MEASURING EMOTIONAL CAPITAL AMONGST INFANT BABY FOOD BRANDS IN CHINA

EXECUTIVE SUMMARY

This study reaffirmed the relationship between Emotional Capital (through the Emotor score) and a brand's ability to attract new users and drive consideration amongst non-users.

It also reaffirmed the relationship between the Emotor scores and CLOSE scores, demonstrating that it is possible to identify specific emotional attributes that are driving or dragging back the value of a brand's Emotional Capital.

The study demonstrated that within the Infant Feeding market there is a nuanced relationship between customers and brands, one based around their relationship with brands. By segmenting the audience, we were able to identify specific challenges and opportunities at a brand-by-brand level.

In the example of Nestlé were able to identify the brand's areas of weakness amongst specific segments, as well as their perceived areas of strength.

This shows that by mapping the Emotional Capital in a specific category, marketers can understand the instinctive and considered attraction of their brand and their competitors, and design attack and defend strategies into their future growth plans.

INTRODUCTION TO EMOTIONAL CAPITAL

Emotional Capital is the currency of a brand's relationship with its customers. The more Emotional Capital they have, the closer their customer relationships are. And building close relationships with customers is key if brands are going to realise long-term growth.

Brands with closer customer relationships spark the instincts of their audience. They provoke an emotional reaction. Emotions accumulate. Both positive and negative. They can be given a value. This value is their Emotional Capital.

Brand's that we push away have negative Emotional Capital. Brands that we pull towards us have positive Emotional Capital. We can both measure a brand's Emotional Capital as it stands today, and forecast how it might rise or decline in the future.

We measure a brand's Emotional Capital by understanding whether or not customers pull the brand towards them, or push it away. The instinctive response the brand ignites in people. This is called the Emotor score. It understands a brand's attractiveness.

We understand the future supply of Emotional Capital by assessing the brand's considered appeal amongst the audience. We do this by looking at five different statement groups, the detail of which can be found in the methodology and the appendix.

We want to help our Clients build closer customer relationships, and in order to achieve this we need to understand how much Emotional Capital they have, and the areas they need to focus on to achieve more.

PURPOSE OF RESEARCH

The study looked to reaffirm the link between a brand's Emotional Capital (the Emotor score) and the current and claimed future behaviour of the target audience. It sought to prove the more Emotional Capital a brand has, the greater the attraction to both new users and non users.

The study also looked to reaffirm the relationship between a brand's Emotor score and their CLOSE scores, in order to prove that by targeting specific emotional attributes a brand can improve their attractiveness to their target audience.

Beyond looking to further understand the relationship between Emotor and CLOSE scores, and their impact on consumer attitudes and behaviour, this study had a distinct set of objectives regarding Chinese audiences, their attitudes towards brands, and the extent to which these attitudes impact an emotional sector like Infant Feeding.

How do Chinese consumers feel about the infant feeding brands available to them? How does the provenance of the brand shape these attitudes? How is this reflected in both current behaviour and future purchase intent?

emotor

01 METHODOLOGY

The sample

Our study surveyed 1,000 respondents, with each respondent evaluating at least 2 brands, giving us 200 evaluations for each of the 10 brands included. Those brands were as follows:

FOREIGN BRANDS

Brand	% Volume share
Nestlé Wyeth	12.8
Danone	10.0
Ausnutria	6.3
Abbott	6.2
MeadJohnson	5.1
Frisolac Prestige	4.6

DOMESTIC BRANDS

Brand	% Volume share
Feihe	14.8
Junlebao	6.9
Yili	6.2
Biostime	4.0

Of the 1,000 respondents, almost 98% had one child in the household (defined as an infant under 2 years). In the sample, 82% were women, and 18% were men. A broad cross section of household were surveyed. Household was defined by the occupational status of the household's main earner. The majority of respondents came from intermediate or supervisory roles. One in seven respondents were from senior managerial roles, with one in ten respondents classified as manual workers.

The survey

The study had eight distinct sections, with the focus being on those that provided the Emotor and Close scores, and the follow up questions that enabled those scores to be cross-referenced to claimed behaviours and attitudes towards both foreign and Chinese brands.

The Emotor score understands the attraction of a brand through two factors. The first is the extent to which the brand is "my sort of brand", the sense of affinity a respondent has with the brand. The second is the propensity to buy. If all things were equal and cost was not a consideration, would the respondent buy the brand in question? The Emotor score provides us with a sense of a brand's instinctive appeal. It is the brand's Emotional Capital current account

The CLOSE scores are five groups of statements that provide a more nuanced understanding of why brands either attract or repel customers.

The five statement groups cover the following:

Coherent
the extent to which the brand is consistent across the customer experience

Literate
how well the brand is perceived to understand the needs of its customers

On the level
whether or not the brand can be trusted to act with integrity

Self-aware
the extent to which the brand is honest about its strengths and weaknesses

Ethical
how ethical the brand is perceived to be

In addition to the above sets of questions, statements were put to the respondents to understand their attitudes towards the infant formula category, and Chinese and Foreign brands. Finally, questions were asked to understand the respondents' attitudes to brands in general – how important they were, how much they shaped decisions vs. cost.

02

CATEGORY ATTITUDES – CHINESE VS. FOREIGN BRANDS

Variance by household

There was a significant variance in the attitudes towards infant formula brands based on household. Senior Managerial households were conscious of buying foreign brands over Chinese brands, being more likely to agree that "buying foreign formula shows you really care for your baby" and "I would only ever consider buying foreign infant formula".

Whereas unqualified manual worker households were more likely to buy Chinese formula due to cost reasons, being forced into a non-foreign purchase due to price. The were most likely to agree that "People only buy Chinese infant formula because the foreign brands were too expensive". For this audience, the presence of a foreign company in the supply chain was a key point of reassurance. They were most likely to agree with the statements "I would only trust Chinese infant formula if it was made by a foreign international company" and "I only really trust infant formula from abroad, marketed by Chinese companies".

Both ends of the household demographic prized foreign brands, however their attitudes and subsequent behaviours were driven by price sensitivity.

The Homemaker audience had a polarised response to statements about infant formula. They were both more likely to agree strongly and disagree strongly with the statement "I only really trust infant formula from abroad, marketed by Chinese companies" and "Buying foreign formula shows you really care for your baby".

The polarisation was based around the audiences' emotional response to both Chinese and foreign brands.

Import vs. Sino centricity

The study had a group of questions which when clustered showed an import-centricity in the audience. Similarly it had a group of questions which showed a sino-centricity.

It also had, as a baseline, a group of questions which showed sensitivity to a brand's emotional intelligence. This measured the extent to which the audience valued a brand's Emotional Capital.

Using a cluster analysis we were able to break down the Chinese infant feeding market into four segments as follows:

1. **Any High EQ brand is OK** (35.4% of respondents)
2. **A Foreign High EQ brand is best** (21.5% of respondents)
3. **A Chinese High EQ brand is best** (20.0% of respondents)
4. **Cost Matters Most** (23.1%).
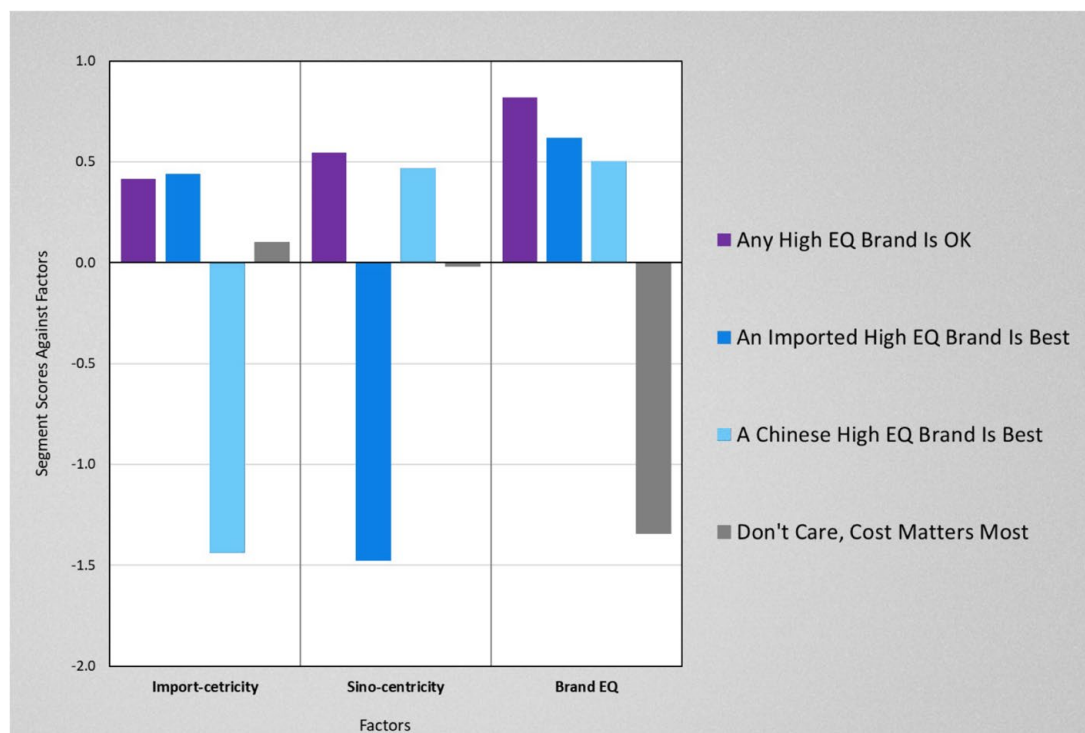
Market segmentation analysis

High EQ brands skewed towards Senior Managerial status households. The Cost segment skewed towards lower status households. Foreign brands were more likely to be rejected by lower status households than Chinese brands were, however, as above, cost trumpeted both.

Preference for both Chinese and Foreign EQ brands was found in the middle segments, demonstrating that household isn't the key determinant in understanding whether a foreign or Chinese infant feeding brand is likely to be preferred.

Homemaker households were more likely than any other segment to prefer Foreign EQ brands.
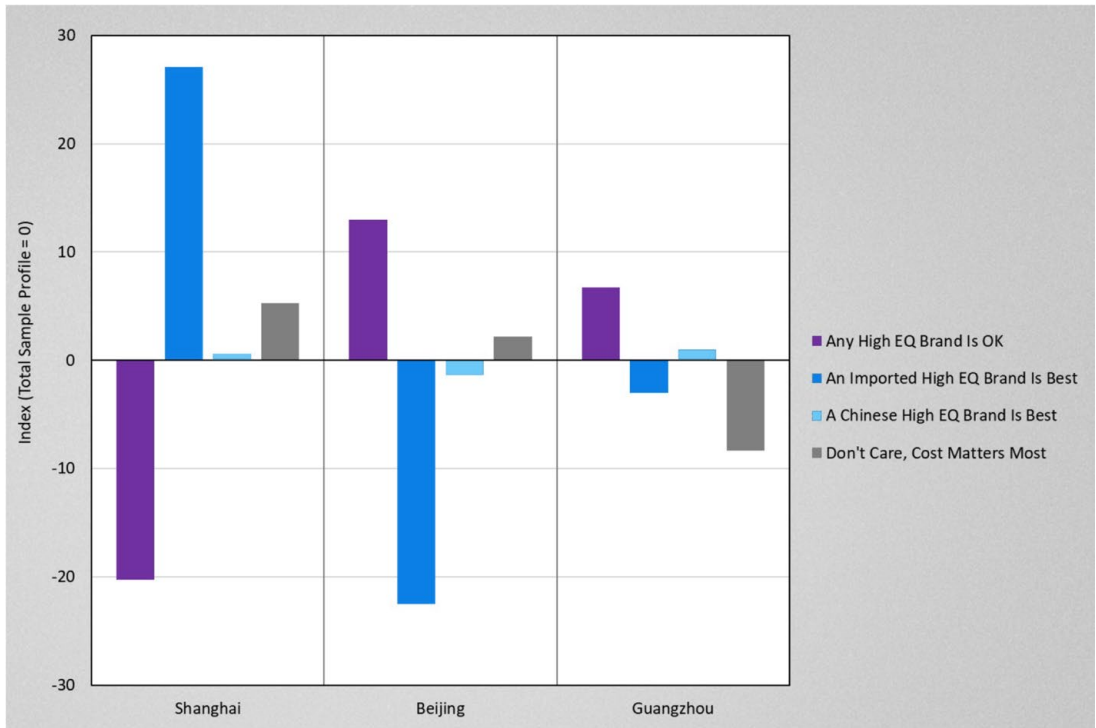
Location provides a filter through which to understand brand preference. Shanghai was much more likely to prefer Foreign EQ brands, and Beijing was much more likely to reject them. Guangzhou was indifferent by comparison, but was less likely to buy a brand based on price when compared to the two larger cities.

03 BRAND PERFORMANCE

Awareness vs. Salience

All brands had high levels of prompted awareness, ranging from 60-90+% across the cohort. However it was a different story when it came to salience. The range was a tick over ten percent for Danone, up to 55% for Feihe. Salience proves to be a far better metric for predicting future consideration and purchase intent than awareness, and correlates closely with Emotional Capital, which we will see later in the paper.
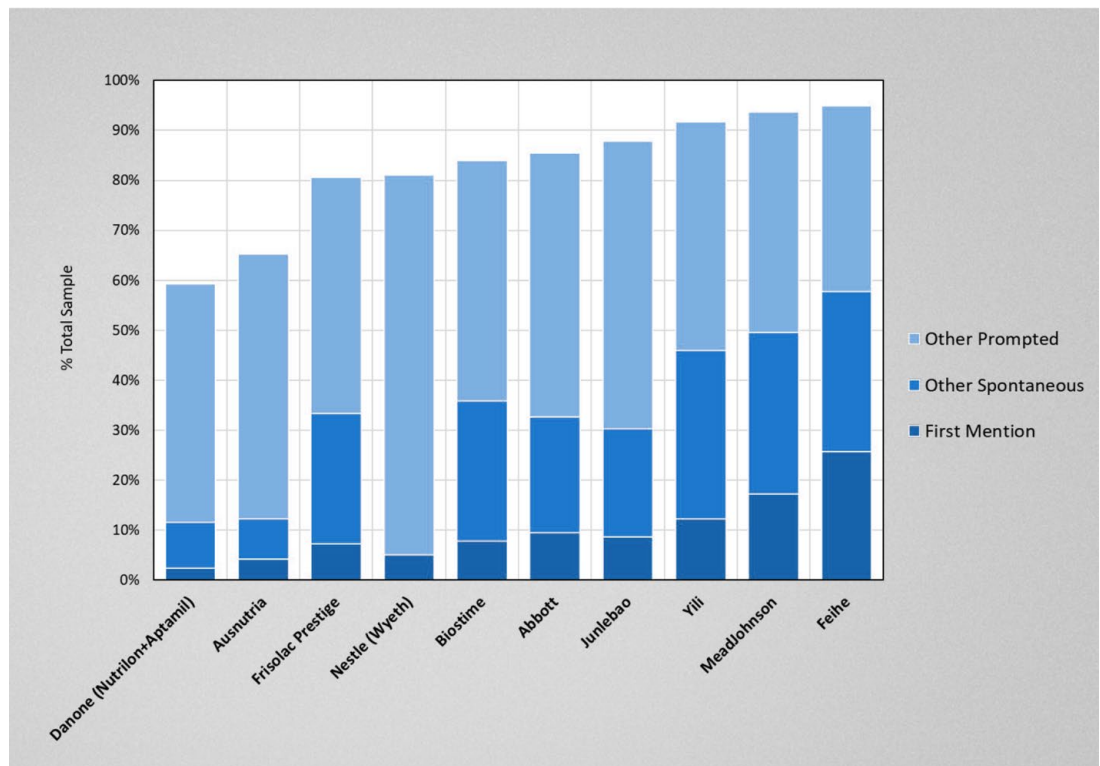
Usage

All of the brands in the cohort have significant franchises, from 1 in 3 respondents claiming they use Ausnutria, up to 60% claiming to use MeadJohnson. The lifetime usage numbers are even more impressive, with no brand scoring less than 70%. An active market.
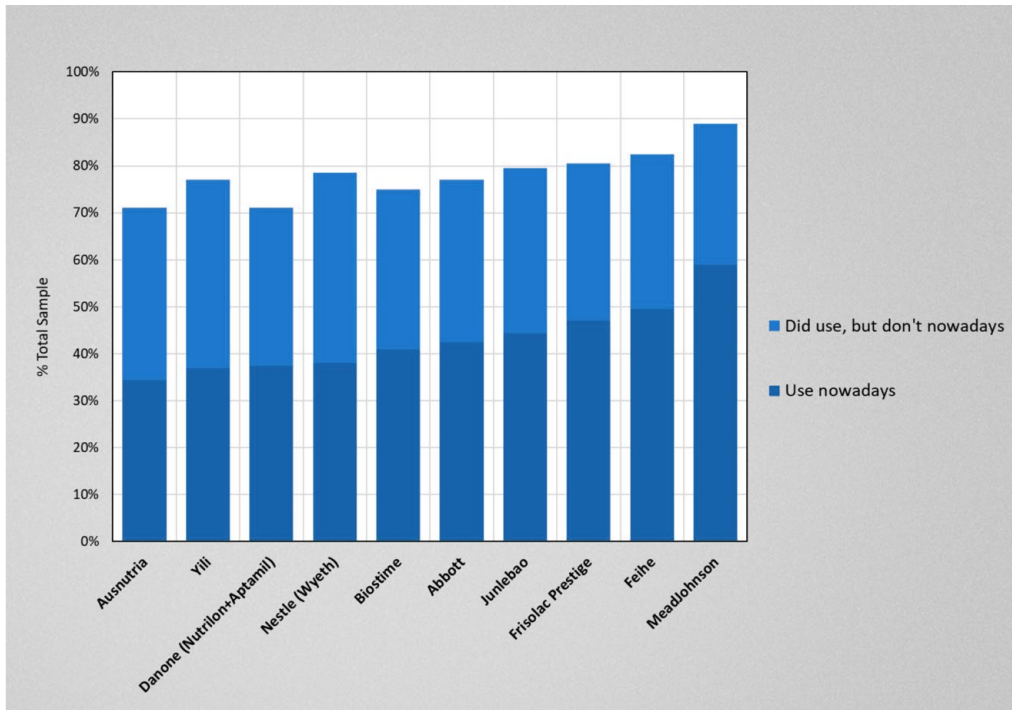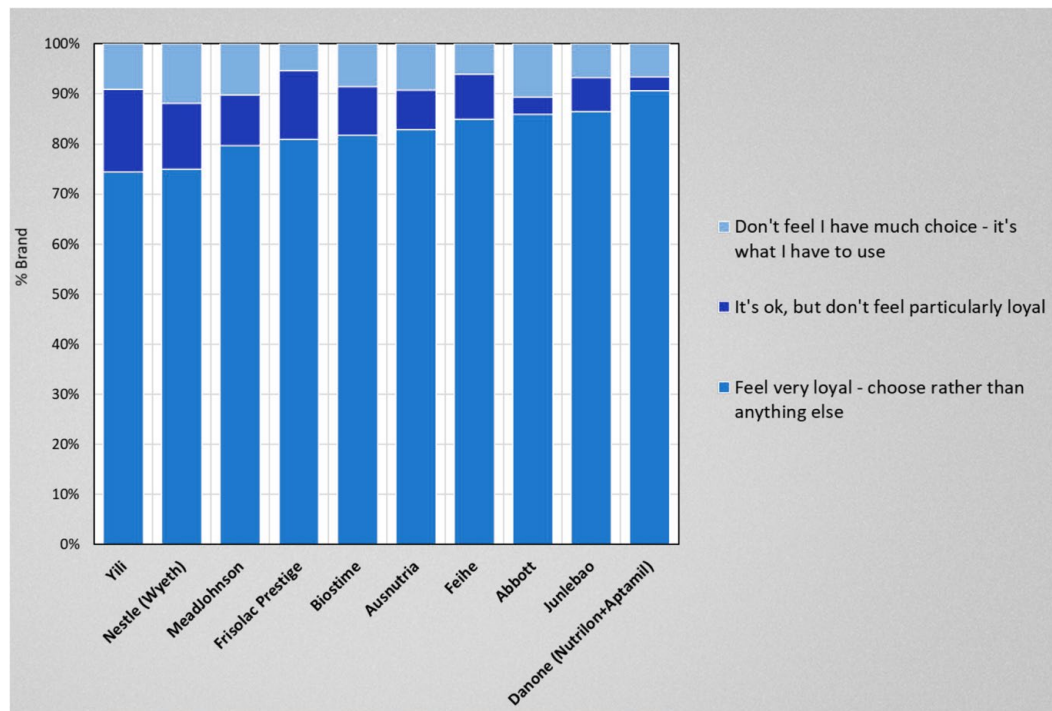

Awareness vs. Usage

The survey reinforced the existing learning that total awareness and usage are highly correlated. The more people who have used the brand (or are currently using it), the higher the awareness becomes (or vice versa, depending on your leaning).
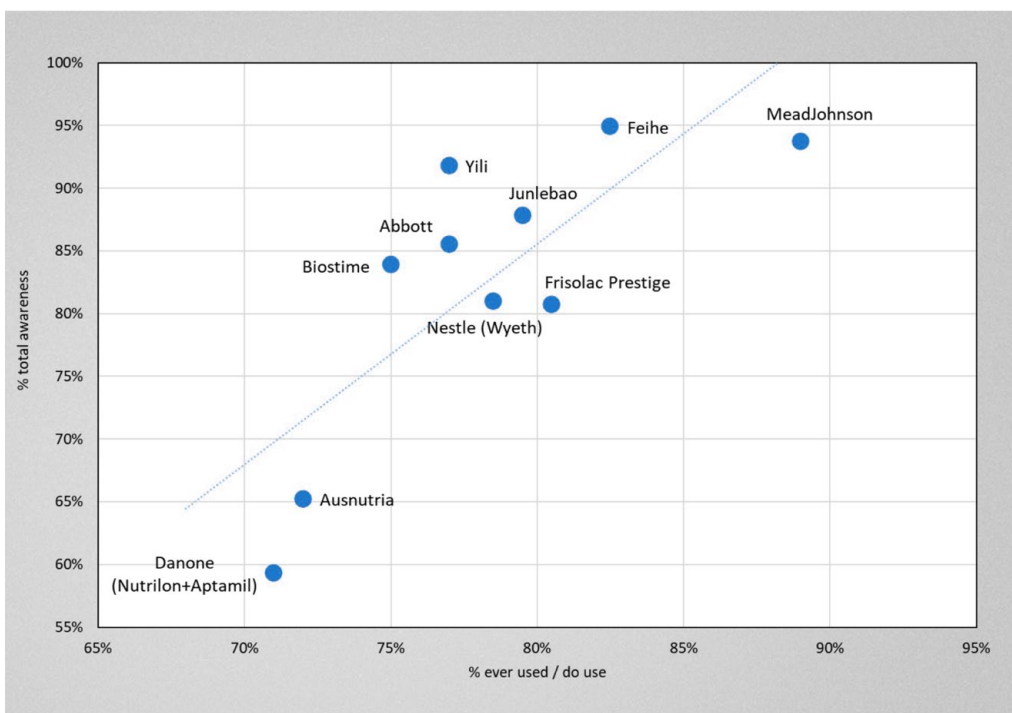
Loyalty

Claimed loyalty is exceptionally high with a range of 72-90%.

Non-user consideration

Consideration shows the greatest variance across the metrics surveyed, with definitely consider rating from 24% to 54%. All brands showed low levels of "definitely would not consider", and there was a low response to not having enough information, indicating that the customers in market feel informed about their choice.
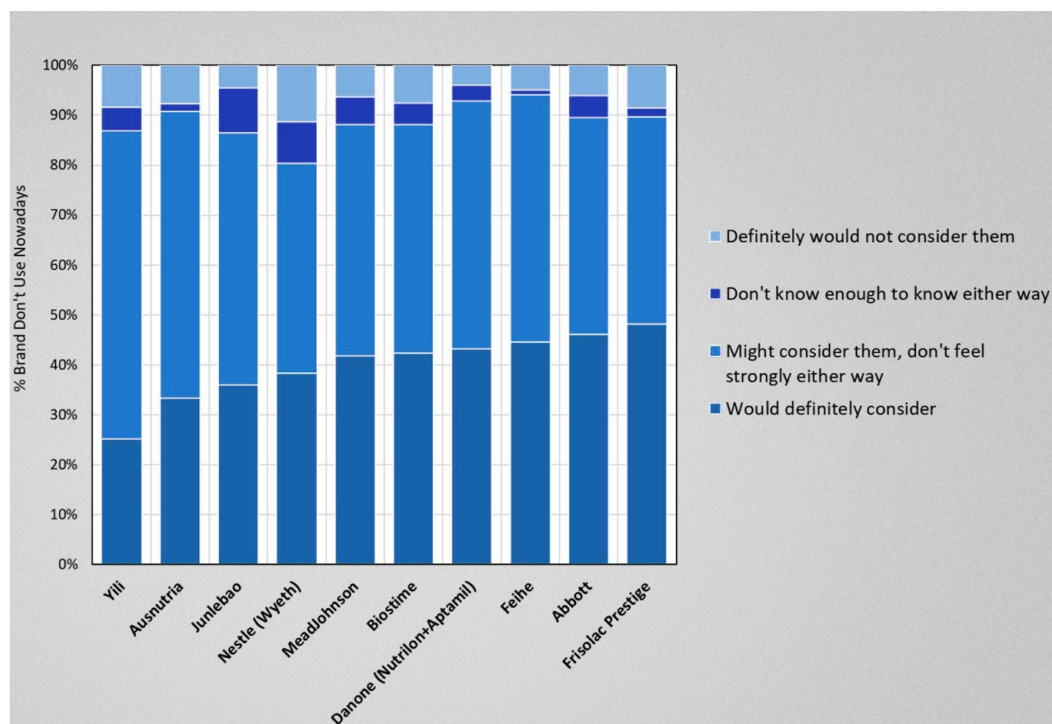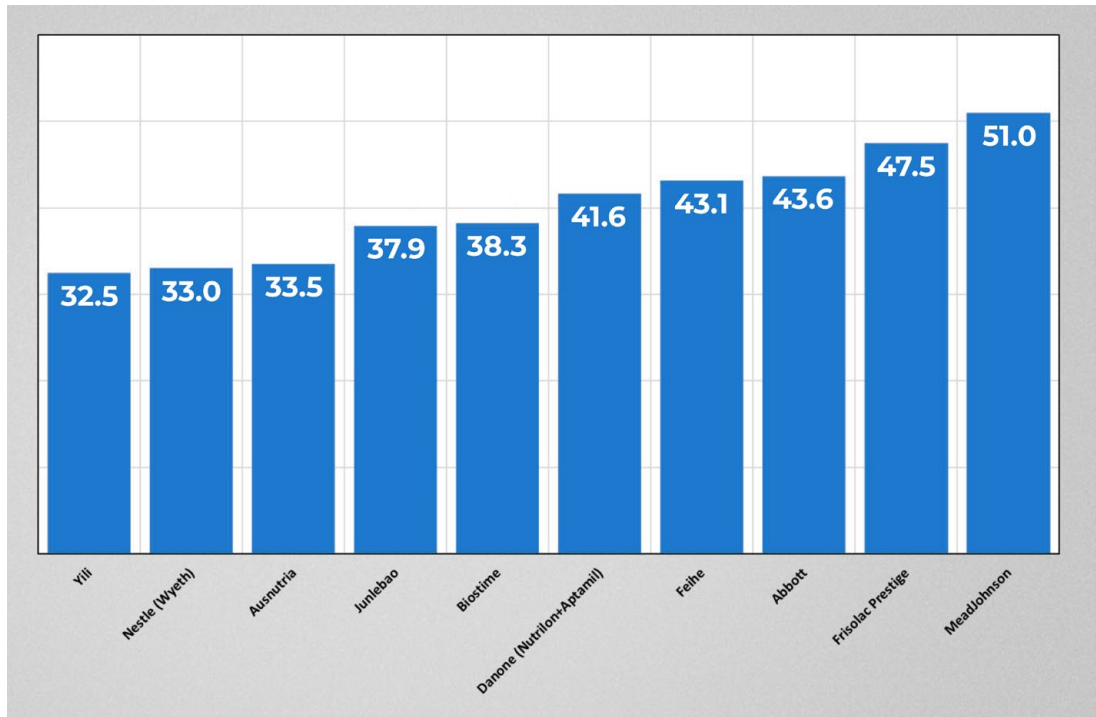
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EMOTIONAL CAPITAL

Brand Emotor scores

As expected, all brands scored highly, with every brand seen as a "net attractor". However when viewed relatively you can see a change in how "close" each brand is to their existing and potential customers.

**EMOTOR SCORE BY BRAND**

Emotor as a predictor of growth – new users, loyalty, non-user consideration Emotor correlates strongly new users, with a single outlier. Brands who are more attractive to potential customers are unsurprisingly seeing greater levels of trial.

Emotor also correlates with loyalty, with a couple of outliers including MeadJohnson again. Showing that the initial trial of the brand does translate into an ongoing conscious purchase habit. This extends to non-user consideration, with the greater the Emotor score, the more likely non-users are to consider the brand for future purchase. Again MeadJohnson is an outlier.
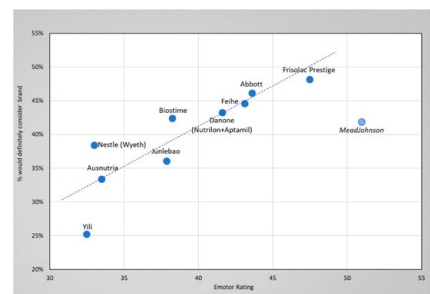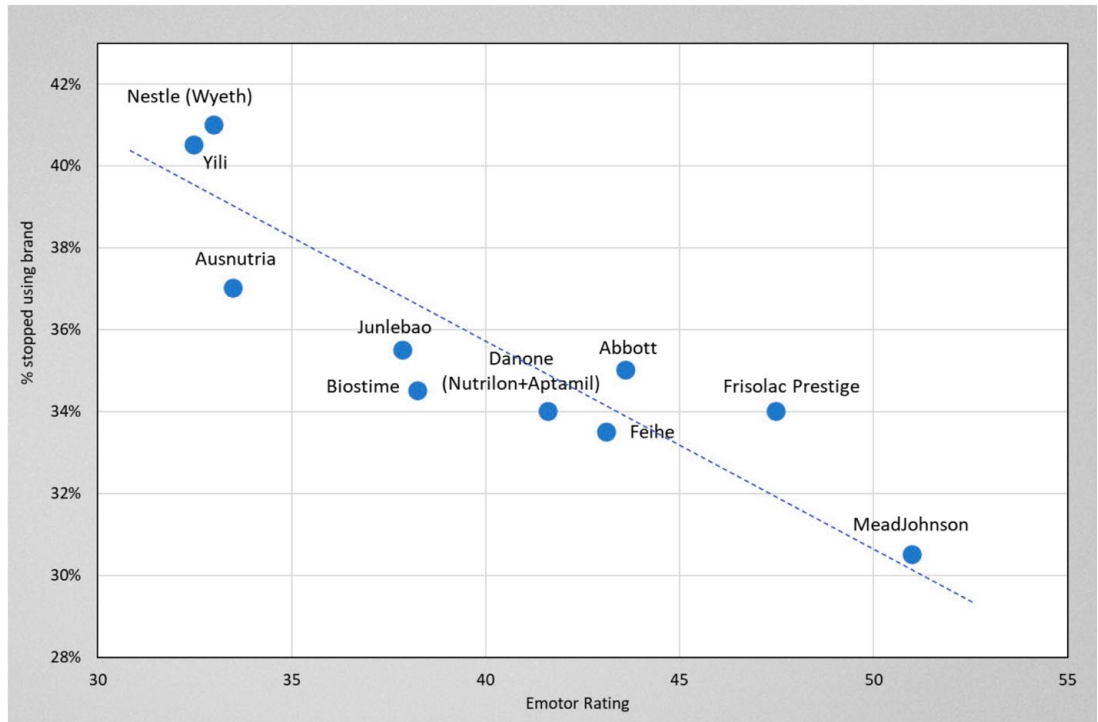
NEW USERS
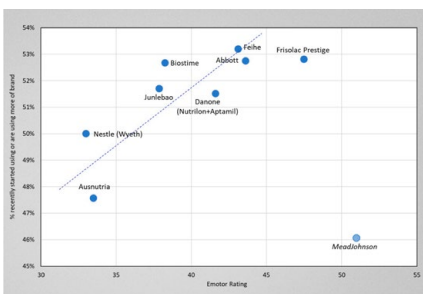
LOYALTY
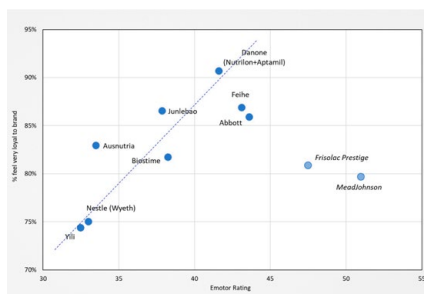
NON-USER CONSIDERATION

# Emotor as a sign of decline, lapsed, emotional inclinations

Positive levels of Emotional Capital signal a growing brand in good health, lower levels of emotional capital indicate that a brand may be facing decline.

LAPSED USERS

Brands with weaker ratings have a larger number of lapsed users than those with higher levels of Emotional Capital. This was also seen when respondents were surveyed about their future consideration. Brands with lower levels of Emotional Capital saw more respondents agree that they "definitely wouldn't" consider the brand in the future.

EMOTIONAL INCLINATIONS
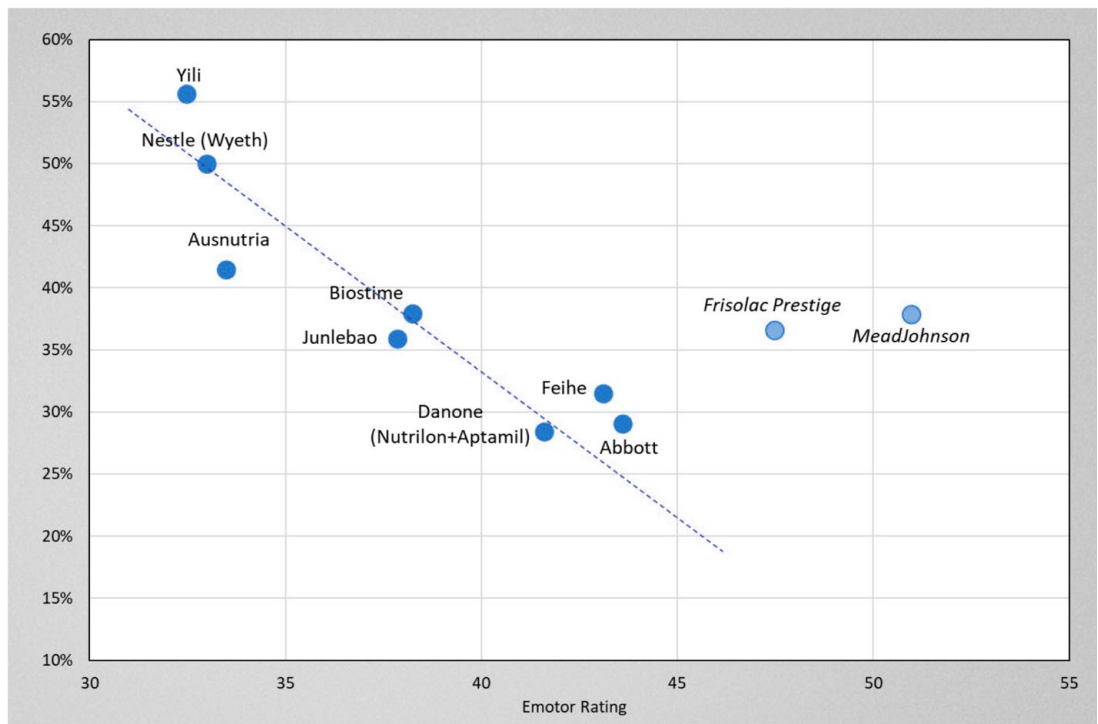
Close scores

The Emotor ratings correlate extremely strongly with a brand's Emotor score. All brands' Close scores bunched together, which when viewed on their own do not provide the necessary insight for forward planning.
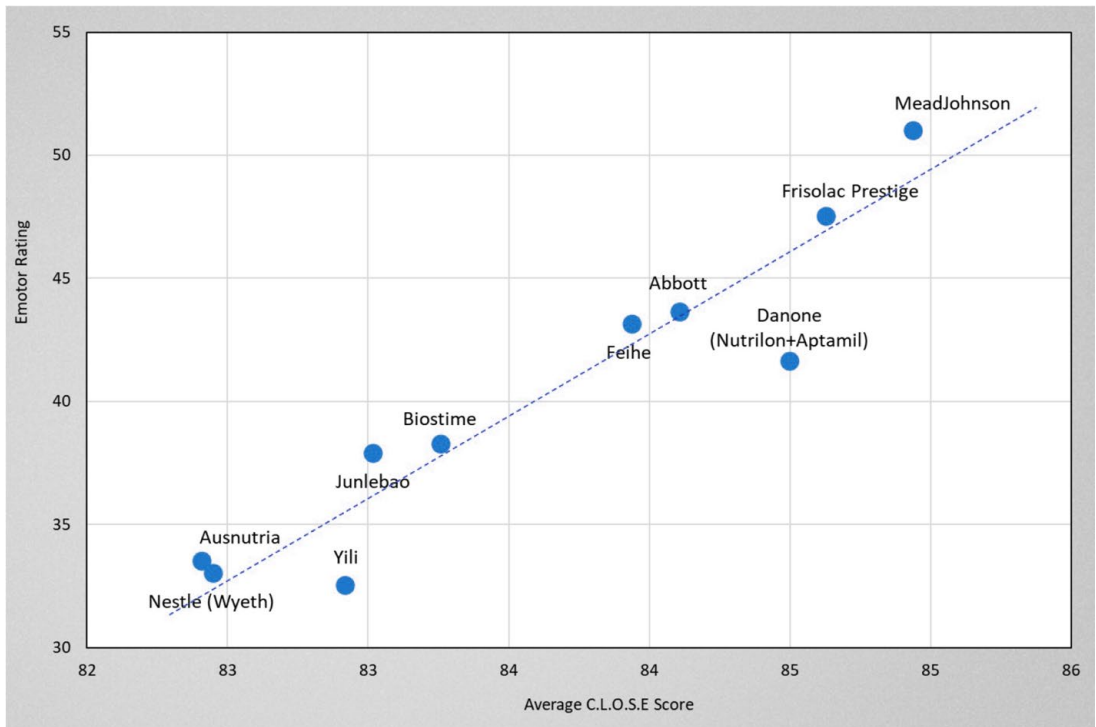
However when viewed through the lens of the four segments, we can identify the challenges a brand will need to address in order to increase their Emotional Capital, and in turn build closer customer relationships.

05 UNDERSTANDING DEFICIENCY IN EMOTIONAL CAPITAL

Here we look at the specific CLOSE scores of one of the lowest performing brands in the study, Nestlé.

Close scores by Segment

Looking at the scores by segment we can see some clear challenges for Nestlé to address. Customers who value both Any High EQ brands and Foreign EQ brands feel that Nestlé are less trustworthy than their competition. Given they are a Foreign brand, scoring lowly here is a significant point to address. Similarly these audiences feel that Nestlé is less ethical than it's competitors, another factor that may be limiting the brand's Emotional Capital.
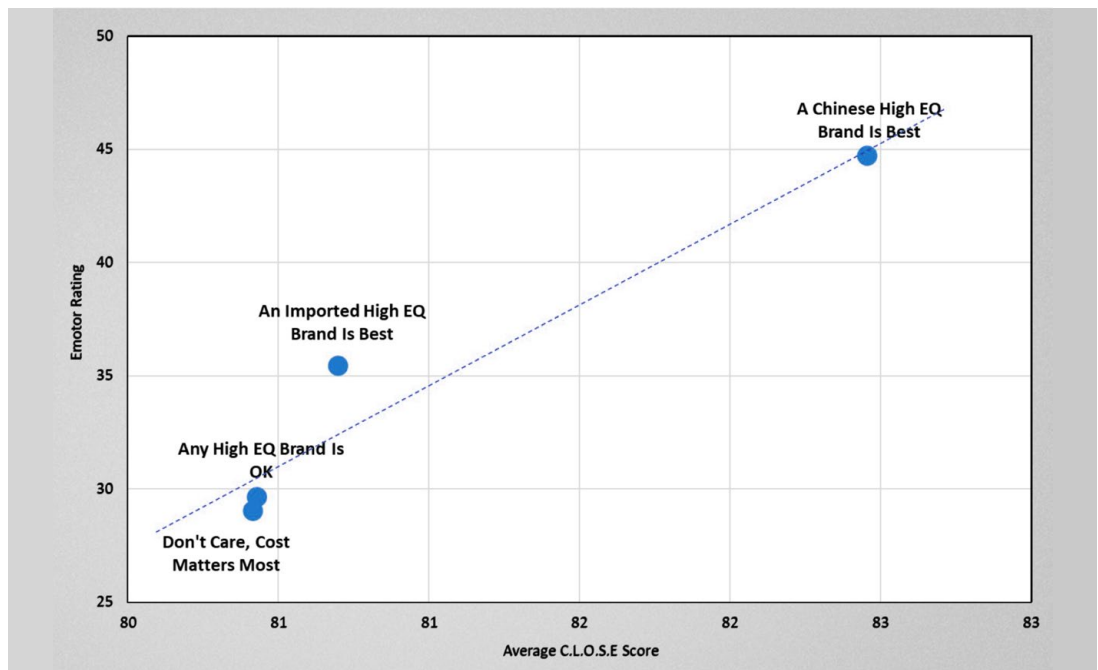
Overall the brand is best performing with those who believe that a Chinese EQ brand is preferable. However, when we dig into the CLOSE scores we see that a crucial attribute for this audience, emotional literacy, is below average, showing that whilst this audience may be a potential growth target for Nestlé, they are currently struggling to connect.

CLOSE Scores	C.L.O.S.E Dimensions					
	Average C.L.O.S.E	Coherence	Literacy	On the Level	Self-aware	Ethical
Any High EQ Brand is OK	80.43	88.42	82.39	68.53	87.37	75.45
Any Foreign High EQ Brand is Best	80.70	83.11	87.56	69.00	87.56	76.28
A Chinese High EQ Brand is Best	82.46	85.14	78.43	83.43	85.71	79.57
Don't Care, Cost Matters Most	80.42	79.09	80.95	82.73	78.64	80.68
Total Sample	82.50	84.60	86.00	78.10	85.20	78.20

Close scores by age

The CLOSE scores for Nestlé highlight a specific issue with age.

Young parents in particular score the brand poorly on both "Ethical" and being trustworthy ("On the level").

The younger the audience, the less likely they are to have a close relationship with Nestlé. A long-term problem for the brand.
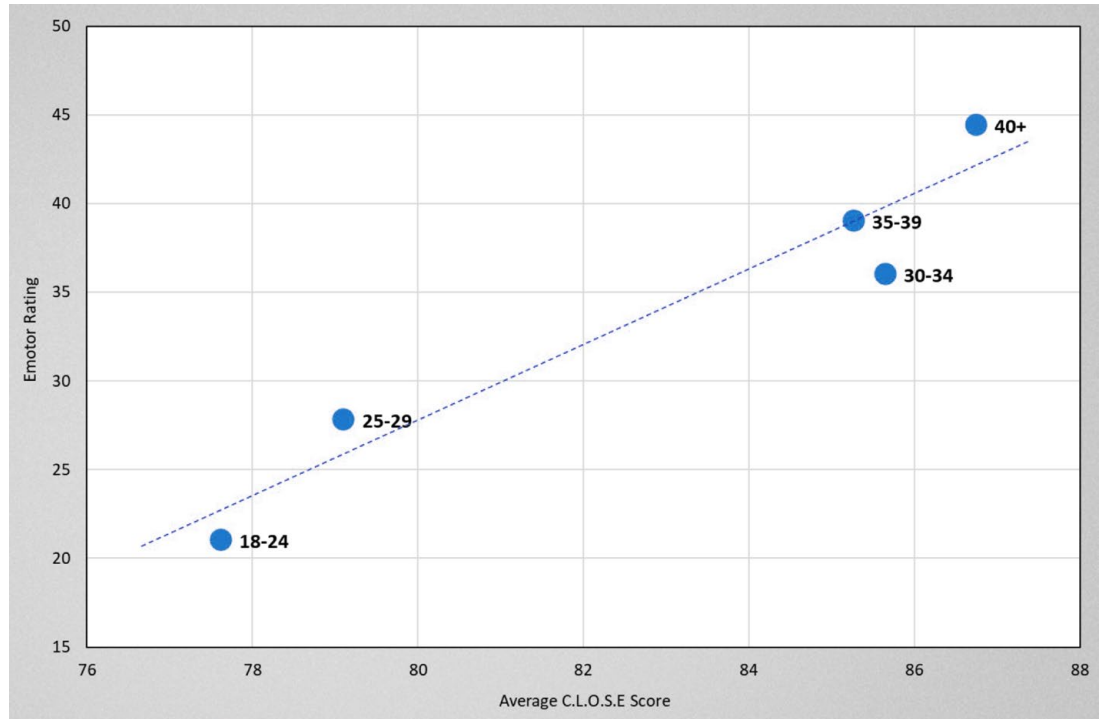
CLOSE Scores	C.L.O.S.E Dimensions					
	Average C.L.O.S.E	Coherence	Literacy	On the Level	Self-aware	Ethical
18-24	77.63	86.29	78.57	70.14	80.71	72.43
25-29	79.11	85.33	82.22	73.11	81.89	73.00
30-34	85.66	86.98	85.24	87.62	91.11	77.33
35-39	85.27	84.67	88.67	78.67	86.00	88.37
40+	86.76	80.00	87.78	90.00	87.33	88.67
Total Sample	82.50	84.60	86.00	78.10	85.20	78.20

Close scores by consideration and usage

CLOSE scores provide insight on how a brand can work to increase non-user consideration.

Again looking at Nestlé, we see that those who definitely won't consider the brand mark it down on being Ethical and trustworthy, and to a lesser extent, emotional literacy.

The same story is seen when it comes to usage. Those who have never used the brand, and those who are lapsed users, score the brand poorly when it comes to trust and ethics.

	CLOSE Scores	C.L.O.S.E Dimensions					
		Average C.L.O.S.E	Coherence	Literacy	On the Level	Self-aware	Ethical
Non-User Consideration	Would definitely consider	85.54	88.35	85.33	82.67	86.67	84.67
	Might consider them, don't feel strongly either way	78.83	82.31	82.77	72.69	82.69	73.69
	Definitely would not consider them	74.56	82.22	74.89	68.44	80.00	67.22
	Don't know enough to know either way	75.20	83.33	81.67	66.67	74.33	70.00
	All brand non-users	78.23	83.01	81.85	72.73	79.92	73.67

	CLOSE Scores	C.L.O.S.E Dimensions					
		Average C.L.O.S.E	Coherence	Literacy	On the Level	Self-aware	Ethical
Usage	Have never used	78.44	84.65	85.26	71.40	79.79	72.09
	Did use, but don't nowadays	78.16	82.72	81.25	72.96	79.94	73.95
	Use nowadays	88.77	86.58	90.79	89.47	88.84	88.16
	Total Sample	82.50	84.60	86.00	78.10	85.20	78.20

CONCLUSIONS

1   **The more emotional capital a brand has the greater its ability to attract new users and drive consideration amongst non-users**

2   **Understanding a brand's CLOSE score enables a brand owner to identify areas of weakness and strength**

3   **Segmenting audiences by the brand's levels of emotional capital helps a brand target opportunities and threats**

4   **Mapping the emotional capital across an entire category enables brands to understand who is primed for growth and who is in decline**

5   **The Chinese Infant food category is best understood by dividing customers by levels of Sino-centricity as a driver for purchase**