

Branding Chicago in China



November 14, 2006



Agenda

- Project Overview
- Research Results
- Positioning Recommendation
- Next Steps

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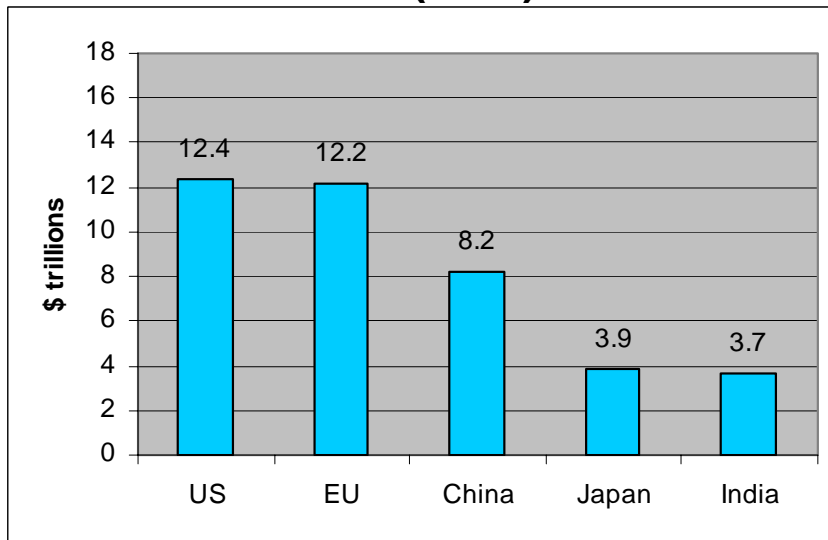
The growth of China is one of the key global trends of the 21st century

- China is the largest country in the world, with more than 1.3 billion people
- China is currently the world's 3rd largest economy
- China is the fastest growing economy among major nations

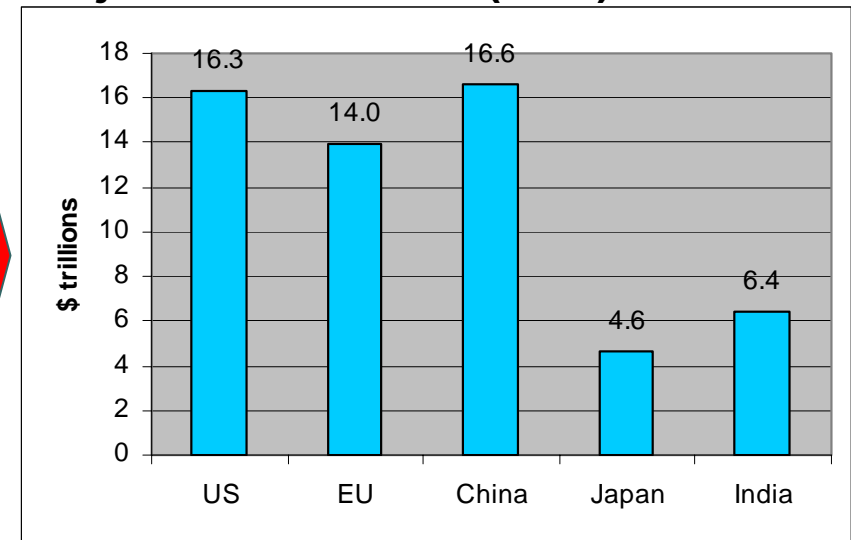
At current trends, China will be the biggest economy in the world by 2013

- China's 2005 GDP growth rate was 9.2%, compared to:
 - US: 3.5%
 - EU: 1.7%
 - Japan: 2.1%
 - India: 7.1%

Actual 2005 GDP (PPP)



Projected 2013 GDP (PPP)



● ● ● China is emerging as a key global investor

- China is beginning to invest aggressively abroad
- To date most of the investment has been in Asia
 - Asia made up 2/3 of China's 2005 outbound investment
- Going forward, investment in North America should grow sharply

China's outbound investment provides an enormous opportunity for Chicago

- Chinese investment could drive economic growth for Chicago over the next decade
- Chicago has a compelling set of assets
 - 3rd largest city in the U.S., after NYC and LA
 - 2nd among U.S. cities in large corporate headquarters
 - Central location with strong distribution system
 - Largest airport in North America
 - Pro-business government, relatively low taxes
 - Excellent business schools
 - High quality of life



Chicago must have a strong brand in China in order to attract this investment

- Ultimately, Chinese perceptions of Chicago will be critical in investment decisions
- Many believe that Chicago has a weak brand in China. This is a major issue if true
- This raises three important questions
 - Where is the brand Chicago in China today?
 - Should the city of Chicago market itself to China?
 - If so, what precisely should the city do?

● ● ● The Branding Chicago in China Project

Project Goals

- Understand perceptions of Chicago in China among business executives
- Create a positioning for Chicago in China
- Spark marketing efforts

The Branding Chicago in China Project Team

Kellogg School of Management Core Team

- Andrea Box
- Alanna Nielsen
- Krittee Manoleehagul
- Analiza Quiroz
- Amit Singla

Project Steering Team

- Paul O'Connor, World Business Chicago
- Carolyn Kae Phillips, World Business Chicago
- Marshall Bouton, Chicago Council on Global Affairs
- Benita Boettner, Chicago Council on Global Affairs
- Bill Best, AT Kearney
- Bill Spence, Freeborn & Peters
- Smriti Deokule, NuVista Strategies

The project had four phases

PHASE I	PHASE II	PHASE III	PHASE IV
<p>Create and Charter Team</p>	<p>Complete Preliminary Research</p>	<p>Research in China</p>	<p>Develop Recommendations</p>
<ul style="list-style-type: none"> -Review past research -Team kick-off meeting 	<ul style="list-style-type: none"> -Conduct qualitative research with business executives in US and China -Review secondary data -Generate positioning hypotheses 	<ul style="list-style-type: none"> -Conduct quantitative research with business executives -Conduct qualitative research with key executives 	<ul style="list-style-type: none"> -Analyze research findings and positioning alternatives and identify marketing implications
<p>Fall 2005</p>	<p>Winter 2006</p>	<p>Spring 2006</p>	<p>Spring/Summer 2006</p>

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Early on, the team interviewed more than three dozen Chinese and American executives

Kellogg Chinese Students and Alumni		
Ji	Changjian	Class of 2005, Cargill Asia Pacific Food System Ltd (Agriculture)
Gong	Peng (Sam)	Class of 2006, Wanxiang (Automobile)
Zhang	Jun	Class of 2006, McKinsey & Co. (Consulting)
Jun Ma	Jian	Class of 2007, Roland Berger (Consulting)
Zou	Wilbur	Class of 2001, BDA China Limited (Consulting)
Pu	Robert	Class of 2000, Accenture (Consulting)
Luo	Ying	Class of 2001, Boston Consulting Group (Consulting)
Sha	Hui (Sophie)	Class of 2005, Price Water House Coopers (Consulting)
Chen	Qiao (Joe)	Class of 2005, Peoples Energy (Energy)
Tsang	Chi Kin (CK)	Class of 1991, Australian Capital Equity (Finance)
Sun	Lizhe	Class of 2004, Global Infomedia (Finance)
Ding	Yi (Gordon)	Class of 2005, Morningside Group (Real Estate)
Wang	Weigang (Madeline)	Class of 2002, Chinese Professional Network, Inc (Talent Management)
Xu	Donghui (Edward)	Class of 2005, Hewlett Packard (Technology)
Huang	George	Class of 1998, Airvana (Technology)
Tand	Misi	Class of 2005, iRise (Technology)
Chen	Boyou (Ray)	Class of 2005, Lucent Technologies (Technology)

Early on, the team interviewed more than three dozen Chinese and American executives

Key Sponsors		
Spence	Bill	Attorney, Freeborn & Peters
Boettner	Benita	Executive Director, Corporate Programs, Chicago Council on Foreign Relations
Best	Bill	VP, ATKearney
Phillips	Carolyn	Director of Strategic Initiatives, World Business Chicago
O'Connor	Paul	Executive Director, World Business Chicago
Zhao	Shufen	World Business Chicago
Egan	John	ATKearney
Jain	Dipak	Dean of Kellogg
Government, NGOs and External Experts		
Carducci	Julie	U.S. Department of Commerce, Commercial Services
Zhou	Zachary	Shanghai/Chicago Business Club
Yam	Siva	Director, US/China Chamber of Commerce
De You	Tian	Director of Economy and Trade, Chinese Embassy
Chang	Joe	McKinsey & Co (Consulting)
Shi	Belinda	ATKearney (Consulting)
Chang	Richard	Shanghai University (Education)
Lo	Arthur	Citigroup (Finance)
Harrington	Elizabeth	Formerly at PriceWaterhouse (Consulting)
Collins	Robert	AON
Yen	John	Emerson Appliance Solutions (Manufacturing)
Weldon	Ellie	Profesor of Management

The initial interviews product four key findings. First, access drives location decisions

- The primary reason for selecting a particular U.S. city is to gain access to the U.S. market and capital
- Other key factors included a welcoming business environment, status and Pacific-oriented attitude
- Quality of life factors were less important for the Chinese investor

● ● ● Second, Chicago may have a branding issue

- Many Chicago supporters were concerned that other cities in North America have stronger brands in China
- New York, Los Angeles and San Francisco seemed to have the strongest brands in China
- There was a belief that many Chinese do not know much about Chicago



- *“Not many have a specific impression of Chicago. They have a deep impression of New York and the west coast, but most don’t know about Chicago.”*
- *“Chinese don’t have a preconceived image of Chicago, which could be good or bad.”*
- *“Chicago needs to improve awareness and then later differentiation.”*

● ● ● Third, Chicago is just starting to build its brand in China

- Chicago has taken the first steps toward building its brand
 - In 2003-2004, the city began to focus on its brand, completing a major branding study
 - Chicago has started building its brand, but efforts are just taking shape
- Chicago is taking initial steps in China
 - Mayor Daley has led delegations to China
 - Chicago has a long standing sister city relationship with Shanghai

● ● ● Fourth, Chicago has many positioning options

- Chicago's positioning challenge is that it has many strengths, but nothing dominates
- Chicago could credibly claim to be many things, such as:
 - The center of American business
 - The city with the best access to North American markets
 - The city where U.S. and Chinese businesses connect
 - The city with great profit potential
 - The city where business gets done

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Study Objectives

1. Assess Chicago's brand equity among mid-level Chinese executives
 - Awareness
 - Perceptions relative to competition
 - Knowledge
2. Evaluate positioning options

Methodology

- Web-based quantitative survey
- 200 Chinese business executives
- Screened for:
 - Age 31 – 59
 - Management positions, mid-level and higher, involved in foreign investment decisions, either as decision maker or influencer
 - Have operations in U.S. or are considering opening an office in U.S.
- Survey completed the week of March 19, 2006

Key Questions

- Why is your organization considering investment in North America?
- What criteria are most important when selecting a city?
- What cities are best for doing business in the United States? (open ended question)
- What are the perceptions of Chicago versus key competitors (NY, SF, LA and Boston)?
- What is the awareness of key facts about Chicago? Which ones are most meaningful?
- Which positioning options are most appealing?



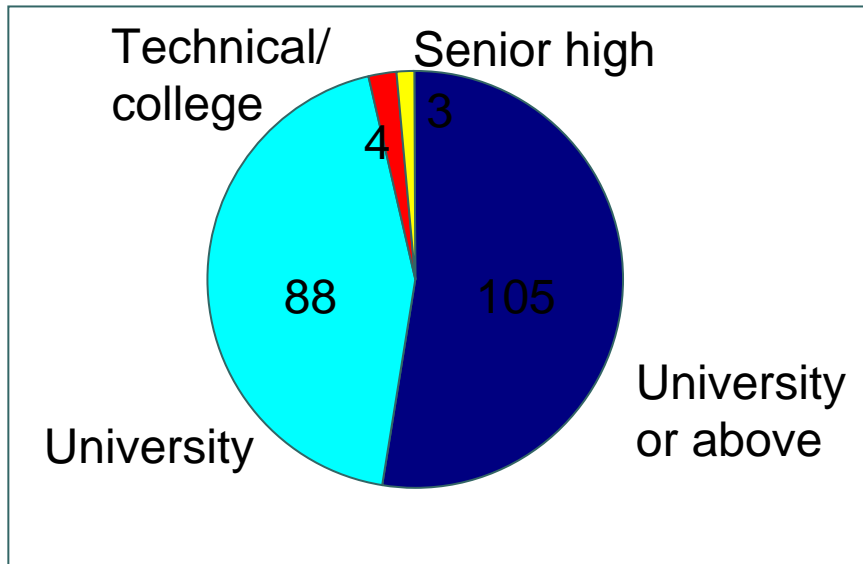
Respondents represented almost two hundred companies

Sample Companies

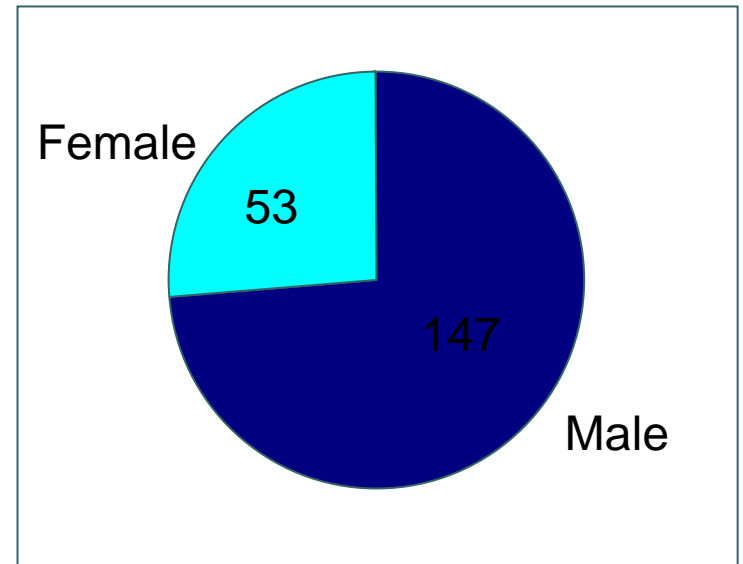
- Agricultural Bank of China
- China Petroleum & Chemical Corporation
- Changhong Group
- Chongqing Nanda Information Services
- Dingsheng Company, Ltd.
- FuJian Properties Management Co., Ltd.
- Guangzhou Railway Group Corporation
- Hualin Trading Co.,Ltd
- Meilin Technology Co.,Ltd
- NanJing DongChun WuJiaoHua Company
- Shanghai Chlor-Alkali Chemical Co.,Ltd
- Shanghai Shengyuan Engineering Investment
- Shanghai Danhong Clothes Co.,Ltd
- Shanghai Poly Group Corporation Ltd
- Tianyu Leather Co.,Ltd
- Wansheng Logistics Company
- Xingtong Corporation
- Zhonghe Group

Most respondents were educated males

Highest Education Level

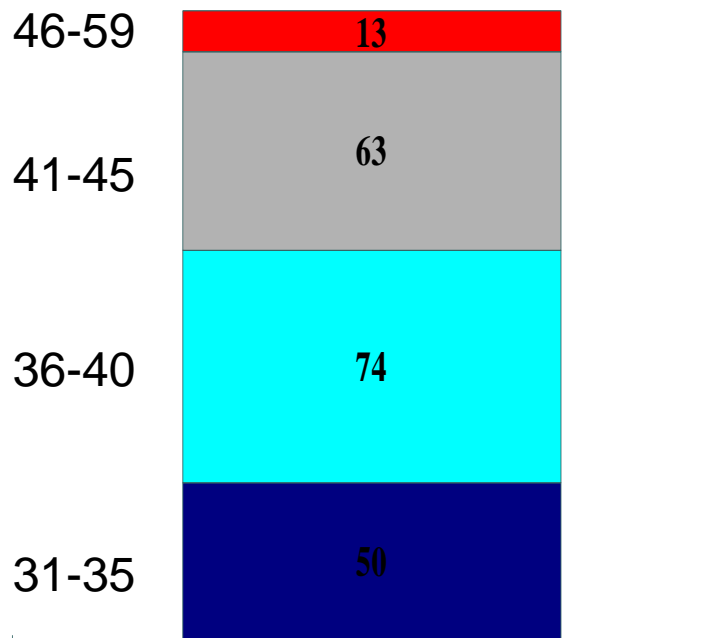


Gender

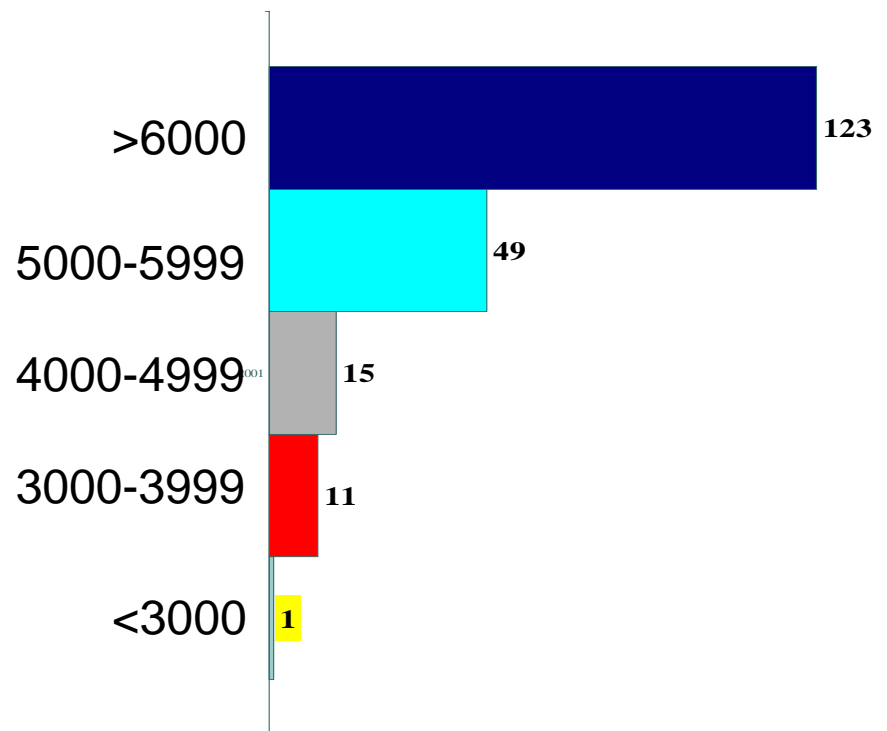


Respondents were middle-aged with high income

Age Range, Years

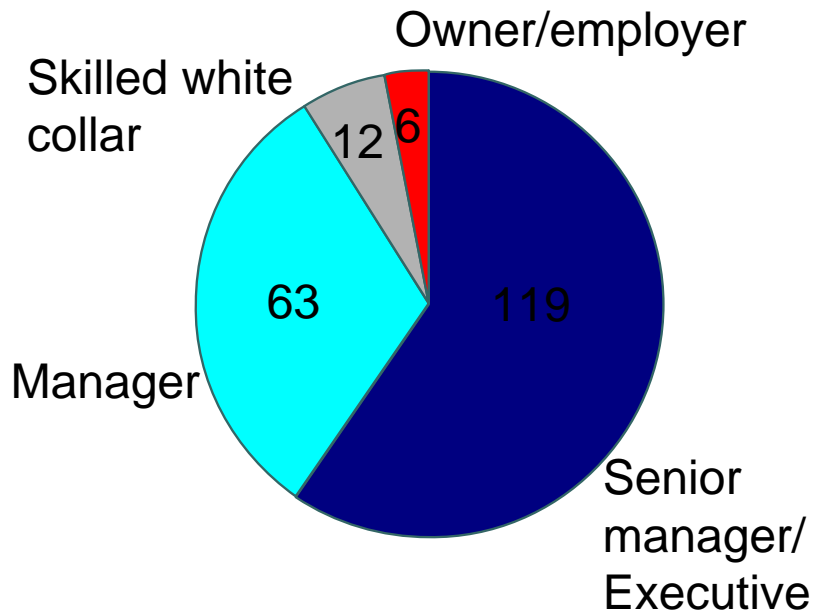


Monthly Income, RMB

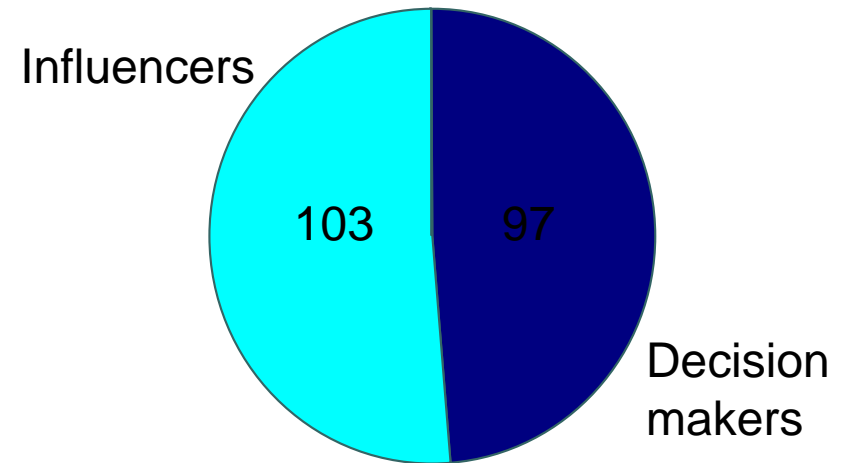


Respondents were managers; half decision makers and half influencers

Occupation

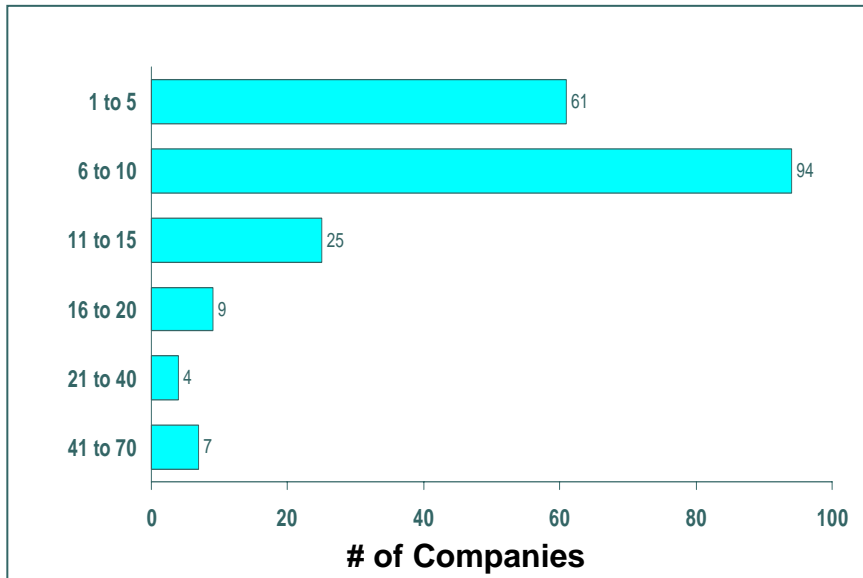


Decision makers/ influencers

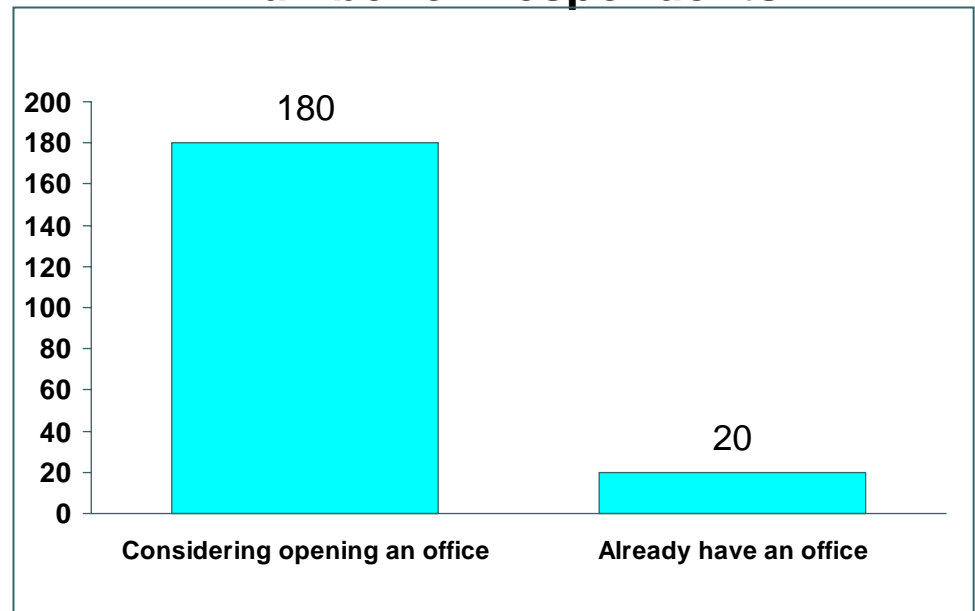


Companies surveyed were young and considering investment in North America

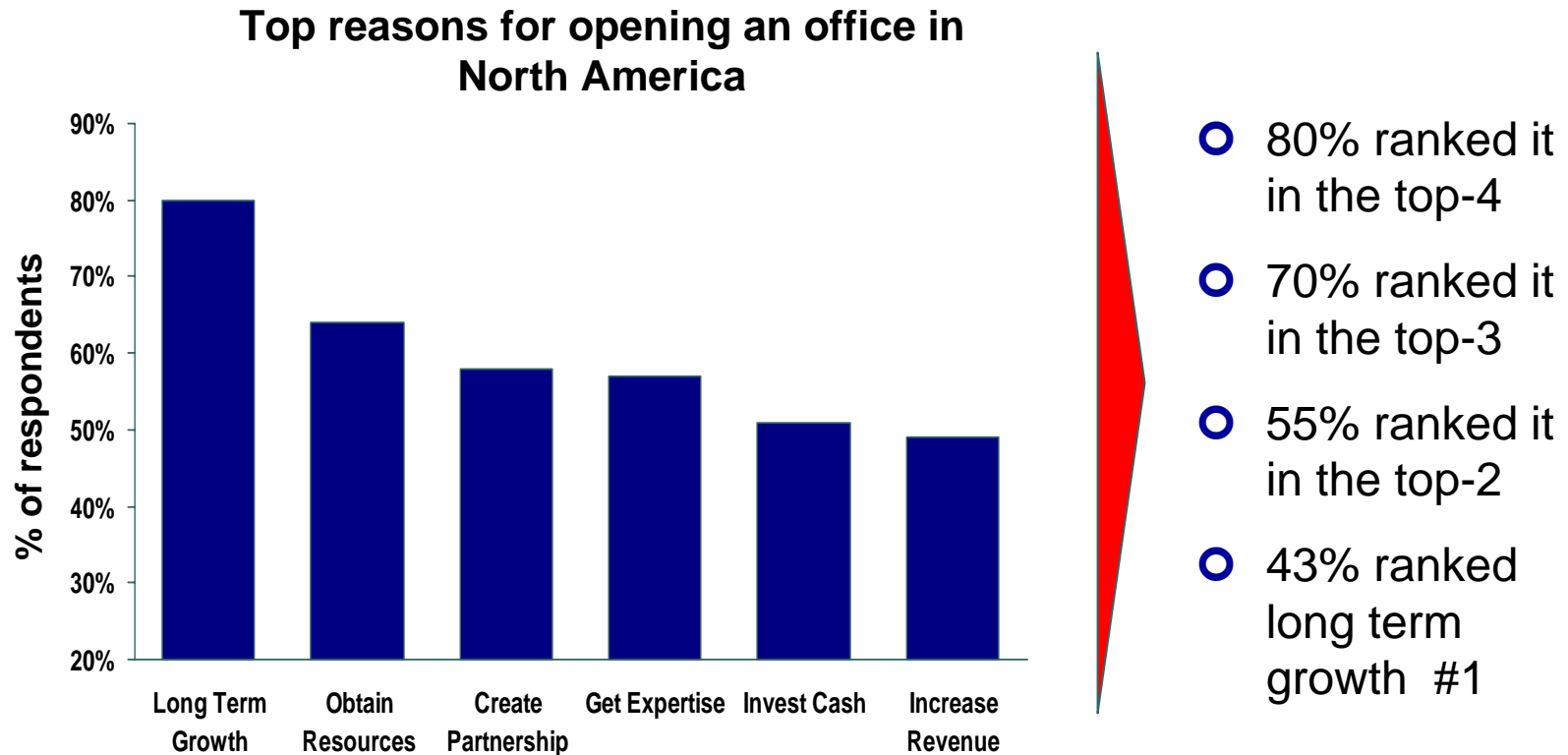
Years in Business



Number of Respondents



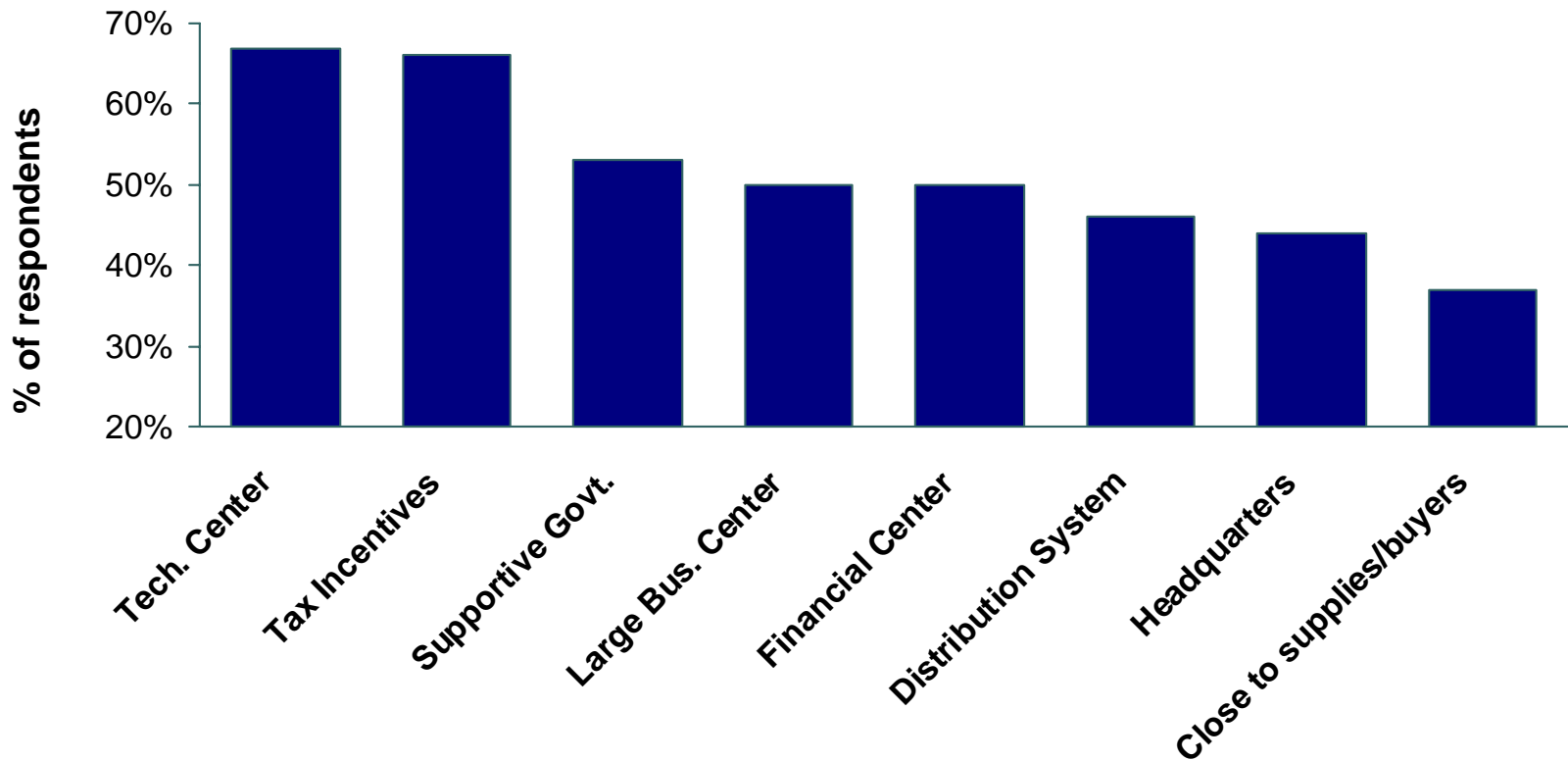
Long term growth was the main reason to open an office in North America



Q: Which of the following reasons explain why you would want to open an office in North America?

When considering cities, several factors stood out

Top criteria used to identify a North American City



Q: What factors are important to your company when identifying a location for an office in North America?

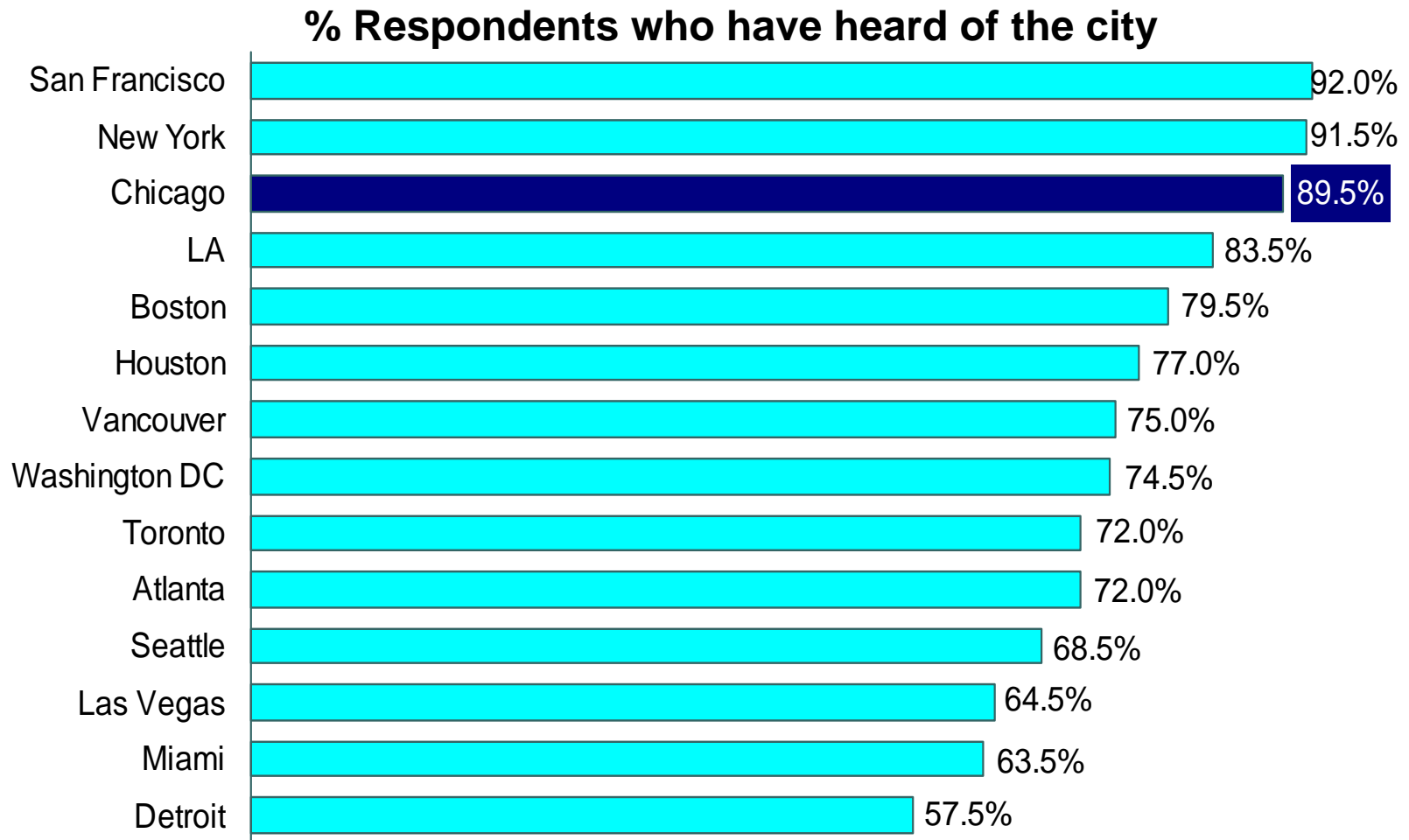
Other attributes were less important

- Low Crime Rate (29%)
- Chinese Friendly (29%)
- Non-stop Flights to China (29%)
- Status/Prestige (26%)

- Beauty of the City (21%)
- Low Cost of Living (20%)
- Presence of other Chinese Businesses (19%)
- Large Airport (18%)
- Cultural Resources (16%)

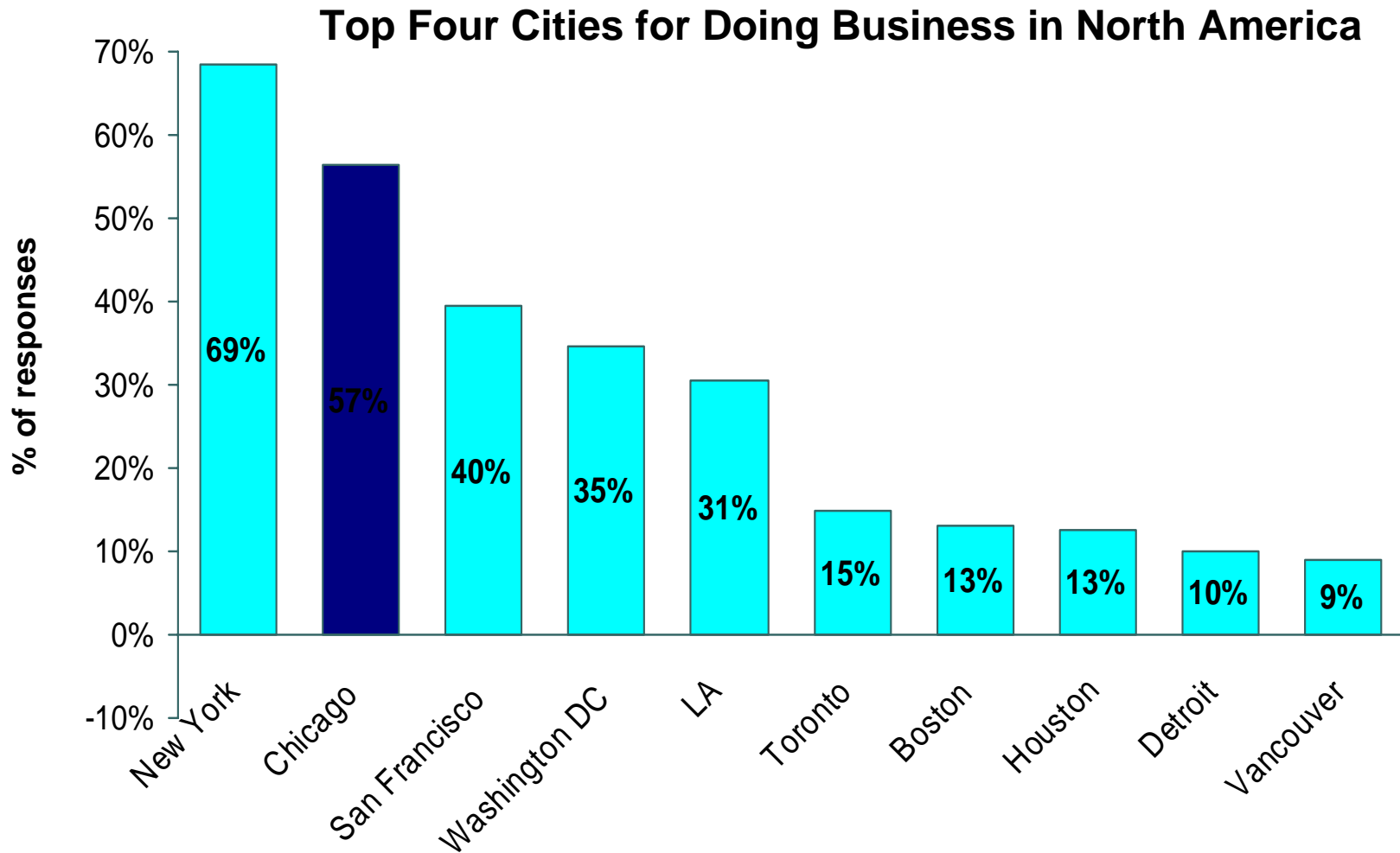
- West Coast Location (13%)
- Central US Location (10%)
- Large Size (10%)
- World Class Business Schools (10%)
- Eastern US Location (8%)

Among US cities, Chicago ranked 3rd in aided awareness



Q: Which of the following cities have you heard of?

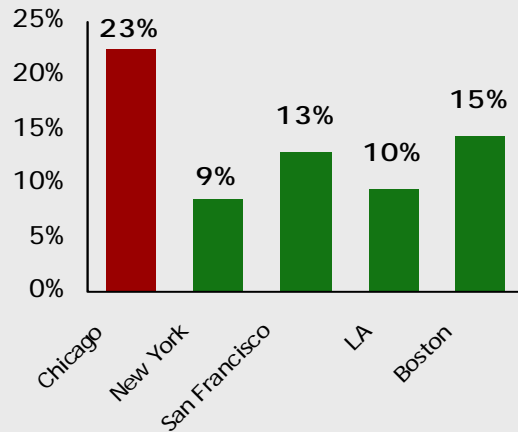
Chicago ranked 2nd in votes as best city for business in North America



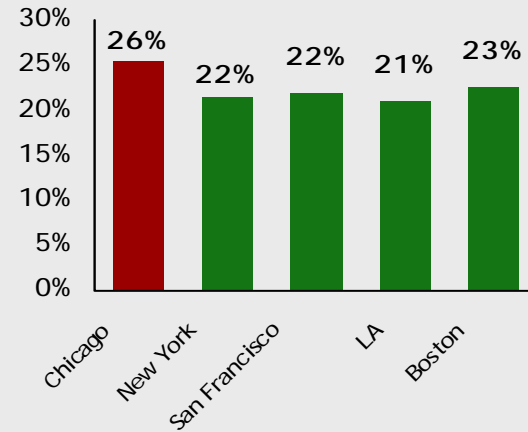
Q: What are the four best cities for doing business in North America?

Among five key cities, Chicago scored highest on four factors

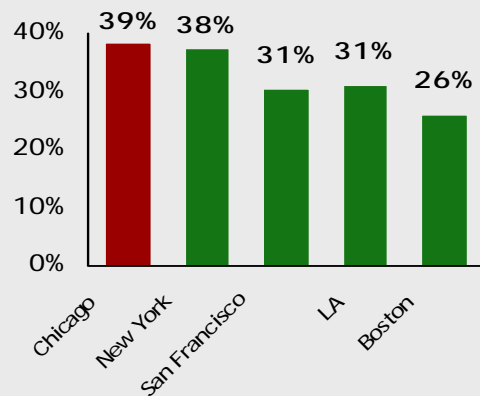
Central Location



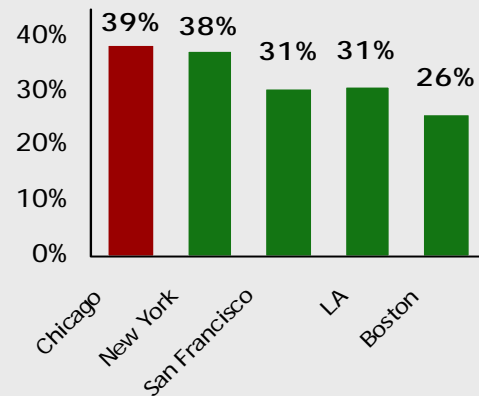
Tax Incentives



Distribution System



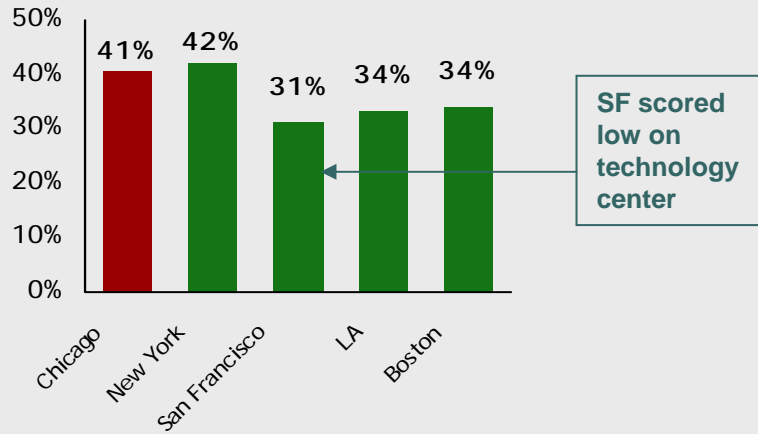
Local Government Support



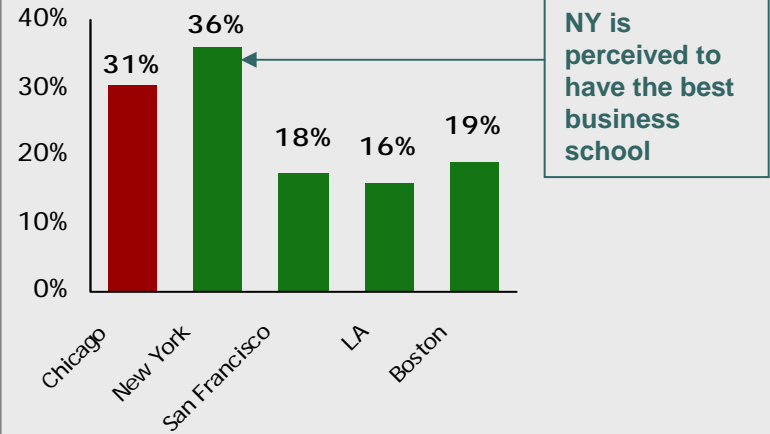
Q: How do you perceive each city (circle all that apply)?

Chicago ranked 2nd in technology center, good business schools and large population

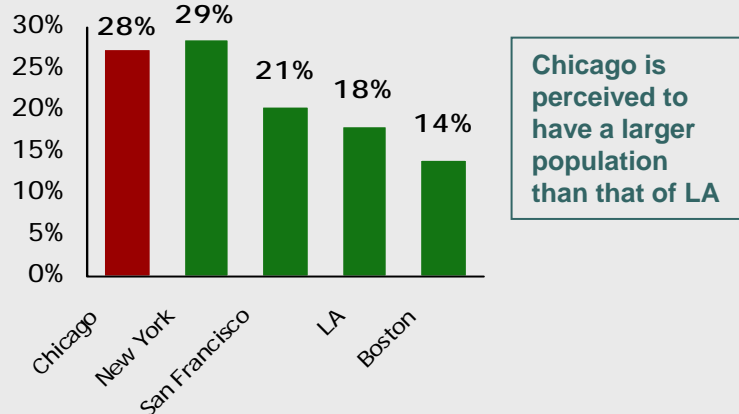
Technology Center



Good Business School

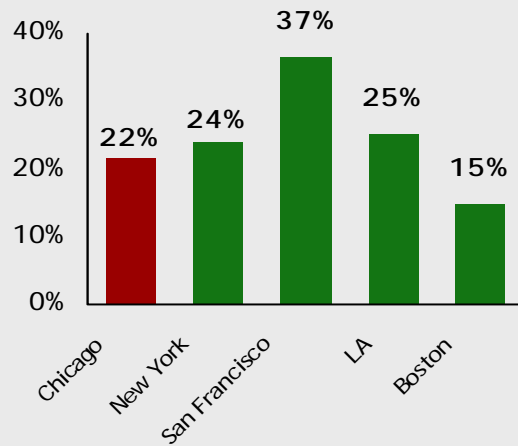


Large Population

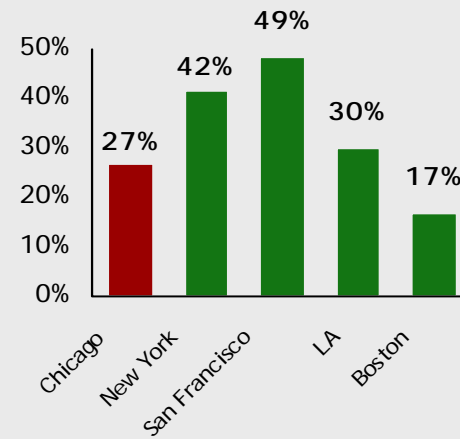


Chicago was relatively weak on being in touch with China

Presence of other Chinese Businesses

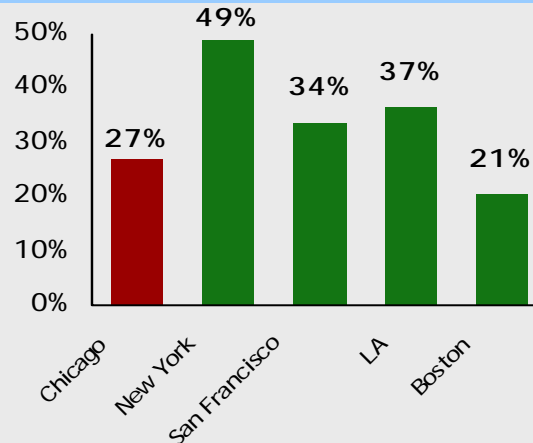


Chinese-Friendly Environment



Chicago is perceived to have a less Chinese-friendly environment

Many Non-stop Flights to China



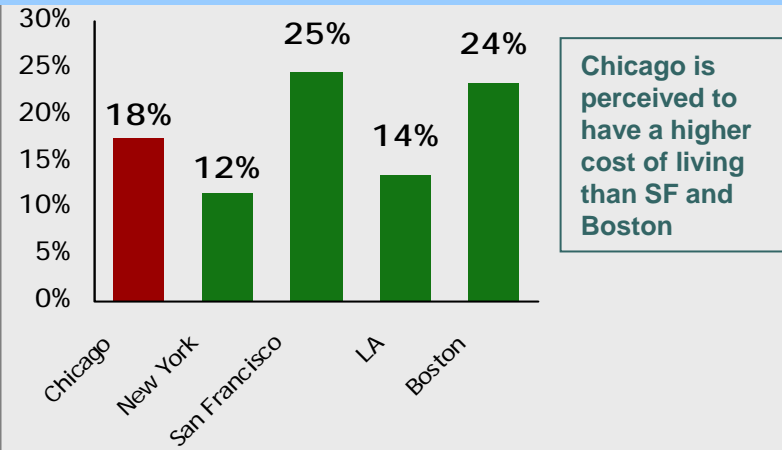
Chicago is perceived to have less direct flights to China than NY, LA, SF

Chicago was not known for its high quality of living and cultural resources

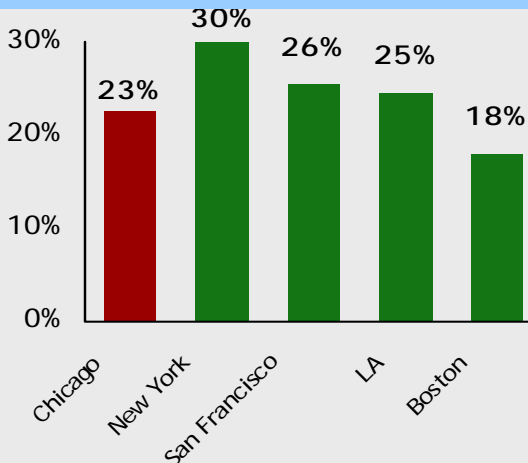
Beauty



Low-cost of living

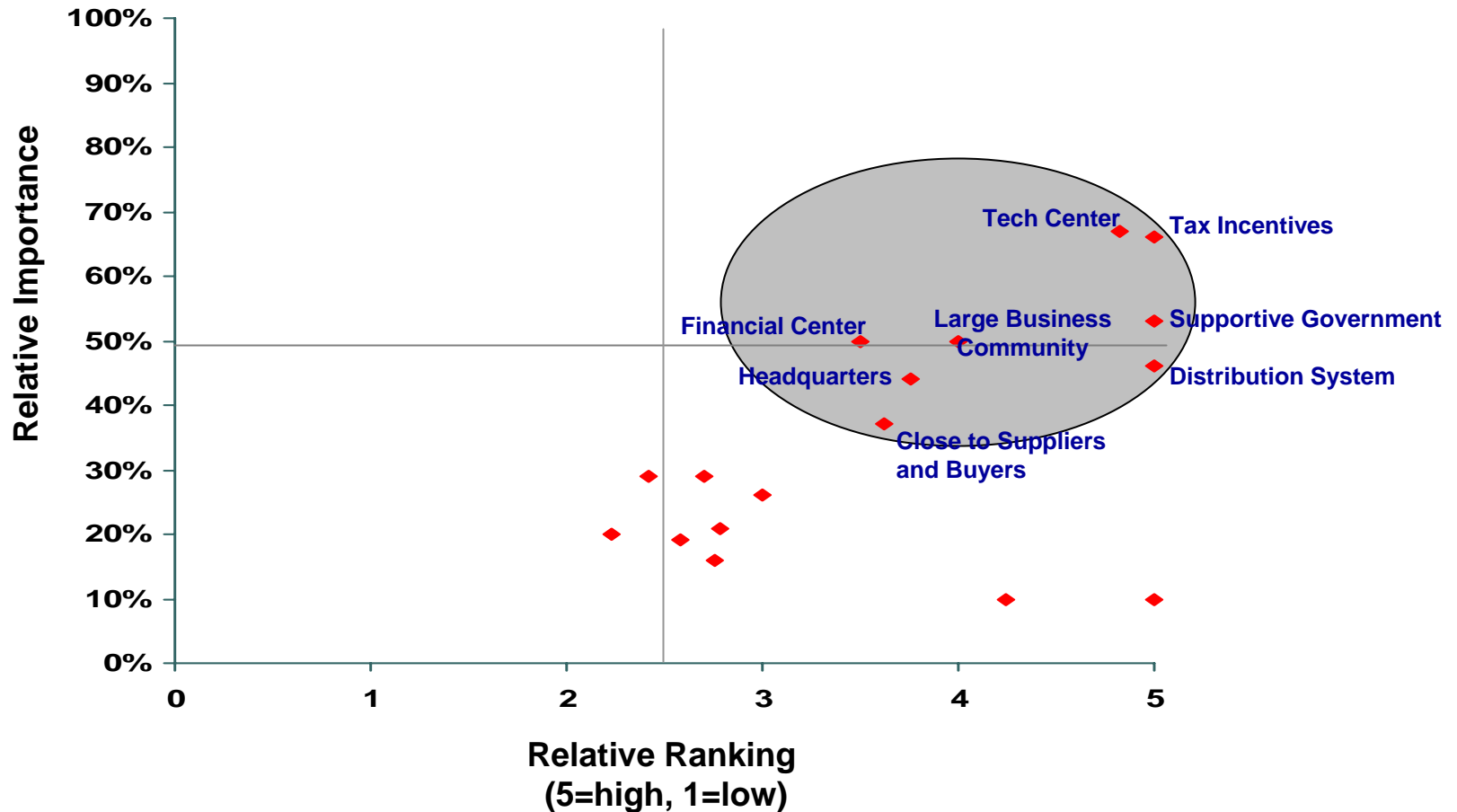


Cultural Resources



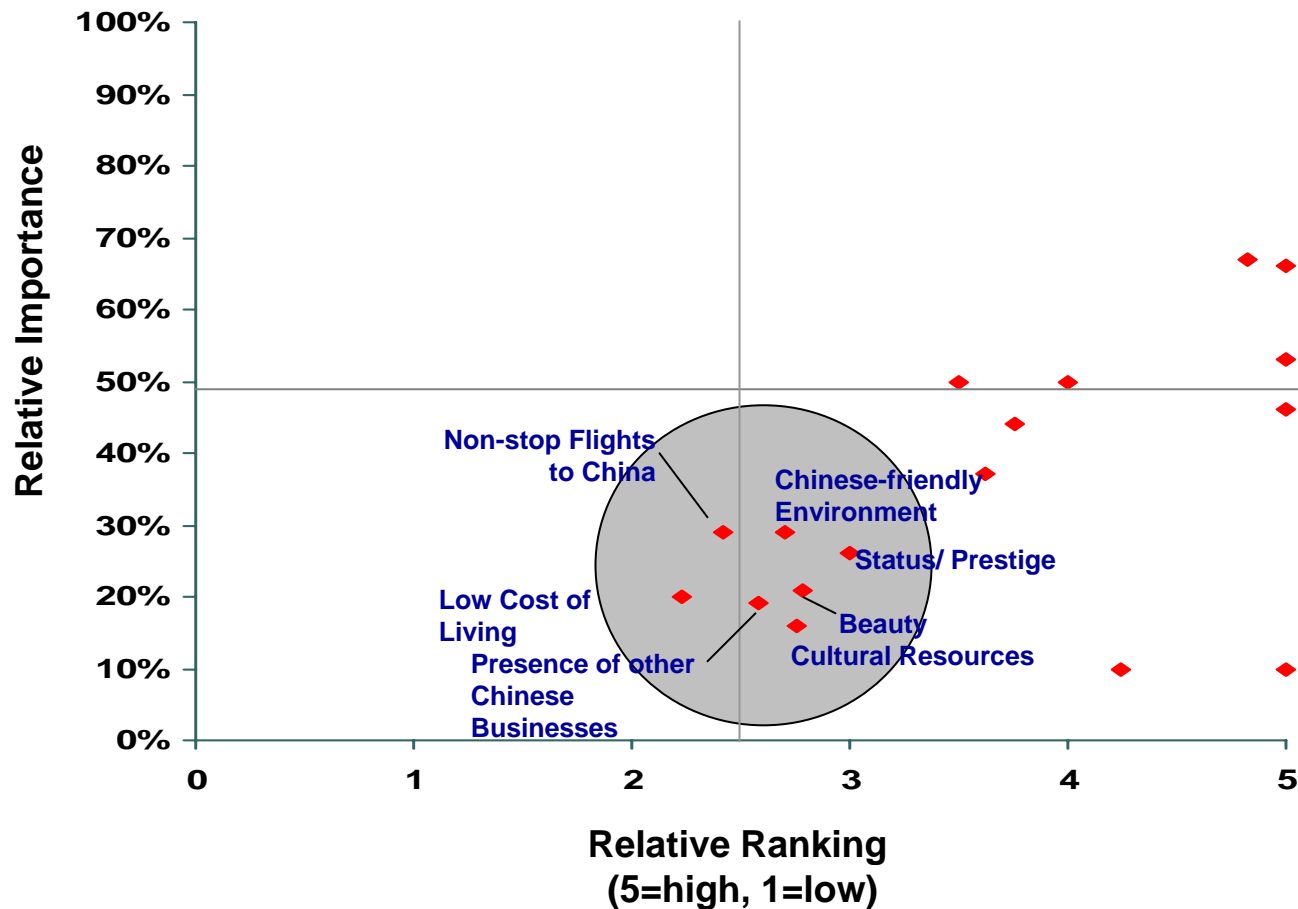
Chicago is relatively strong* on factors that are most important

Chicago's relative ranking on key attributes



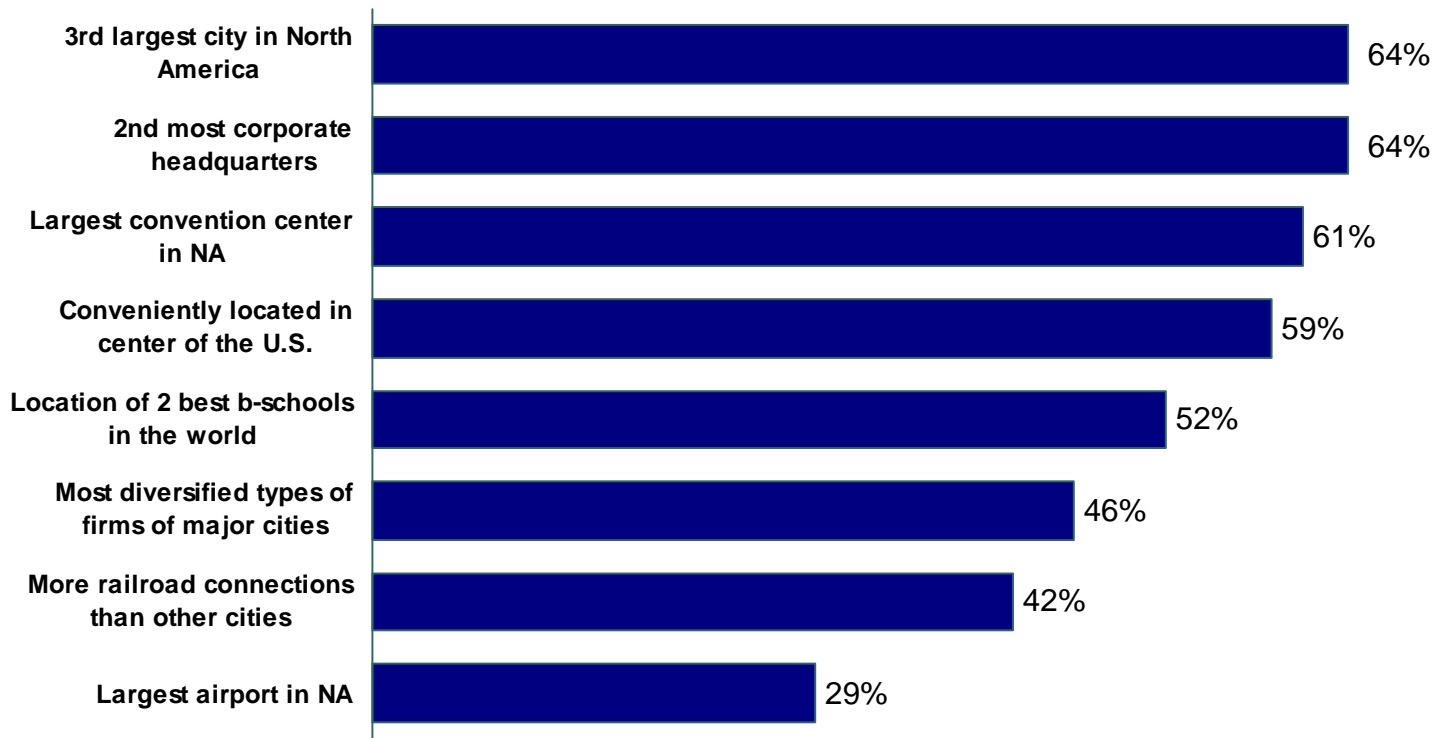
Chicago is perceived to be weak on facts that are not important

Chicago's relative ranking on key attributes



Knowledge of specific facts about Chicago was low

Chicago Facts Awareness

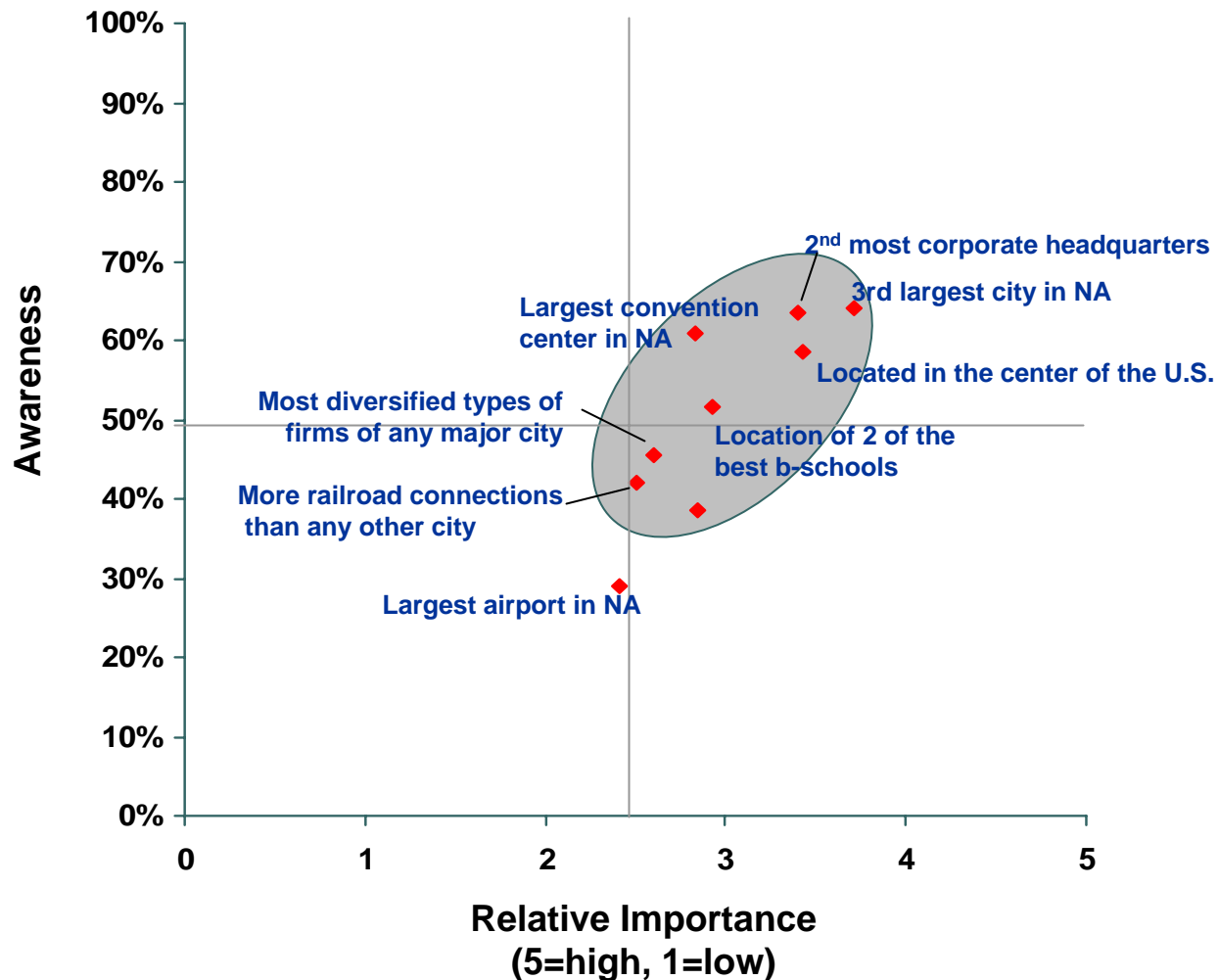


90% of respondents have heard of Chicago, yet most are not aware of specific facts about Chicago

% Respondents who have heard of the facts

Q: Are you aware that...?

The facts on the right have the most potential to support Chicago's marketing campaign



● ● ● We tested six different positioning ideas

- Chicago is the center of American business

- Chicago is where American businesses connect to China

- Chicago provides the best access to the North American market for Chinese companies

- Chicago is where Chinese and American business connect

- Chicago offers great profit potential for Chinese businesses

- Chicago is where business gets done in North America

Three positioning ideas were most appealing

Top three positioning statements

Chicago is the center of American business

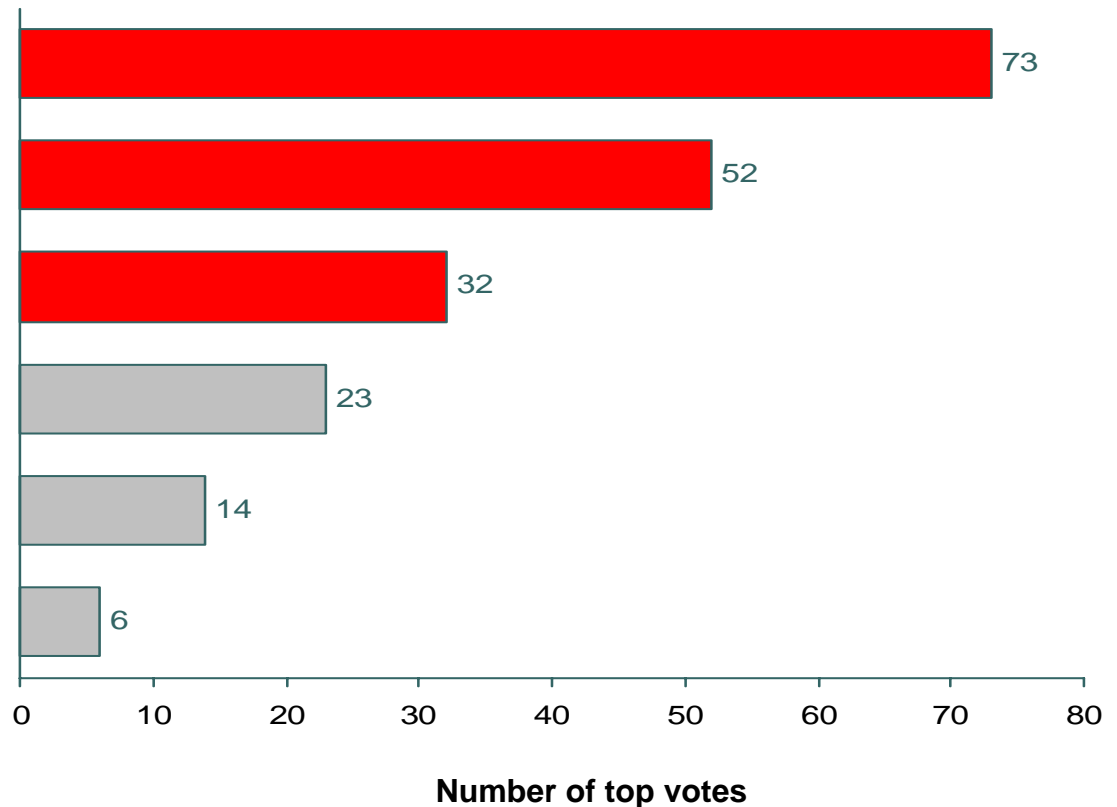
Chicago provides the best access to the North American market for Chinese companies

Chicago is where American businesses connect to China

Chicago offers great profit potential for Chinese businesses

Chicago is where Chinese and American business connect

Chicago is where business gets done in North America



Q: Within the following list, rank top five ideas that are most appealing to you about Chicago

“Chicago is the center of American business” was the most appealing positioning

Chicago is the center of American business

Chicago provides the best access to the North American market for Chinese companies

Chicago is where American businesses connect to China

Chicago is where Chinese and American business connect

Chicago offers great profit potential for Chinese businesses

Chicago is where business gets done in North America

	Top Rank	Top 2	Top 3
<i>Chicago is the center of American business</i>	1	2	2
Chicago provides the best access to the North American market for Chinese companies	2	1	1
Chicago is where American businesses connect to China	3	3	3
Chicago is where Chinese and American business connect	5	4	5
Chicago offers great profit potential for Chinese businesses	4	5	4
Chicago is where business gets done in North America	6	6	6

Q: Within the following list, rank top five ideas that are most appealing to you about Chicago

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● ● ● Qualitative Research Objectives

1. Understand where Chicago stands relative to other North American cities
2. Explore reaction to potential positioning statements
3. Get input on marketing ideas

● ● ● Methodology

- Completed six qualitative interviews with Chinese business executives in Shanghai
 - Involved in foreign investment decisions
 - Range of industries including manufacturing, chemicals, food & beverage and retail
 - Company size varied from 300 to 4000 employees
- Interviews were conducted by Chinese moderators, in Mandarin



It was confirmed that Chicago had high awareness, but low knowledge

- All respondents had heard of Chicago
 - However, few knew much about the city
-

*“I’ve heard about the **Chicago Bull** team. It’s more about life than economy. The life pace is slower. People there incline to enjoy the life. It’s good for service industry. I haven’t take notice of this city.”*

*“I’ve heard about the **Chicago Bulls** team and **Michael Jordan**. I don’t have special impression about it.”*

*“I know it for sure; we have a branch here not because we know it very much but only because one of our clients is here. **I don’t know anything else about it.**”*



Executives did have more detail when it came to other cities especially NY and LA


*“Of course I know **New York** as an economic center, its economics are prosperous.”*

*“**New York** tops all the other cities of the nation.”*

*“**New York** and **Los Angeles**. Their harbors might be very busy, so economics there will be comparatively developed. This is conducive to my investment as well-developed places have high consumption levels.”*

*“**Los Angeles** and **Detroit**. All these cities have convenient traffic, and all aspects are good, such as the information and the environment. They are more open to the foreign cultures, and they aren't exclusive. Moreover, there are many Chinese people there.”*

*“**Los Angeles**. There are many Chinese Americans in Los Angeles. What is more, language won't be a problem there as there are so many Chinese ancestries.”*



On positioning ideas, executives were very literal

- Chicago offers great profit potential for Chinese businesses

“This statement is a little empty or so. It is unbelievable.”

“I think this one is only a slogan. It doesn’t give anything in detail.”

- Chicago is the center of American business

“I think this is kind of lying somehow as we Chinese all know that New York is the center of America.”

“I don’t believe it. I think the center of American business is New York and San Francisco.”

The concepts of connection and access were most appealing

- Chicago is where Chinese and America businesses connect

“It appeals to me. There are two things that really matter in an investment. First is the strength of the investor. The other is the policy and the market. For the small companies in China, they especially need a bridge or guider to help them.”

“In my point of view, bridge means it gives a convenient way to invest there and bridge the gap lay between two places.”

- Chicago provides the best access to the North American market for Chinese companies

“It is charming. There may be two purposes of an investment. The first is to cut the cost, which is not supposed to be possible in America. The most important thing is the local market. So this statement just hit the target of those investors. That is why it is appealing”

“I think this one is not so bad if Chicago is the business center of U.S. It sounds like a bridge for U.S. and China.”

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Quantitative Summary

Perceptions & Awareness

- Chicago has high awareness and is seen as a good city to do business
 - Chicago is strong in features that Chinese care most about and weak in features that Chinese do not care about.
- However, Chinese lack knowledge of specifics about Chicago

Positioning

- “Chicago is the center of American business” was the most popular positioning statement

Qualitative Summary

Perceptions & Awareness

- Chicago had high awareness however executives did not know a lot of details about the city

Positioning

- They responded to positioning statements that were direct and believable

The research findings led to the following positioning pieces

Target

- Chinese business executives looking for long-term growth

Frame of Reference

- Major North American cities

Key Attributes

- Large business center
- Heart of the US
- Supportive local government

Primary Benefit

- Provides a bridge to the North American market

Ultimately, Chicago should be positioned in China as...

“To Chinese business executives looking for long-term growth, Chicago is a city that provides a bridge to the North American market because it’s a large business center in the heart of the US with a supportive local government.”



Chicago Positioning

Chicago



The Bridge to North America

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● ● ● Marketing Plan Challenge

**Bring Chicago's positioning to
life in China**

Three strategies are critical to build Chicago in China



● ● ● The city is taking steps

- Mayor Daley has prioritized China
- Chicago planning 2009 Midwest US-China Business Summit
- Chicago working on opening an investment office in Shanghai
- CPS has US largest and best Chinese language/culture program
- Olympic bid provides platform for connection to China, especially Beijing

● ● ● However, more needs to be done

- Chicago should field aggressive marketing effort in China
 - WBC's "Chicago" 50-page glossy tourism magazine in Chinese to be distributed in Beijing, Guangzhou, and Shanghai
- Chicago needs ideas and committed supporters
 - Needs to leverage corporate presence in and ties to China
- Efforts are starting to take shape
 - Making O'Hare more China friendly with signage etc.

● ● ● How you can help

- Provide your ideas and suggestions
- Promote Chicago in all your marketing efforts in China

● ● ● Key Points

- **China will be an economic force over the coming decades**
- **China is critical for Chicago**
- **Chicago has high awareness and positive perceptions**
- **Chicago needs to further build its brand**
- **Positioning Chicago as a bridge to North America is a promising area**
- **Much needs to be done to bring this to life!**