSS, for example, was not longer possible.

4.3 Chapter 3: Results Analysis

4.3.1.1 Data Analysis

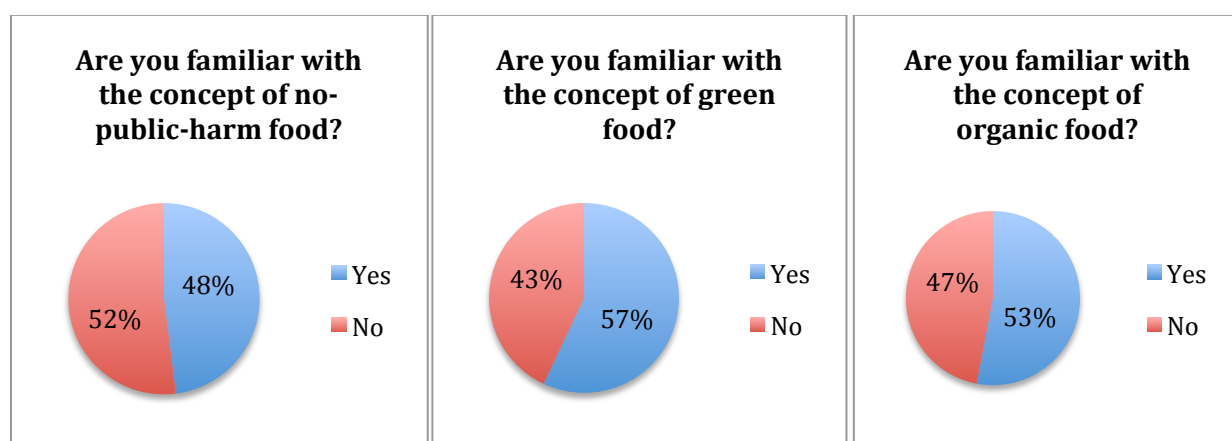
The demographics of the respondents can be summarized as follows (please refer to Appendix 11 for the absolute numbers for every demographic question).

- Almost all the respondents (98%) are Chinese;
- The majority of respondents live in Tier-1 cities (68%), Tier 2 cities (20%) and Tier-3 and 4 cities (10%). No respondent lives in the countryside;
- Most of the respondents are women (63% of women versus 37% of men);
- Regarding age groups, 3% of the respondents are younger than 18, 54% are between 18 and 25, 22% are between 26 and 30, 10% are between 31 and 40, 8% are between 41 and 50, and, last but not least, 2% are between 51 and 60;

- Only 19% of the respondents have children;
- Most of the respondents (57%) have a monthly average income between 0 and 5000 RMB. For the rest: 20% of the respondents earn between 5001 and 10.000 RMB, 11% earn between 10.001 and 20.000 RMB, 11% earn between 20.001 and 30.000 RMB, whereas only 2% earn more than 30.000 RMB every month³⁷;
- Regarding education, 3% of the respondents have a PhD, 28% hold a Master degree, 55% have a Bachelor degree, 2% have a College degree, 7% have a High School degree and 5% have a Technical Secondary School degree, a Junior High School degree or a lower degree;
- Most of the respondents seem to be healthy as the vast majority (59%) of people strongly disagreed with the statement “Do you think you have many health issues?”

The following pie charts give an overview of the awareness of the different organic labels (no-public-harm food, green food and organic food respectively) among the respondents. As shown in Figure 11, the majority (53%) of the respondents is familiar with the concept of organic food. What is more surprising is the relatively low awareness of no-public-harm food despite its 17,3% share in the total cultivated hectares in China (compared to the shares of organic and green food, 2,5% and 8,2% respectively) (Paull, 2008b).

Figure 11: The Awareness of the Different Certification Labels

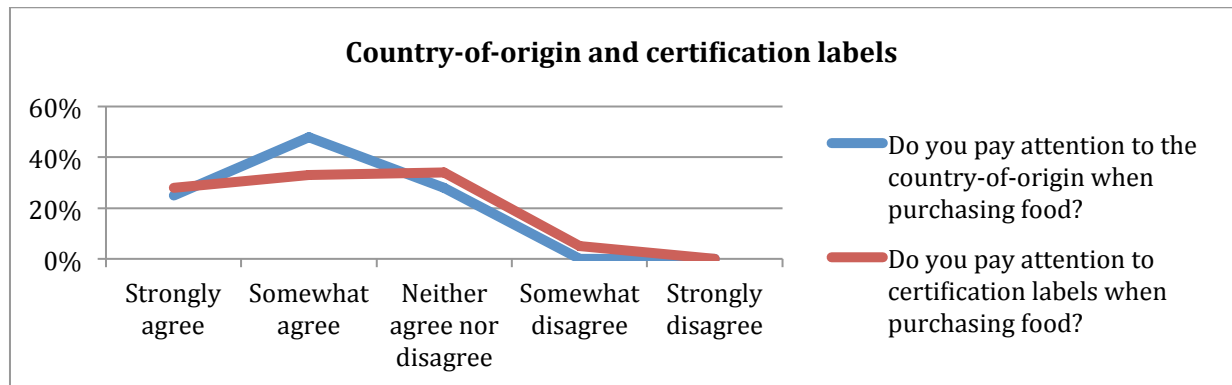


(Source: Results of own survey, June 2016)

Furthermore, respondents pay slightly more attention to country-of-origin than certification labels when purchasing food (as shown on the graph in Figure 12).

³⁷ At the date of 11th of May 2016, the exchange rate was: €1 = ¥7,413 (European Central Bank, 2016).

Figure 12: The Relative Importance of Country-of-Origin and Certification Labels



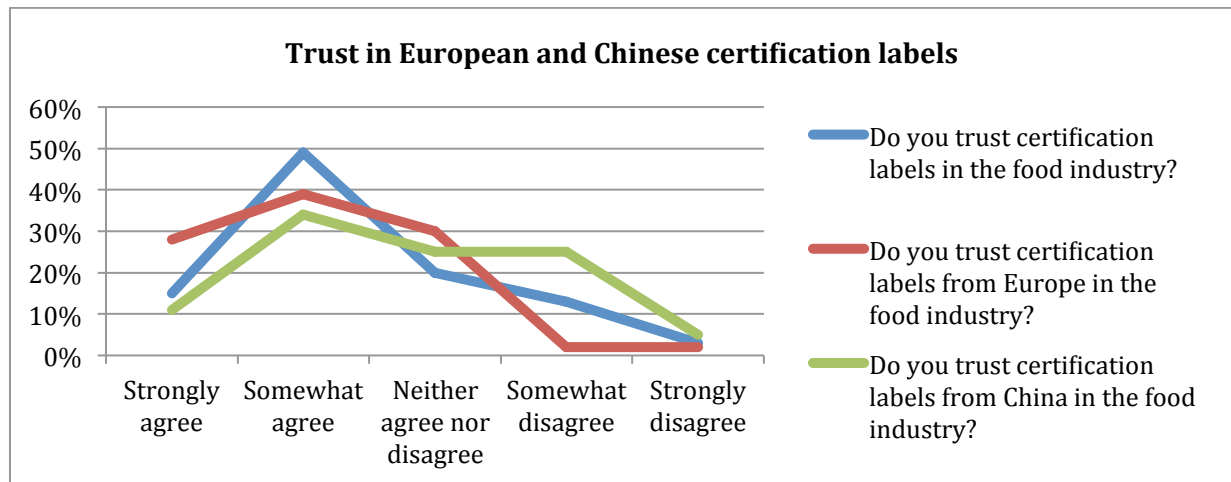
(Source: Results of own survey, June 2016)

This might be a hurdle for the local organic food industry and should be taken into account by foreign companies in the design of their labels.

4.3.1.2 Research Question A

Regarding the trust of Chinese consumers in European labels, the following chart (please refer to Figure 13) summarizes the answers of the respondents. The blue line on the graph shows that the majority of consumers (64%) trust certification labels. This is consistent with the theory (developed in Part 2) which states that trust is coming back recently because of stricter regulations of the certification process. This is very positive if one knows that one of the main barriers for the growth of the Chinese organic market is the lack of trust in organic certifications, because of historical misuse of the labels.

Moreover, the red line on the graph (representing trust in European certification labels) is relatively higher in the “agree-side” and lower in the “disagree-side” compared to the green line on the graph (representing trust in Chinese certification labels). This implies that respondents tend to have higher trust in European certification labels than in Chinese certification labels, which is a solid argument in favour of the higher trust of Chinese consumers in European certification labels.

Figure 13: The Trust in European and Chinese Certification Labels

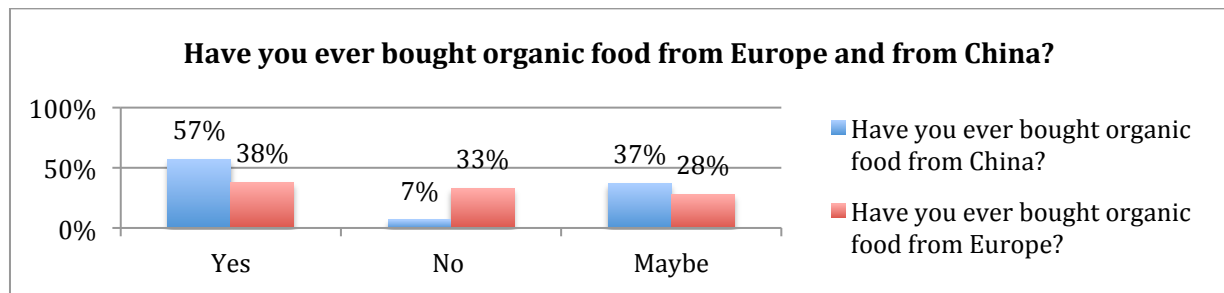
(Source: Results of own survey, June 2016)

The table below gives the exact percentages. Consistently, it indicates a higher trust of respondents in European certification labels than in Chinese certification labels.

	Trust in European certification labels (1)	Trust in Chinese certification labels (2)	Difference $\Delta = (1) - (2)$
Strongly agree	28%	11%	17%
Somewhat agree	39%	34%	5%
Neither agree nor disagree	30%	25%	5%
Somewhat disagree	2%	25%	-23%
Somewhat disagree	2%	5%	-3%

(Source: Results of own survey, June 2016)

However, more respondents have already bought local organic products, despite the lower trust in the certification. This is also in line with the theory as people are constrained by the technical barriers of price and accessibility to buy local organic products. The graph in Figure 14 summarizes the results of the survey. More interestingly, 57% of respondents have already bought local organic food, and 38% have tried imported foreign organic products. These relatively high results are extremely promising for the market and are under-evaluated in the theory. Strikingly, according to Shen (2012), the willingness-to-pay of consumers significantly depend on their experience. If they have already bought eco-labelled products, they will be ready to pay more.

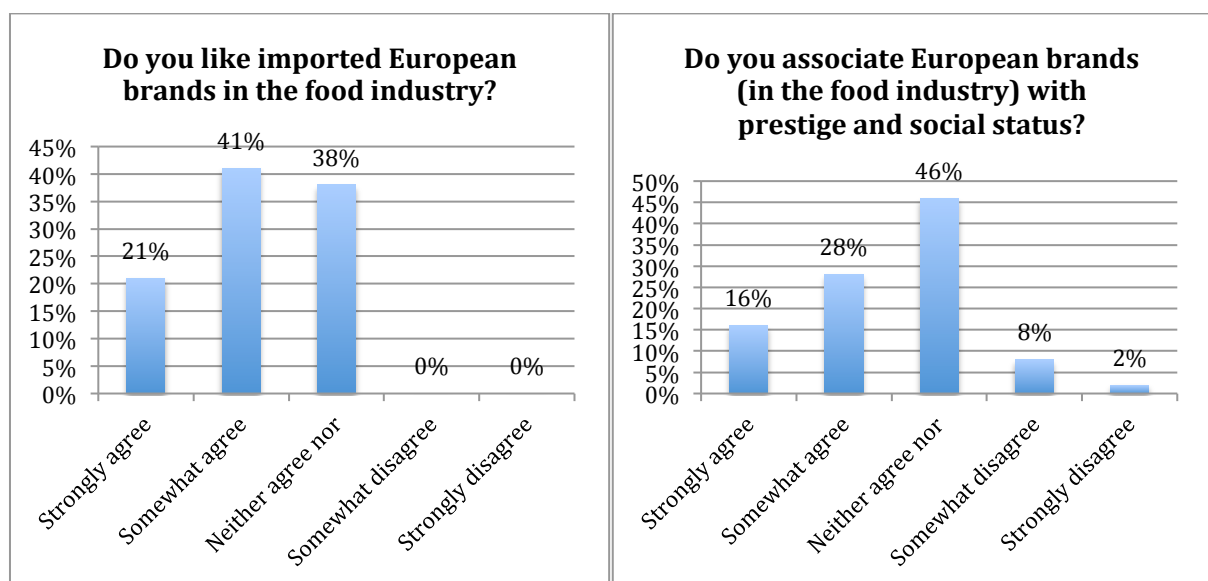
Figure 14: The Organic Food Bought from Europe and China

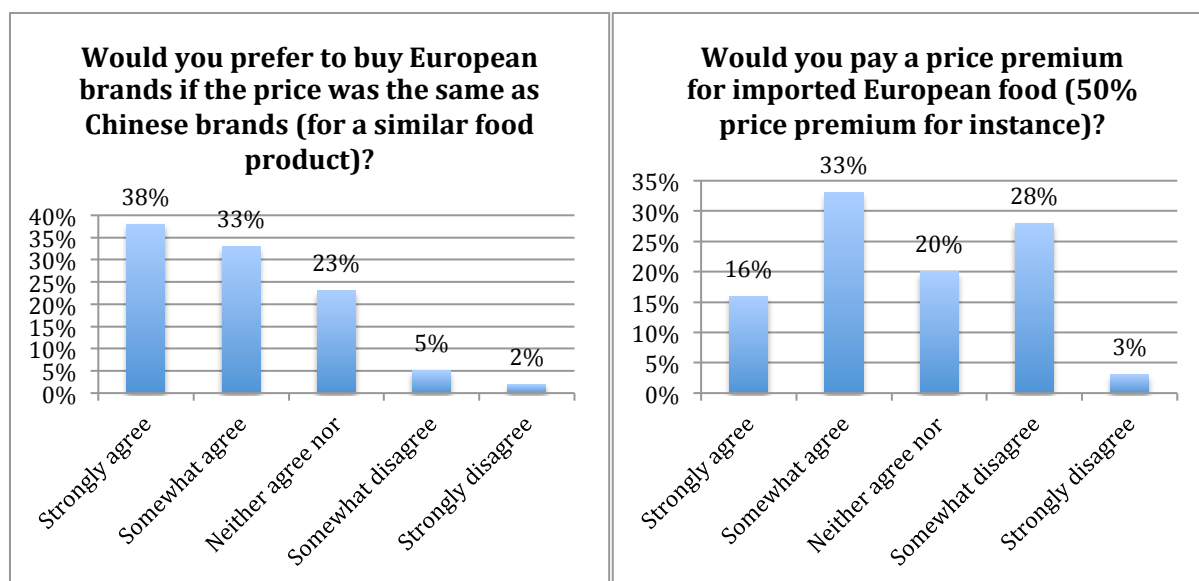
(Source: Results of own survey, June 2016)

To conclude, the data of this survey allows us to believe that the respondents trust European certification labels more than Chinese certification labels in the food industry.

4.3.1.3 Research Question B

As shown on the first graph of Figure 15, all respondents agreed (or remained neutral) with the question: “Do you like imported European brands in the food industry?”. This is extremely interesting for European brands, since it goes further than the literature review (see for instance the ‘ethnocentrism’ section of Part 3), and even put into question the findings of Lin, Xi and Lueptow (2013) who concluded that the passion and eagerness for foreign brands is slowing down in China (also developed in Part 3). Moreover, 44% of respondents associate foreign brands with social status and prestige and 71% would prefer to buy European brands if no price premium was requested.

Figure 15: Overview of the preferences of Chinese Consumers for European Brands/Products



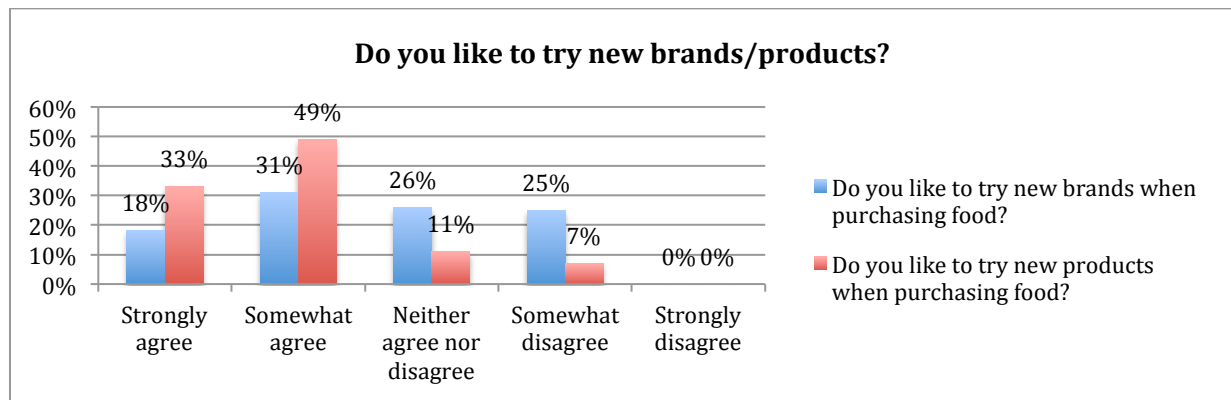
(Source: Results of own survey, June 2016)

Furthermore, compared to the theory (developed in Part 2), where 71% of Chinese organic buyers would pay a 20 to 50% price premium for organic food, the results of the survey are surprising. Indeed, in this empirical research, 49% of respondents (among organic buyers and non-organic buyers) would pay a price premium of 50% for imported European food.

To conclude, because the vast majority of respondents (71%) would prefer to buy European brands for a similar price, and almost 50% of the respondents would be willing to pay a significant price premium for European brands, we can strengthen that Chinese consumers do prefer European brands than Chinese brands when purchasing food.

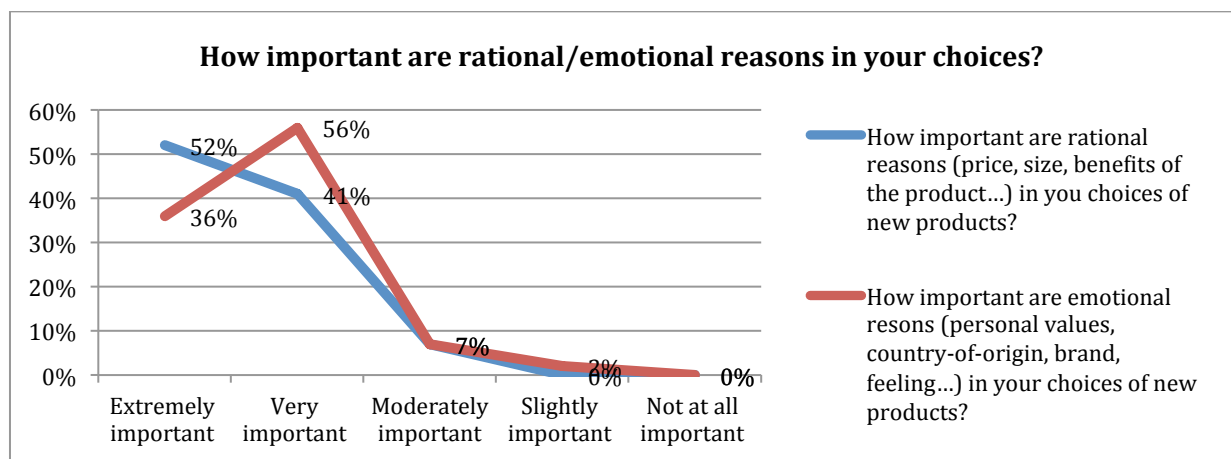
4.3.1.4 Research Question C

The third research question covers the willingness of Chinese consumers to try new products. Again, the answers are striking as the vast majority of respondents likes to try new products and 82% of respondents agree with the question “Do you like to try new products when purchasing food?” (33% strongly agree and 49% somewhat agree). Additionally, respondents tend to be more willing to try new products than new brands. Indeed, as shown on the graph in Figure 16, the distribution among the different options is more homogenous as one in four respondents even disagrees with the statement “Do you like to try new brands when purchasing food”. This can be considered as a growth driver of the organic market and should be exploited by new entrants into the market.

Figure 16: The Willingness of the Respondents to Try New Brands or Products

(Source: Results of own survey, June 2016)

Regarding the importance of emotional versus rational arguments in the decision process of consumers, the graph in Figure 17 shows the relative importance of the two different types of arguments (the blue line represents the importance of the rational arguments, whereas the red line depicts the importance of emotional arguments when consumers have to choose between different food products). As expected, the rational arguments, like price, size and benefits of the product, are slightly more important than emotional arguments. Nevertheless, the high importance of emotional arguments, like personal values, country-of-origin, brand and feeling, is unexpected in the Chinese culture. It indicates that the power of brands is relatively strong for the preferences of consumers. Therefore, even if due to the behavioural gap and the limited annual household incomes, consumers cannot afford to follow their emotional arguments, it still induces an immense opportunity for Western companies to construct a solid brand image in the mind of the Chinese consumers.

Figure 17: The Importance of Rational and Emotional Arguments in the Choice of Food

(Source: Results of own survey, June 2016)

Furthermore, the frequency of novelty is also interesting as 93% of respondents are tempted to try new products regularly (sometimes, often or very often). Please refer to Figure 18.

Figure 18: The Frequency at Which Respondents Try New Products



(Source: Results of own survey, June 2016)

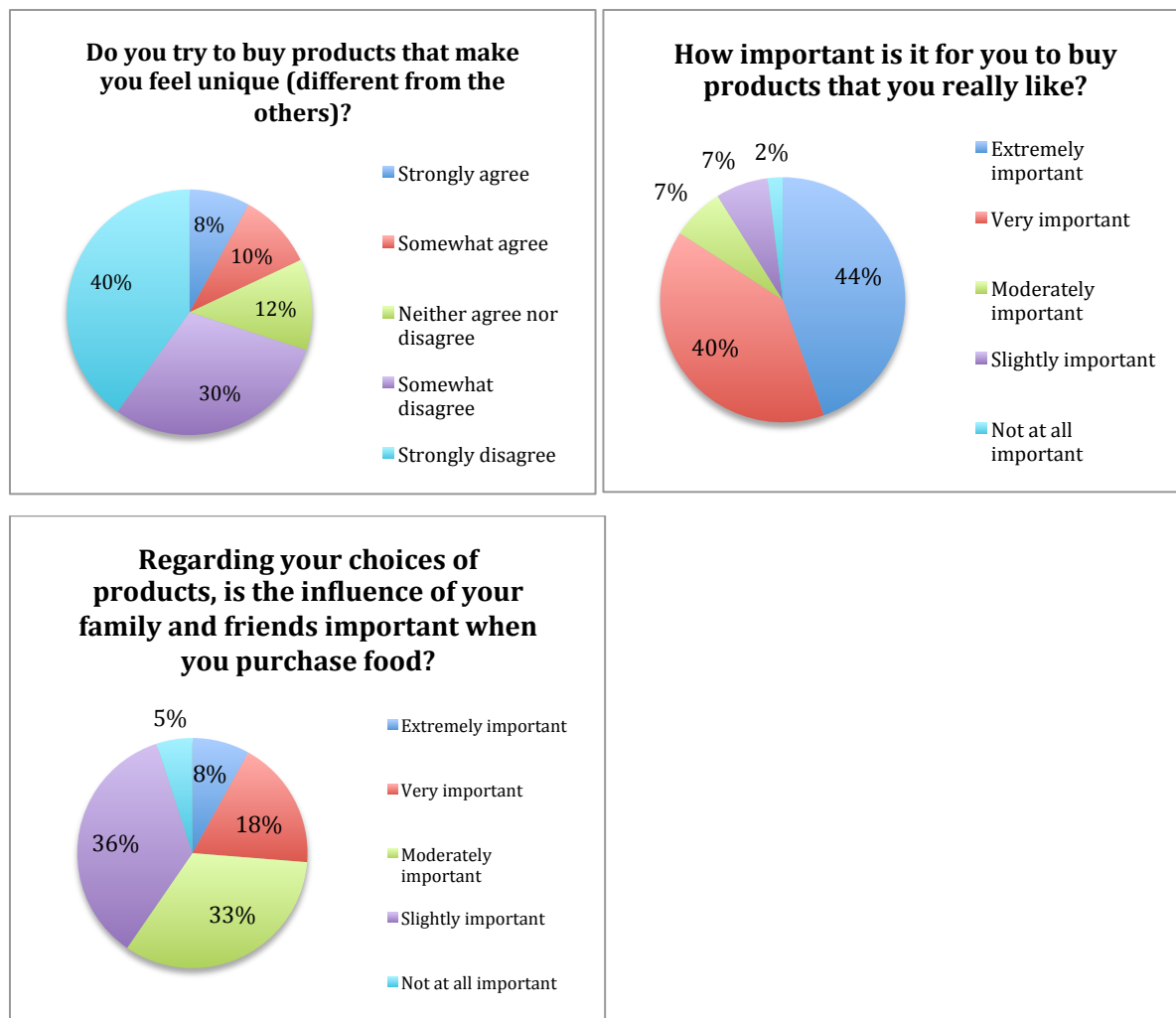
As a result, we can conclude that the respondents of the survey like to try new brands and products when purchasing food.

4.3.1.5 Research Question D

The last research question approaches the willingness of Chinese consumers to follow their own personal values and tastes in their decision making process.

The first graph of Figure 19 clearly shows that 70% of the respondents disagree with the question “Do you try to buy products that make you feel unique (different from the others)”. This is in line with the theory of social compliance in the literature review (see Part 3). However, companies should not forget the remaining 18% willing to feel unique through consumption of goods. This could be an interesting differentiating factor for the smaller foreign companies in the Chinese organic market. This is also consistent with the findings of McEwen *et al.* (2006), who found that attitudes towards life and capitalism are evolving and self-expression, self-satisfaction and personal goals are playing an increasingly important role in China. The second graph reflects the willingness of respondents to feel independent and self-assured. Indeed, 84% of respondents pretend that it is important to buy products that they really like. Finally, in the third graph of Figure 19 only a minority of respondents (26%) admits that the influence of their relatives plays an important role when they purchase food.

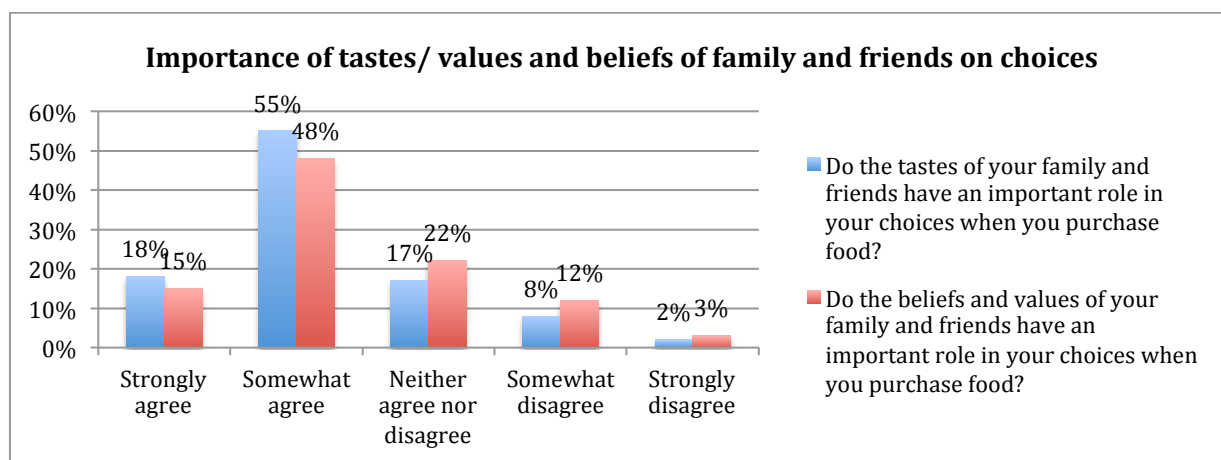
Figure 19: Overview of the Responses for the Fourth Hypothesis



(Source: Results of own survey, June 2016)

Moreover, as shown in Figure 20, beliefs and values of family and friends have a slightly lower influence on the choices of respondents than tastes.

Figure 20: The Relative Importance of Tastes and Values of Family and Friends



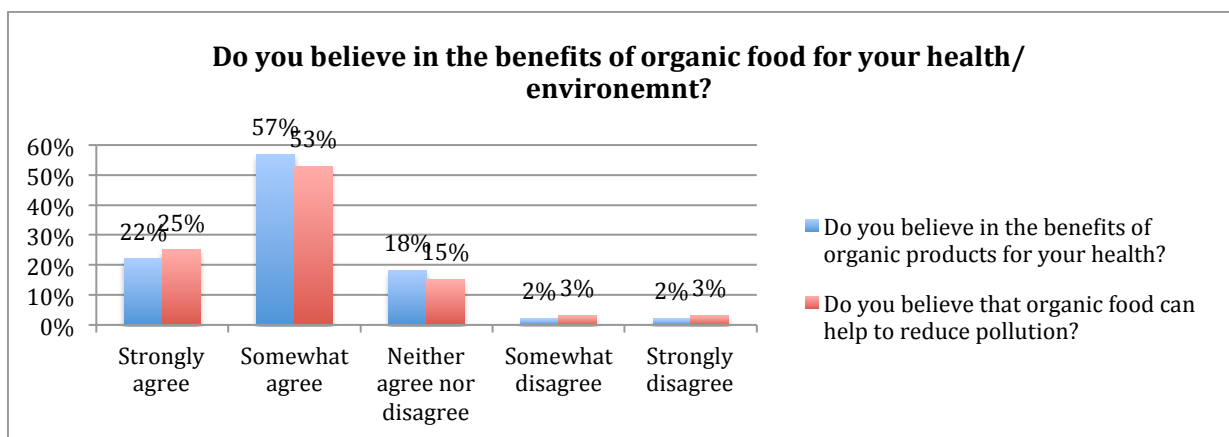
(Source: Results of own survey, June 2016)

To conclude, the data set from the survey allows us to conclude that Chinese consumers follow their personal values and tastes when purchasing food, which questions the strong cultural importance of social compliance.

4.3.1.6 Further Results

To dig deeper into the matter, it was looked at how consumers perceive organic food as well as in which measure they believe in their benefits. Consequently, on Figure 21 one must see that health and environment have similar results, since 79% believe in the benefits of organic food for their health and 78% believe in the benefits of organic food for the environment. This is in line with the theory for health, as most consumers buy organic food because they consider it as the safest source of nutrition within the food industry. However, this is surprising for the environment, because in the literature review this result is not as explicit.

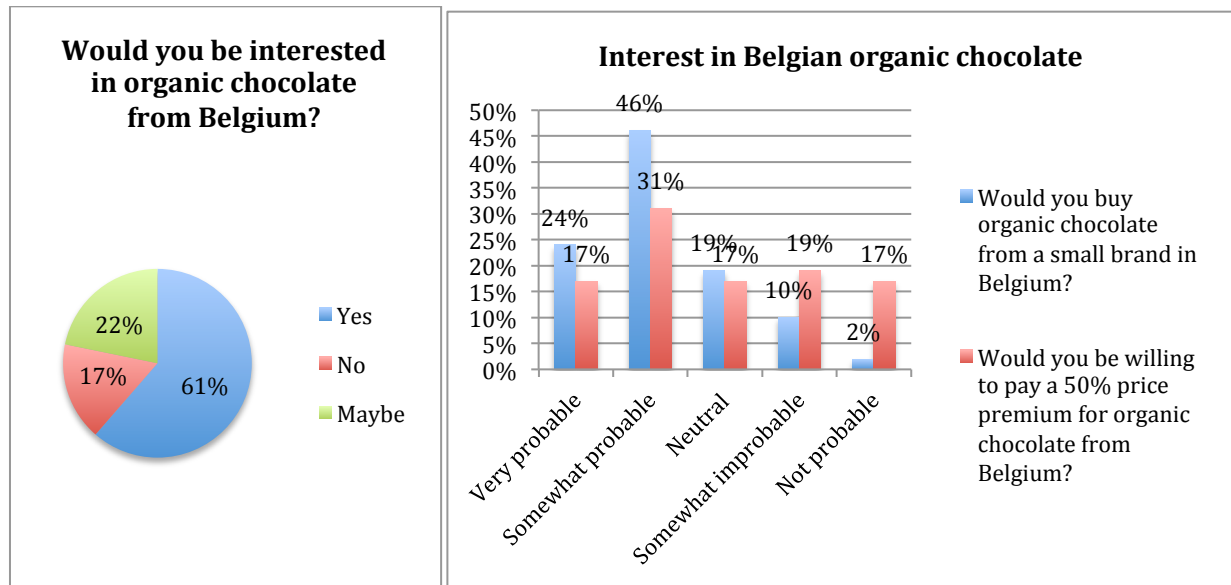
Figure 21: The Belief in the Benefits of Organic Food on Health and the Environment



(Source: Results of own survey, June 2016)

Furthermore, the case of Belvas, the Belgian organic chocolate manufacturer, was considered to tease the interest of respondents for a small, unknown brand of organic chocolate. As shown in the first graph of Figure 22, the results are quite encouraging since more than half of the respondents (61%) would be interested in trying the product. More specifically, the second graph shows very positive results for Belvas as 70% of respondents would be willing to buy organic chocolate from a small Belgian brand, and 48% would be ready to pay a 50% price premium for it.

Figure 22: The Interest in Belgian Organic Chocolate



(Source: Results of own survey, June 2016)

4.4 Chapter 4: Limitations of Empirical Research

The aim of this field research was to make an exploratory research on the purchase intentions and behaviours of educated Chinese consumers based in Beijing, a Tier-1 city, in order to detect opportunities for foreign companies operating in the organic food market. As a result, no conclusion can be drawn for the entire country and no comparison can be made with respondents in the countryside, or smaller cities.

5. Part 5: Discussion

The purpose of this fifth part is to discuss the findings of the empirical research (Part 4) in order to complement the market analysis (Part 2) and the literature review (Part 3), as well as to recommend an entry strategy for Western operators in the Chinese organic market. This part is structured as follows. It starts by tackling the findings of the empirical research through an observation of the results. Then, it develops recommendations for success in China, based on the findings of Part 2, Part 3 and Part 4. Finally, it sheds light on the critical view of this thesis to support and feed the discussion.

5.1 Chapter 1: Observations

From observations of the organic market, one can consider that the climate is favourable for imported organic food in Beijing, because the data set derived from the empirical research has allowed strengthening the four following statements:

- Chinese consumers tend to trust European certification labels more than Chinese certification labels in the food industry;
- Chinese consumers tend to prefer European brands than Chinese brands when purchasing food;
- Chinese consumers seem to like to try new brands and products when purchasing food;
- Chinese consumers tend to follow their personal values and tastes when purchasing food.

The results are also extremely encouraging for Belvas, the Belgian organic chocolate manufacturer, because one in two respondents would be willing to try the product and almost half of the respondents would be ready to pay an important price premium to get it.

Consequently, from the in-depth analysis of the market, the consumers and the empirical research, European companies should strongly be encouraged to consider the Chinese organic marketplace, as providing great opportunities for export. Clearly, opportunities overtake barriers if the strategy is adapted to the constraints and takes China's particularities into account.

5.2 Chapter 2: Recommendations for Success in China

However, because business success is hard in China, companies should rethink their “China strategy” and ensure their willingness to overcome the barriers, as well as their ambition and their perseverance to understand the Chinese consumers. This section aims at making recommendations for foreign companies, based on the framework of a Professor of Tsinghua School of Economics and Management as well as the findings from the market (Part 2), the literature review of the consumers (Part 3) and the empirical research (Part 4).

Before developing the technical recommendations on how to address the Chinese organic marketplace, the following sub-section sets out an interesting framework to measure whether a particular company is able to consider the Chinese market. In fact, the probability of success in China seems to depend on the answers of the managing team to different questions.

5.2.1 Go to China?

In short, during the four months as an exchange student at the Tsinghua School of Economics and Management in Beijing, the author of this thesis has had the opportunity to attend a course of Practical Strategic Management given by Professor Doctor Ingo Beyer von Morgenstern, partner at McKinsey & Company. He has studied the Chinese markets for the last fifteen years and has provided insights on how to succeed in the Chinese markets³⁸. According to his analyses, many companies have targeted China because of the size of the market, without realizing that size was not everything. Those same companies have witnessed rapid change and have faced higher difficulties than expected because they were not prepared for a deep cultural mind shift and integration. After studying their failures, McKinsey & Company came up with a test of ten questions to measure the predictive success rate of a foreign company in China. Through the answers to those questions, they are able to predict if the planned expansion will lead to success or failure (Beyer von Morgenstern, 2016).

Applied to the Chinese organic market, the framework³⁹ implies that the probability of success in China can be deducted from the following elements.

³⁸ Course of Practical Strategic Management at the Tsinghua University, given by Professor Ingo Beyer von Morgenstern, partner at McKinsey & Company from the 20th of April to the 27th of April 2016.

³⁹ Based on the theory of Success in China developed by Professor Ingo Beyer von Morgenstern during the class of Practical Strategic Management at the Tsinghua University.

- (1) The Chinese organic market is crucial for the company and should become its second market. This element measures the genuine interest of the company in China. Indeed, to be successful in China, the company should consider the country as its second market, which is mentally a big step, since it implies that the ‘big Chinese organic market’ should become ‘my company’s second market’. This long-term and deep interest should guide the company in its strategic decisions to overcome the multiple barriers along the way and guarantee its sustainable future.
- (2) Having a thorough understanding of the market is an essential element of a company’s fortune in China. This seems obvious but the granularity of research will determine the probability of success of a European company operating in China. In theory, foreign companies have two main strategies in China: going for the (limited) richer segments of the Tier 1-2 cities with high profit margins, or focusing on the (rising) middle class of the Tier 3-4 cities with lower margins but important volumes. The first strategy allows a company to maintain its original business model with a superficial understanding of the particularities of the Chinese consumers. However, in the second strategy, the company needs to adapt its business model locally and to understand exactly how to reach the middle class consumers with foreign products. In the case of the Chinese organic market, the second strategy is probably more sustainable and long-term oriented but it might be premature to implement it today. Nevertheless, both strategies should be combined with a try-and-adapt approach to learn by doing and fully integrate feedback from the market.
- (3) The company is open to Chinese innovations, like green food or high tech traceability systems, and strives for quality (instead of focusing only on cost reduction) in all its operations.
- (4) The go-to-market strategy is well thought through to fit the requirements and trends of the Chinese organic market. For instance, foreign companies should take advantage of the online driven Chinese organic market and its complex fragmentation.
- (5) The probability of success of a foreign company in China is also linked to its willingness to consider mergers and acquisitions with Chinese partners for further expansion. Of course, this should be done carefully, and only with a sufficient understanding of the market, but it

demonstrates a strong implication in China. For the organic market, foreign companies should weigh the pros and cons of doing so, since the production in China might induce a lower trust in the safety of the products. The ethnocentrism character of consumers should therefore be balanced with the willingness to pay more for foreign brands or labels, which convey an associated message of quality.

- (6) The geographic, demographic, cultural and economic challenges of China should be considered as a competitive advantage for the company. For instance, foreign companies should take advantage of the current high growth rate of the organic market instead of looking at its low percentage in the food industry, since early entrants will have a competitive advantage over the other later entrants, if they manage to leverage on the unique resources of the most populated country on earth. In other words, foreign companies should not expect to be profitable in the short run, but should learn from the early development stages of the market and adapt. Only once the complexity of the Chinese organic market is mastered, it can expect to be profitable. This is also consistent with the theory of being seen as 'genuine' instead of 'counterfeit' by being first on the market.
- (7) If the Chinese market really matters to the company, it should include Chinese talent in its strategic board, in China as well as in Europe (if the company has several offices). Indeed, having a Chinese member in the management team increases the likelihood of success. The reasons are twofold: it enhances the relationships with Chinese business partners, employees or clients and it highlights the strategic importance of the country for the company.
- (8) The company should be able to build on its unique competitive advantages to beat local competitors in an unequal competitive context, especially in the organic food market where state institutions exert an important influence on the business conditions.
- (9) The strategy of the company is resilient to adjust to the uncertainties and to the challenges of the Chinese economy and the evolving needs of the Chinese consumers. As mentioned earlier, foreign companies should be open-minded and ready to learn from their experience instead of bringing European concepts and ideas over to China. However, the strategy needs to be robust and solid enough to overcome the challenges, as mentioned above.

Basically to succeed in the Chinese organic market, foreign companies should strongly believe in its potential and be ready to go the extra mile in China. The strategic expansion needs to rest on a collective agreement and have the full support of the board, since it implies innovation and adaptation to particular constraints. Therefore, an adequate budget is crucial. European companies should expect to lose money in the beginning because of the local competition and the unawareness of the Chinese consumers. However, perseverance and determination will pay off, because of the potential of the organic market and its consumers. Put differently, during the first years, foreign companies should analyse the market, try innovations and adapt to the feedback of the consumers to pursue longer-term goals.

Once the company concludes that its China strategy fits the requirements of the market, it can address the Chinese organic market appropriately. Accordingly, the next sub-sections give specific recommendations based on the current situation of the market, the extensive literature review of the consumers and the exploratory empirical research in Beijing.

5.2.2 Recommendations from Market Analysis⁴⁰

To maximize the probabilities of success in China, the following table sets out the main recommendations derived from the analysis of the Chinese organic market and the introduction to the Chinese economy (Part 2). For every component of the strategy (namely distribution, target, product, promotion and price) the main recommendations are listed in the right column of the table. At the end of the table, one will also find some opportunities and challenges to keep in mind to have a comprehensive view on the recommendations.

	Recommendations derived from the Market Analysis and the Introduction to the Chinese Economy (Part 2)
Distribution	- Chinese consumers go four times more often to retail stores than European consumers, but the size of their basket is on average two thirds smaller (Beyer von Morgenstern, 2016). - To satisfy the increasing demand, high-end stores and specialty supermarkets are popping up like mushrooms (Wright, 2015a).

⁴⁰ The recommendations are based on research of authors mentioned in Part 2: The Chinese Organic Market. Please refer to the different sections of Part 2 for the references and context.

	- A recent shift is noticed in the distribution of organic products from small specialists retailers to big supermarkets and hypermarkets (Euromonitor International, 2016). - Online distribution platforms specialized in organic food products is a promising option for the growth of the organic market in China (because cheaper and more transparent about the certifications) (Wright, 2015b).
Target	- Eight groups of organic consumers in China. (International Trade Centre, 2011). They want to buy organic food because they are convinced that it is better for their health, the taste is superior and it is environmental friendlier (Thøgersen and Zhou, 2012). - Growing demand of smaller cities in China (Wright, 2015b). - Use of organic food as presents (in both professional and private contexts) to show gratitude and care (Lagos <i>et al.</i>, 2010). - Households have a higher purchasing power (Davis, 2013).
Product	- Consumers prefer to have smaller quantities, that are cheaper, easy to store and to prepare, as well as accessible in hypermarkets and supermarkets. Convenience and quality must be met to satisfy their expectations (International Trade Centre, 2011). - Consumers expect safety, functionality, freshness and credible certification labels (International Trade Centre, 2011). - The white colour might refer to death and mourning (Aslam, 2006).
Promotion	- To promote the market, the cheapest and the most used mean is the Internet (International Trade Centre, 2011). - WeChat, the ubiquitous local social network, and word-of-mouth are very effective in China (Xin <i>et al.</i>, 2015). - Chinese like to receive advertisements on their phone.
Price	- Price premium is higher in China than in Europe (Thøgersen and Zhou, 2012). - Chinese people are extremely price sensitive.
Opportunities	- Demand for imported food products is recently growing by fifteen per cent every year in China, which implies that the total imports of food products are more than four times bigger than ten years ago (Wright, 2015a).

	- Even a modest market share in a market of millions of potential consumers still implies impressive absolute numbers (McEwen <i>et al.</i>, 2006).
Challenges	- Stricter penalties in case of violation of the law (Fu, 2016). - Responsibility of online retailers has increased (Wright, 2015c). - Whistle blowing and fines are common (Wright, 2015c).

5.2.3 Recommendations from Literature Review⁴¹

The table below summarizes the main findings of the literature review on the Chinese Organic Consumers also to help companies to maximize the opportunities of success in China (Part 3). Same as in the previous section, for every component of the strategy (namely target, positioning, product, promotion and price) the main recommendations are listed in the right column of the table. And again, at the end of the table, one will also find some opportunities and challenges to keep in mind to have a comprehensive view on the recommendations.

	Recommendations derived from the Literature on the Chinese Organic Consumer (Part 3)
Target	- Young Chinese adults are more materialistic than Americans (Podoshen <i>et al.</i>, 2011). - Young Chinese adults tend to spend too much money on conspicuous products at the expense of the care of their parents (Podoshen <i>et al.</i>, 2011). - The younger generation is more prone to use consumer credit to be able to consume more (Ding, 2015). - Younger Chinese have a higher WTP (willingness-to-pay) than their older compatriots for eco-friendly products (Shen, 2012). - Men have a higher willingness-to-pay for eco-labels than women (Shen, 2012). - In China, business is driven by good relationships and gifts, and many Chinese business people offer presents to clients, suppliers and partners

⁴¹ The recommendations are based on research of authors mentioned in Part 3: The Chinese Organic Consumers. Please refer to the different sections of Part 3 for the references and context.

	(Chandler <i>et al.</i>, 2004). - The main consumers in China of organic products are corporations and relatively wealthy consumers (for private gifts and household consumption) (Lagos <i>et al.</i>, 2010). - Gifts represent an important business opportunity, especially during Chinese New Year (Lagos <i>et al.</i>, 2010). - Willingness-to-pay for certification labels depend on experience with the labels (Shen, 2012). - The luxury segment is mainly a male segment (Chandler <i>et al.</i>, 2004). - There are three main clusters: the safety conscious, the gastronomes and the sceptics (Chen <i>et al.</i>, 2014). - Chinese respondents with a high score for materialism also have a high score for financial altruism (Guo <i>et al.</i>, 2013). - They have a similar adoption process as European organic buyers (Thøgersen and Zhou, 2012).
Positioning	- The attitudes towards life and capitalism are evolving. Self-expression, self-satisfaction and personal goals, are playing a more important role than ever before (McEwen <i>et al.</i>, 2006). - New middle class consumers strongly desire belonging to, and aligning with 'the global middle' (Kravets and Sandikci, 2014). - Being a second player in the market is difficult because of this associated lower status (Gao and Knight, 2007). - Chinese consumers gain face when buying expensive products, which they can show to others or give as presents (Lin, Xi and Lueptow, 2013). - 'Perceived prestige' matters (Zhou and Wong, 2008) - Preserving the environment is more important than factors like fashion, brand and price (MasterCard, 2007).
Product	- Safe food is crucial (Wright, 2015b). - Chinese middle class consumers want basic as well as 'appetizer' product lines (Kravets and Sandikci, 2014). - Clear certification labels and transparent information are highly valued by Chinese consumers in the decision process for the purchase of organic products (Chen <i>et al.</i>, 2014).

	- Three most important pieces of information are: best before dates, ingredients and production (Aday and Yener, 2014). - Food is an industry where country-of-origin has a strong influence (Melnyk <i>et al.</i>, 2012). - Biodegradability and prohibition of child labour on the labels, as well as a clear and explicit communication of its benefits for nature or society encourage consumers to accept the higher price (Guarín and Knorrington, 2014).
Promotion	- The wealthy and educated younger generation can be reached with both global and local appeals, whereas the older generation, the monocultural generation, is only reactive to local appeals, which are still driven by the typical collectivistic Chinese values (Zhang, 2010). - Multinational companies can use foreign languages in ad slogans with a monolingual target, regardless the type of the product (Lin and Wang, 2016). - Companies should avoid misunderstandings and unintended interpretations because feelings of inequality, exclusion and discrimination might have a negative impact, in the longer run, on the loyalty of consumers to foreign companies (Kravets and Sandikci, 2014). - Trials are an effective way to convince Chinese consumers (Chen <i>et al.</i>, 2014). - Chinese consumers do not pay attention (or pay less attention) to social status for products that are consumers in a private context. The most important dimension is 'certification' (Chen <i>et al.</i>, 2014). - Traceability is also an effective tool to promote transparency and efficiency (Xin <i>et al.</i>, 2015). - Five dimensions are important in the decision making process of Chinese consumers when having the intention of buying organic food: certification, sensory appeal, convenience, country-of-origin and social status (Chen <i>et al.</i>, 2014).
Price	- Mianzi is not impacted by the origin of the brand but by the price paid, in public (Lin <i>et al.</i>, 2013).

	- Chinese consumers prefer (i.e. feel less ashamed) to pay a higher price than a stranger (part of the out-group) than to pay a higher price than a friend (part of the in-group) for the same product. Price segmentation might be dangerous since it provokes loss of face (Bolton <i>et al.</i>, 2010). - The higher the price level, the lower the willingness-to-pay extra for eco-labels (Shen, 2012).
Opportunities	- Foreign brands could seize the opportunity of being offered as presents. - High impact of ‘mianzi’ on their purchase decisions in comparison with their annual incomes (Lin <i>et al.</i>, 2013). - Risk of lower quality acts as a strong barrier to the trust in local brands (McEwen <i>et al.</i>, 2006). - Positive influence of national identity is more important than the positive influence of consumer ethnocentrism on product judgment and willingness to buy domestic products (Zeugner-Roth <i>et al.</i>, 2015). - Decision-making process of Chinese consumers implies a rational/emotional stage, an evaluative stage and a behavioural stage (Chen <i>et al.</i>, 2014). - Chinese are eager to buy products for entertainment, enjoyment and personal satisfaction before products to save time and labour (McEwen <i>et al.</i>, 2006).
Challenges	- Passion and eagerness for foreign brands is slowing down in China (Lin <i>et al.</i>, 2013). - Brand loyalty is similar to EU: multi-brand loyalty and the double jeopardy effect (Uncles <i>et al.</i>, 2010)

5.2.4 Recommendations from Empirical Research

To optimize the probability of success in China, the following table indicates the main recommendations derived from the exploratory empirical research (Part 4). Again, same as in the previous sections, for every component of the strategy (namely positioning, product, promotion and price) the main recommendations are listed in the right column of the table. And at the end of the table, some of the opportunities and challenges are mentioned to have a better idea of the possibilities for European companies.

	Recommendations derived from the Empirical research (Part 4)
Positioning	- Chinese consumers do prefer European brands than Chinese brands when purchasing food. - Chinese consumers follow their personal values and tastes when purchasing food. - Companies should not forget the remaining 18% of respondents willing to feel unique through consumption of goods.
Product	- 79% believe in the benefits of organic food for their health and 78% believe in the benefits of organic food for the environment.
Promotion	- Consumers pay slightly more attention to country-of-origin than certification labels when purchasing food. - The majority of consumers (64%) trust certification labels. - Respondents tend to have a higher trust in European certification labels than Chinese certification labels, which is a solid argument in favour of the higher trust of Chinese consumers in European certification labels. - 44% of respondents associate foreign brands with social status and prestige and 71% would prefer to buy European brands if no price premium was requested. - Rational arguments, like price, size and product benefits, are slightly more important than emotional arguments, like personal values, country-of-origin, brand and feeling. - 84% of respondents pretend that it is important to buy products that they really like.
Price	- 49% of respondents (among organic buyers and non-organic buyers) would pay a price premium of 50% for imported European food. - 48% would be ready to pay a 50% price premium for organic chocolate from a small Belgian brand.
Opportunities	- The majority (53%) of the respondents is familiar with the concept of organic food. - Respondents tend to be more willing to try new products than new brands. - 93% of respondents are tempted to try new products regularly

	(sometimes, often or very often). - Beliefs and values of family and friends have a slightly lower influence on the choices of respondents than tastes.
Challenges	- 70% of the respondents disagree with the question “Do you try to buy products that make you feel unique (different from the others)”.

5.2.5 Highlights of Recommendations

- An interesting opportunity is to sell organic imported food as gifts, in private and corporate contexts.
- Recommended targets are businessmen and young adults.
- Online distribution platforms can be used to satisfy the growing demand of Tier-2 and Tier-3 cities.
- The aforementioned recommendations suggest concrete examples to adapt the marketing mix to the needs and values of the Chinese consumers.

5.3 Chapter 3: Critical View

One must absolutely be aware that recommendations are only valuable if assessed critically. The added value of this thesis resides in the combination and confrontation of three different types of data. It is strongly believed that the strength of a successful company is to look into these recommendations and develop a unique strategy in line with its goals and ambitions. It is also certain that the best way to succeed is to try and to learn from the market as no theory can totally predict, neither the reactions of the consumers, nor the future evolutions of the market. Uncertainty is inherent to business life, and strategy should be guided by the willingness to take risks and look beyond what has already been done by others. The development of the market today, is mainly due to the perceived safety of organic food, instead of its perceived positive impact on the environment and society. Therefore, if locally produced food is again considered as ‘safe’ by most Chinese consumers, they may be less willing to pay for eco-labels in the long run. Put differently, no one knows if the interest of Chinese consumers in organic food will grow and expand in the future, but this insecurity is the very essence of business forecasts.

Notwithstanding the author's wish to avoid contradictions, the reader is responsible to make his (or her) personal decision as to the value of the different sources in order to select the best answer to his (or her) question, in case of discrepancy between two pieces of advice. This goes along with the inability to predict the optimal marketing mix with certainty, as two distinct, and even opposite strategies might be equally successful in a similar environment.

Additionally, the lack of concrete business plan for Belvas is consistent with the author's personal choice to focus on the generalities between companies, instead of the specificities of Belvas, to improve the added value of this thesis and guide as many companies as possible in their penetration strategies. The ambition has been to focus on larger and more general recommendations that could be used by most of the European companies interested in exporting organic food to China, instead of only looking at the challenges encountered by Belvas, in the organic chocolate marketplace. Consequently, the aforementioned recommendations for success can be extended to all companies in the (organic) food marketplace, and even in other sectors since consumers have similar preferences and behaviours across different industries. In other words, the scope of the recommendations goes further than the organic market alone, and recommendations could be useful for several companies in their strategy in China.

One last concern is ethical. Does it make sense to sell European organic products in China if the main purpose of organic food is to bring a better alternative, more sustainable and natural, to regular food? It seems slightly hypocritical to ship organic food across the world as it harms the environment on a different level. The pollution linked to transport is probably not compatible with the ideology of providing an environmental friendly and sustainable lifestyle to people. Understandably, a company strives to reach out to new consumers, but it is questionable that its related pollution of transport is in line with the concept of organic food. In other words, is it an ethical and sustainable solution to export food that is produced in the European Union, to China?

6. Part 6: Conclusions

This last part concludes this thesis and also covers its limitations, suggestions for further research with a focus on the specific contribution of this work in the areas of scientific advancement, business management as well as for society as a whole. It recaps main findings and summarizes recommendations and key success factors for Western companies willing to export organic food to China.

6.1 Chapter 1: General Conclusion

“Is exporting to China a viable option for foreign companies?” The short answer is: Definitely yes, but it requires perseverance as well as a thorough understanding of the market. The Chinese market provides huge potential opportunities but represents significant challenges. The key is to define and implement a workable export strategy based on an in-depth analysis of the local environment, the Chinese marketplace and its consumers. From this standpoint, this thesis tackles the evolution of the Chinese organic market and seeks to highlight the tastes and preferences of its consumer with a view to providing insights into the attitudes of Chinese consumers to describe their mind-set and suggest recommendations for success in China. Throughout the three main parts (Part 2, Part 3 and Part 4), challenges and opportunities are presented and explained.

In a nutshell, Part 2 looks at the evolution of the market and outlines the current situation in theory as well as in practice. Setting the scene, this part makes an introduction to the Chinese economy, outlines demographic challenges, addresses pollution and food scandals, the evolution of the organic market, its trends, innovations and legal framework. The export failure of Belvas SA, a Belgian manufacturer of organic chocolate based in Ghislenghien, is used to illustrate the difficulties of foreign companies. Part 3 provides a literature review of the Chinese organic consumers, their preferences, purchase intentions and behaviours to complement the market analysis. Finally, Part 4 confronts theory with a field research. A survey, translated in Chinese by Li Heyi 李和怡, and composed of four specific research questions has been conducted in Beijing throughout June 2016.

The main lessons drawn from this analysis are: First, selling organic imported food as gifts in private as well as corporate contexts is an immense opportunity for foreign companies. Secondly, interesting and promising targets are businessmen and young adults. Online distribution platforms permit satisfying the growing demand of Tier-2 and Tier-3 cities, once the demand of Tier-1 cities is covered. Furthermore, the findings have allowed suggesting optimal strategies for the major components of the marketing mix, like price, promotion, positioning, target, distribution, with respect to the needs and values of Chinese consumers.

To sum up, sizable opportunities overtake the numerous challenges and barriers on their way, if European companies are ready to go the extra mile and to adapt their strategy to the Chinese market. China has a bright future whilst the Chinese organic market today still is in a very early stage, it provides significant opportunities for companies that are focusing on emerging markets, and China in particular. The Chinese organic market is already attractive for European companies because consumers are willing to pay important price premiums for European food, perceived as safest. The market is growing at a twenty-five per cent growth rate, driven by the increasing interest in safe and healthy products amongst the Chinese consumers and by increasing household incomes. Even if it barely represents 1% of the total food market in China, which is much lower than the average of 5 to 8% in developed countries, there is an enormous growth opportunity. Moreover, the in-depth literature review of the Chinese consumers, their preferences and behaviours makes it clear that foreign companies can take advantage of cultural differences. However, their success depends on the desire of European companies to overcome technical, cultural, legal and financial barriers. As mentioned in the recommendations for success, nine elements derived from the framework used by McKinsey & Company are supposed to predict the probability of success of a foreign company in the Chinese organic market.

6.2 Chapter 2: Limitations

As it is often the case in business, no one-size-fits-all strategy can be applied to a particular market because each business is different and dependent on numerous internal as well as external factors. Accordingly, this thesis did not intend to provide a cooking recipe to be followed to the letter in order to conquer the Chinese organic market. Its aim was to provide guidance and advice for Western companies in order to help them avoid some misunderstandings and traps. In other words, this thesis should be considered as a solid basis

but deeper market research is obviously needed if European companies are determined to launch new organic products in China. This is also the reason why no concrete recommendation for success have been set out in Part 5, because it would make no sense to pretend that various companies can adopt similar export strategies, without taking into account their specific business and environment. Moreover, theory alone is no guarantee for success. Successful business people are agile by nature. They must be able to adapt quickly to their environment and be resilient. So many variables, like perseverance, luck and positive attitude come into play and are equally important.

A second limitation comes from the scarcity of the sources, which has made it difficult to build a comprehensive overview of the current situation as most of the authors of the organic food market rely on the same few references. Empirical research at larger scale is almost non-existing in China and technical constraints, like the limited access to local authors and respondents as well as the lack of survey data have been a barrier to the establishment of useful recommendations. The perspective is also European since all sources have been consulted in English. Furthermore, clear and unambiguous definitions of 'organic' and 'environmental friendly' production are still lacking, and mistakes may have occurred due to the different meaning of the concepts.

Another important limitation is the lack of cost analysis for the export of organic food to China. Despite the fact that such analysis was out of the scope of this thesis, it would have strengthened its recommendations and conclusions. Numbers are indeed way more convincing arguments and are highly appreciated by the management team. It also needs to be verified to what extent the recommendations are transferable from one company to another.

Finally, the impact of this thesis is limited. Indeed, the organic market is a niche market driven by individualistic concerns from relatively wealthy consumers to purchase safe and healthy food, but the scope of the environmental issue in China is considerably wider than consumption alone, since pollution is probably more due to production than private consumption. Furthermore, for the sake of completeness, it is worth mentioning that the narrow scope of this thesis has made it impossible to derive conclusions neither for the B2B sector, neither for the entire food sector in China.

6.3 Chapter 3: Further Research

This thesis paves the way for further research investigations. First, since this research focuses on the challenges and opportunities for European companies, the reverse side of the equation has not been explored. It would be worthwhile to study the opportunities for Chinese companies to address and cope with the Western organic markets, as well as to predict to what extent Chinese classification systems and innovations could influence the global organic marketplace. Green food, for instance, a typical Chinese innovation could become a global standard in the future, if its success exceeds the Chinese borders.

Moreover, further research could concentrate on enlarging the scope of this study. How does Hong Kong, “the Pearl of the Orient”, lead its organic revolution? Could it be taken as a proxy for the future of China? To what extent does Hong Kong ‘pioneer’ progress in Mainland China?

Last but not least, research should be conducted to analyse how the interest in organic food could differ across the country. Because of time and budget constraints, this thesis has stopped where other researchers may continue. Most importantly, it would be extremely valuable for Western managers of organic companies in Europe to know where to launch their export strategy in China in the most effective way.

6.4 Chapter 4: Personal Contribution

Besides the boldness of the approach in the selection of an understudied topic and the study of a niche market in an emerging country, the main contribution resides in the collection and analysis of new data in Beijing. The survey could be adjusted and adapted to the Chinese culture, benefiting from a stay in China, as well as from connexions with students and teachers of the most famous university in Mainland China (e.g. Professor Zheng and Professor Dr Beyer von Morgenstern). A colleague of the Tsinghua School of Economics and Management, Li Heyi 李和怡, translated the survey into Mandarin to avoid linguistic biases. Furthermore, sufficient proprietary information has been collected about Belvas, a Belgian organic chocolate manufacturer, to guide and support their export strategy in China. The relatively positive feedback from the local market gives the impression that if the penetration strategy of Belvas was adapted to the needs and values of the consumers, their products could be re-launched in China with more success.

Hence, useful primary and secondary data have been gathered with the necessary scientific rigor to analyse trends and evolutions in the Chinese food market, which can be useful from a European perspective.

6.5 Chapter 5: Thesis Contribution

The contribution of this thesis is set out below in three main areas: scientific, business management and societal.

6.5.1 Scientific

Current academic research on Chinese organic consumers is limited due to the fact that the topic is recent, trendy but understudied. This thesis brings together a unique combination of in-depth analysis of the marketplace with an original survey, compiling primary and secondary data to complement current international business knowledge of the Chinese organic market.

6.5.2 Managerial

This thesis provides recommendations for managers to help them export their products in China. It formulates concrete recommendations, whilst keeping the necessary flexibility and openness to adapt to the particularities of different types of corporations and sub-sectors in the food industry and in similar business.

6.5.3 Societal

Finally, this thesis enhances the general culture of European citizens raising their awareness about the peculiarities of the Chinese organic market and of its consumers. It also put the environmental challenges and food scandals into perspective, providing general overview and hands-on impression of the Chinese economy, through the lens of the organic market.

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