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Branding Your Product: Product Identity and its Application in China.

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Chinese manufacturing is largely based on cost-based competition, and this is as much true for the domestic market as for the export market. While this situation is likely to persist into the foreseeable future, the circumstances of competition are also driving some firms to invest in design. This is being undertaken so as to seize the more affluent portions of the domestic market, as well as to compete internationally. The move from OEM production to brand creation is however, not undertaken in a consistent or entirely predictable manner. Rather, it is emerging through both trial and error and as a consequence of the interactions among designers, managers, engineers and marketing personnel. A key area of interaction involves product identity and in this paper we examine how this is being developed in the highly competitive mobile handset market. Understanding this has led us to evolve a new framework for categorising product identity strategies which we also introduce in this paper.

We divide corporate concern for product identity into four stages. These stages indicate levels and kinds of utilization and are characterised by specific strategies. They also tend to represent evolutionary steps in the use of design by individual firms. Finally, they can be seen as a component of business models ranging from low-priced 'commodity' manufacturing to higher-priced 'value-added' production. We offer a detailed discussion of these through case studies of ZTE and TCL, two large firms with contrasting approaches to product identity. In order to understand the design development process in these two firms, our research focused on interviews and narrative reconstructions. The perspectives of designers and managers were considered, both in respect to the development process and how marketplace results were understood.

Focusing on manufacturers who have previously operated without formal design strategies and in an environment in which design is itself an immature practice, we believe this work may also be very illuminating with regard to the general situation of consumer product design in China.

Branding your product----Product Identity and its application in China

In this paper we introduce a new framework for categorising product identity strategies. While we have devised this as part of an ongoing study of the current competition among mobile handset producers in China, we anticipate this scheme may apply to other markets. Focusing on manufacturers who have previously operated without formal design strategies and in an environment in which design is itself an immature practice, our case studies are also very illuminating with regard to the general situation of consumer product design in China.

Chinese manufacturing is largely based on cost-based competition, and this is as much true for the domestic market as for the export market. While this situation is likely to persist into the foreseeable future, the circumstances of competition are also driving some firms to invest in design. This is being undertaken so as to seize the more affluent portions of the domestic market as well as to compete internationally. The typical pattern for this involves a firm that begins with OEM production, acquiring market knowledge and experience in logistics as it launches an own-brand version of the OEM product. While this production may continue indefinitely, the firm then seeks to take a stake in a higher section of the market by launching related products, often concentrating on Chinese urban consumers. It is at this stage that investment in design occurs and design development strategies are enacted. In practice, these strategies are rarely articulated as such. Instead, they can be seen as patterns of action and persistent kinds of decisions and interactions among designers, managers, engineers and marketing personnel. This reflects corporate identity, corporate culture and corporate philosophy, and results in particular product development processes and strategies for 'product identity' (PI).

Product Identity

For a product-based corporation, the product is the most important entity, largely determining corporate image and reputation in customers' minds (Olins, 1989). Product identity is the sum of elements that make up a product, including its formal character, its interface, and the emotional reactions it tends to elicit. Product identity further works to establish a 'family resemblance' among products, and in this it integrates corporate identification (such as logo and colour/material schemes) with global impressions. Product identity is thus part of the material character of the product, but involves user impressions; in speaking of this as 'identity' this suggests something deeper than a symbol (Selame and Selame, 1988, p.8).

Among practitioners, PI has been discussed for quite some time, emerging from the long continuum of strategies for devising the appearance and physical impression of products. Examples of PI in the area of consumer electronics that have been widely discussed include those of Sony, Apple, Nokia, Phillips, IBM, etc.

PI Strategies among Chinese Mobile Handset Manufacturers

The Chinese mobile handset industry developed very recently (the first model was launched at the end of 1998 by Kejian) and thirty-seven mobile handset manufacturers were producing for the domestic market by early 2004. Nation-wide there were more than 270 million mobile connections at the end of January 2004 and annual demand exceeded 60 million mobile handsets. Foreign brands hold a commanding position in affluent urban markets, but domestic brands surpassed them in overall national market share in 2003 (Gartner Dataquest, April 2004).

The appreciation of PI is increasing occurring among handset manufacturers, typically in tandem with market strategies. We have devised a set of descriptions of these strategies, which we also find represent 'stages' in the understanding of PI and its elaboration. While it is not necessarily the case

that all firms will go through all these stages, it is apparent that several have done so.

Stage One: Low commitment to PI

Pre-PI. These are products that are largely a consequence of engineering and manufacturing procedures, with 'decorative' choices made by engineers and managers. Design is not recognised or discussed as such.

Copy-PI. The manufacturer is not confident to develop their own PI, relying instead on copying the PI of successful competitors. Setting aside the ethical (and legal) objections to this strategy, it nevertheless represents an awareness of PI and its use as a manufacturing strategy. Small Chinese handset manufacturers prefer this strategy as it seems to minimize market risks and avoids R&D costs.

Buying-PI. Similar to OEM, this involves buying designs ready-made from others. This happens when a large and otherwise well-known company wants to enter the handset market, leveraging its low production costs and existing reputation in a low-risk bid to seize market share. An instance would be Huawei. The largest Chinese telecom company, with a focus on communication equipments and networks, it entered the handset market at the end of 2003. In part because Huawei's managers wanted to test the response of the market before making a greater commitment, designs were bought and Huawei's own label was added. If the feedback from the market is positive, then Huawei will establish its own handset design team.

Stage two: Emergent concern for PI and the strengthening of design in the product development process

At this stage manufacturers have their own internal design departments and speak of them with much hope. However, in the actual product development process, they give greater attention to market risk, and innovations in design are usually compromised. All significant design decisions rest with corporate managers who are afraid to face the failure of testing their own designs.

Shadow-PI. Here a manufacturer closely follows a competitor or international company, creating products where the PI is clearly derivative, but is nonetheless distinguishably (and legally) different. ZTE provides an instance of this, its products echoing those of Samsung, model for model.

Basket-PI. Rather than selecting a single competitor to copy or shadow, some manufactures select from a variety of 'market leaders'. This 'basket' strategy seems to have the advantage of deriving PI from many successes, but risks incoherence in execution. Ningbo Bird, which has the largest share in Chinese handset market, is an example of this, basing its designs on a selection of models designed by international firms. This is probably the most common strategy used among Chinese handset manufacturers.

Stage three: PI is linked with corporate culture and the representation of a firm's unique qualities

At this stage, designers and design works are highly respected and appreciated. The design department is often able to exercise leadership and receive solid support from R&D and other departments. Products increasingly have unique characteristics.

Differentiating-PI. Distinctive PI may emerge firstly from a simple desire to distinguish a company's products from those of competitors. This may be represented by some 'design gimmick' within a PI that otherwise does not greatly differ from market averages. An example would be TCL's use of jewels on the faces of its handsets. These have had such a success in the market that TCL has taken this feature and related style elements forward as common features in brand-wide PI.

Independent-PI. Consciously designed in order to establish an identity that owes little to other brands, this stage of PI requires experienced designers and a deep appreciation of market segments. Independent-PI is seen to carry with it considerable risks and costs, though these can be minimised if the firm has both strong technical, marketing and design supports. An example is Xiaxin, which undertook OEM for Bellwave (No.2 largest market share in

South Korea), and is now using Bellwave's technology and design team to develop Xiaxin's own brand. Another is Kejian which had the third largest market share in China in 2003. Kejian has both a China-based design department and a design team located in South Korea, but almost all recent models were designed by the Korean team. Kejian is using this strategy to position its brand in the high-end market in respect to price, design and quality.

Final stage: the sustained use of PI and its integration with product innovation

Innovative-PI: PI is well understood and based on sophisticated design experience and management. PI can be used to articulate a new presence in the marketplace and can be linked to product design innovations. Some international firms are operating at this stage in China, such as Nokia and Samsung. At present no domestic manufacturers are operating at this stage.

Design supports for PI

The development and application of PI in China is limited by the overall circumstances of Chinese design. In fact, this is widely recognised by manufacturers and the mixed character of the design support platform represents a response to this. In particular, many firms appear to lack confidence in their internal design departments and therefore give significant projects to external consultants. In its actual realisation, PI created under such circumstances is often inconsistent and does not answer to formalized requirements.

Where firms use external design consultants they draw on both consultants with international links or personnel, as well as local firms. The former are often seen as more prestigious and with a depth of experience, while the latter are appreciated for their local knowledge in respect to consumers and manufacturing processes.

Case studies

The link between PI strategies, design supports and product design process is best observed in the experience of individual firms. The larger part of our on-going research is concerned with detailed study of these, using interviews and narrative reconstructions of product design process. Two instances are briefly introduced here.

ZTE

ZTE's PI is largely built on shadowing Samsung, which is also active in the Chinese market. 'We take Samsung's mobile phone as ZTE's design prototype because our CEO believes that the one can only distinguish a good design from a bad one by looking at sales volumes. Samsung is quite successful in the Chinese market, especially in tier 2 and tier 3 cities where ZTE is also introducing its handsets.[1] And, in additional, our CEO personally likes Samsung's designs,' said Mr. Niu Beng, the design manager of the Mobile Phone Design Department, ZTE R&D Centre, Shanghai. ZTE has two design teams, located in Seoul and Shanghai. The overseas design team has twenty designers while the local one has twelve, both two teams having been founded in 1998. During the product design process, the two teams work closely but are assigned different tasks at different stage of the product design process. The Korean team takes the lead in overall design tasks while the Shanghai team undertakes small changes/modifications when the product is put into production, or 'accessory' jobs such as wallpaper and enhancements.

Using a Shadow-PI strategy, the design process is simple and lasts only two to six months. First, the designers disassemble a Samsung model selected by the marketing department. They test whether ZTE's motherboards can be put inside the Samsung shell. If not, the designers will work on the interior design to insure that with minimal modifications ZTE's motherboard can be used. 'In this stage, designers work more like structural engineers,' commented Mr. Niu. It is then the turn of the technical support department to find accessories, such as display screens and plug-ins. 'We will mainly use ZTE's own

[1] The Chinese market is discussed in terms of four tiers, with the upper two tiers designating wealthier urban markets and large coastal cities, the lower two tiers provincial cities and rural markets with lower incomes.

accessories, but if we can't find a similar accessory or if the cost is too high, we will use a lower-quality or lower-function one, such as replacing a 262K colour LCD display with a 64K one,' said the manager. When the main accessories are confirmed, finally, the external design is undertaken. 'Well, what is ZTE's identity? As you know, our products mainly sell to the tier 2 and tier 3 cities, therefore, we must please our customers with their tastes. For instance, with model C988 (Figure 1), we enlarged the border area with a darker colour to make the front display looks bigger, and we replaced the symbol element with a flash lamp. Low-end customers like it very much because it makes the phone look like it has two embedded digital cameras,' commented Mr. Niu, 'This is what you might call Chinese local compliant design.'

Figure 1: ZTEc988 (All rights received).
ZTE's newest CDMA model, early 2004

Finally, the CEO of ZTE is the only one who decides whether to put the design into production. The CEO's decision is the last stage and acts as the ultimate filter to control ZTE's PI. Then it is the local design team's job to fix all

the small details and put it into production. After the launch in the market, no feedback related to design features is reported to the design team.

ZTE has about 50% of its design tasks done by external design consultants, including local and international firms. Interestingly, only 20% of the resulting designs are selected for production by the CEO - because the other 80% don't look like Samsung ones.

The philosophy and culture of ZTE, which is led by its CEO, focuses on margins and has thus driven ZTE into this shadow-PI strategy. It is believed that shadow-PI is the safest way for ZTE to develop its own brand quickly and efficiently. Then, with a strong brand image and a well-known corporate reputation, designers can be more creative. 'What would happen if Nokia 7600 were to carry a ZTE label? Well, no one would buy such an innovative design from us yet,' asked the manager, 'therefore, we'd like to be a follower first.'

TCL

TCL is the second-largest local mobile phone manufacturers in terms of market share and has more established R&D capabilities than other local manufacturers. 'Actualize technology aesthetically' is the core philosophy of TCL Mobile Phone. According to the founder of TCL Mobile Phone, this slogan means letting customers experience the mobile phone as a thing of beauty to be treasured. In practice, and inspired by Chinese traditional philosophy and culture, this has led to a PI that casts the handset as a piece of jewelry, with precious stones sometimes used in the design. More broadly, the handsets are designed with concern for emotional responses. Based on this jewelry-design-direction TCL was unexpectedly successful in tier 2 and tier 3 markets in the last three years.

Design is taken as a central concern of TCL and is enunciated by senior management in their discussion of corporate culture. The design department is highly valued and takes an important role in critical decisions about design, leading to high morale among design personnel. As much as 90% of design

decisions are taken by designers. TCL invests in training new designers and evaluating them in respect to corporate culture. Designers in TCL remark on how the corporate culture has influenced the 'spirit' of individual designers. 'To be a TCL's designer, first at all, one must fully understand our corporate culture,' said Mr. Han Jiufeng, Vice Director of ID Department, ZTE.

TCL has several kinds of design process. One may be described as a 'design task' and this lasts five to six months. The first stage involves a market segment target presented by the marketing department. The design department then researches existing competitors' models and features. A design is then formulated in coordination with a project leader (a non-designer, representing management), engineers and marketing personnel. During the development, retail distributors may be involved in evaluations. The resulting design typically combines TCL's PI with existing characteristics available in the market segment (in respect to functionality, impression of quality of fabrication, etc.)

A great deal of speculative design is undertaken as well, where existing products are modified by designers and suggestions put to the CEO who will consider them in respect to potential markets. An instance of this is the most popular model 3188 (launched in Sept 2002; Figure 2). With strong sales (3.8m units so far) this model has been used as a key to recent corporate-wide PI. Subsequent modifications to the model have preserved its essential features, while offering upgraded technology and qualitative improvements. This model has also been used for overseas markets (e.g. Southeast Asia).

Figure 2: TCL 3188 (All rights received)
TCL's most popular model with over 3.8m units of sale volume

The other kind of design development is 'concept design' which lasts sixteen to eighteen months. In concept design, design ideas come before hardware development or other considerations and this acts to encourage innovation. Supporting concept design is also a consequence of corporate culture. Concept development is seeded by gestures such as providing the design department with a monthly budget to 'buy something beautiful.' Mostly everyday objects are sourced locally and placed in the design department to inspire new work. 'TCL is the only Chinese handset manufacturer where concept design is practiced,' said the director, 'and where we can actually call ourselves designers.'

Conclusion: Directions for PI in China

Different product design strategies are currently supporting a range of approaches to PI and this seems likely to continue. There will continue to be a range of economic positions in the market, extending from mass-produced, low-margin commodities, to high value products for urban markets.

The relatively unsophisticated and immature role for PI in most firms seems likely to continue in the near future. Not only is this circumstance driven by current economics, but it is a reflection of a certain consolidation that now appears to be occurring. Corporate managers who dictate design are likely to remain in their positions for the foreseeable future, imposing on the design process views to which they have become accustomed. Similarly, attitudes among designers are limited by the scope of current design education, which, while rapidly expanding in numbers, is not undergoing critical renewal. And finally, further sophistication in the design process, including the development of PI, is limited by the inability of firms to hire able and experienced designers in a market that is expanding rapidly.

Table 1:

Chinese Mobile Handset Manufacturers referred to in this paper:

Company	Brand	2003 Volume (Millions)	2004 Forecast (Millions)	Market Share 2003 among local Vendors	website
Ningbo Bird	Bird and DOEASY	10.0	12.0	26.3%	www.chinabird.com
TCL	TCL	9.7	11.0	25.5%	www.tclmobile.com
Keijian	Keijian	2.0	3.0	5.3%	www.chinakejian.net
ZTE	ZTE	0.7	1.0	1.8%	www.zte.com.cn
Konka	Konka	1.5	18.0	3.9%	www.konka.com.cn
Xiaxin	Amoi/Amoi sonic	2.5	3.1	6.6%	www.amoisonic.com.cn

Source: Gartner Dataquest, April 2004. 'Asia/Pacific: Mobile Handset Manufacturers Plan Survival'. Document Code: 120509. www.gartner.com

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