

## THE CONVERSATION

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# China's youth want a movie, a Coke and a Big Mac

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'Let your mouth rejoice' (bite the wax tadpole): Coca Cola in China. Ming Xia

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It's clear that the financial influence of China is now global: it has invested \$75 billion in Africa over the last 10 years in large infrastructure projects while China's state news agency, Xinhua, has nearly 30 bureaus in Africa, along with its own television channel. Meanwhile in Latin America, where US dominance is on the decline, a Chinese has been appointed by the Nicaraguan congress to build a canal through the country.

Indeed, as Drew Thompson of the Centre for Strategic and International Studies in Washington, DC has said:

*China's deepening integration into the global economy and emergence as an economic power has seen its influence expand in Africa, reshaping political and economic relationships on the continent and heightening concern in the United States that China's rise could challenge the US's traditional economic and security interests in the region.*

And in recent years, US economic hegemony has come under increasing pressure from China, which is the world's largest foreign holder of US debt – the US government estimates that China holds at least \$1.3 trillion of its bonds. According to the *Independent*, the total could be higher, because

Beijing is known to hold American debt through intermediaries. In total, the Beijing authorities have \$3.5trn of dollar-denominated assets.

## Insatiable appetites

But US financial investment in China is on the up. And in terms of the exportation of cultural expression, the US dominates China as it does the rest of the world. There does seem to be an incredible appetite for Disney, Coca-Cola, McDonald's and the like. In 2015 Disney will open the \$3.7 billion Shanghai Disney Resort, the first Disney resort in mainland China.



disney hong kong. Disneyland

Modelled on its American prototypes, the resort will include two themed hotels, a large retail, dining and entertainment venue, and an array of recreation facilities. It's not the first theme park venture, though -- Disney Shanghai opened in 2005 and posted its first annual profit this year.

Disney is also actively involved in teaching Chinese children to speak English. The first Disney English learning centre opened in Shanghai in 2008; within three years it had

expanded to more than 30 centres around the country. One is reminded here of the burgeoning Soviet Union, where illiterate peasants were taught how to read – not so they could improve their lives per se, but so that they could more easily absorb Communist ideology. Shang Yang, chairman of Shangyang Enterprise Management Consulting Co., says of the Disney reading projects:

*It's a very efficient way of marketing their brand as well as the amusement park. They're starting years early, brainwashing Chinese children and cultivating them as potential clients in a very indirect, yet penetrative, fashion.*

## The real thing – and lots of it

Last month Coca-Cola opened its 43rd bottling plant in Shijiazhuang, Hebei province as part of a \$4 billion investment plan for the Chinese market which began in 2011. It has invested heavily in advertising and sponsorship – it was the first international company to sponsor both the Beijing Olympics and Shanghai World Expo.

But the key is the youth market, and the company has run a series of campaigns to capture younger Chinese. In July this year Coke announced its introduction of “nickname bottles” following on from last year's 300ml mini-packs. These were introduced because research indicated that Chinese consumers preferred this style of packaging, as it was convenient for people to put in their pockets and keep their hands free.

China is the real thing for Coke: in May Ahmet Bozer, president of Coca-Cola International, said “We want to make China our largest beverage market soon.”

The same applies to McDonald's. By the end of 2013 the company wants to see 2,000 restaurants across the country where KFC and Pizza Hut still reign supreme, despite recent declines. There are now more than 3,200 KFCs and 500 Pizza Huts in 650 Chinese cities.

There are a few reasons for such success. As outlined by Stefan Michael and Howard Yu, Disney's own research told them that cultural and historical traditions do not dampen Chinese appetite for products which are "iconically American".



Visionary: Avatar in Shanghai. Remko Tanis

Decades of advertising Coke or the Big Mac as the natural extension of liberty, choice and the American dream has paid off. To the Chinese audience the purchase of American goods indicates social mobility, affluence and success.

To draw on the Soviet example once again, when the first McDonald's opened in Moscow after the fall of Communism, people were prepared to queue for hours and pay the equivalent of a few day's wages not for the burger itself, but for what it represented.

Hollywood movies are increasing in popularity, too. In 2011 Chinese films generated 2.7 billion yuan, (£274m) or about a third of total box-office revenue, compared with 5.37 billion yuan for foreign films. American films grossed 44% of the 10.2bn yuan taken in China in 2010.

## Purchasing power

The astonishingly rapid rise of the relatively young and moneyed Chinese middle class has created a situation where millions of people, for the first time, have the money to purchase consumer goods. And Disney, Coke et al, know how to sell. Dominic Barton of Global Management Consultancy, McKinsey & Company said in May

*By 2022, we expect China's middle class to be consuming goods and services valued at \$3.4 trillion – 24% of GDP. This has enormous significance for US businesses. It is imperative that companies get to know the new Chinese middle-class consumer in intimate detail.*

In a recent article about the sale of shares in Twitter, Hamish McRae wrote that the rise of social media, Google, the commercial web etc were examples of "soft power" the expression coined by Joseph Nye to express the ways in which US influence goes beyond its military capabilities. We can argue that the continuing growth of the above companies in China is evidence of that phenomenon.

The days of US financial dominance may be over as the economies grow to be interdependent but its cultural influence is clearly continuing.



1.5 billion Big Macs please. The-E