

# Country of Origin and Customer-based brand equity: A quantitative study on Chinese cars going global

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Country of Origin and customer-based brand equity: a quantitative study on Chinese cars going global

**Objectives:** The objective of this study is to examine the role of brands' Country of Origin (COO) effects on the brands customer-based brand equity. To be more specific, this study focuses on the consumer perceptions towards Chinese brands, automobile brands in particular, in the international market in order to understand how Chinese brands' customer-based brand equity is influenced by brands' Chinese identity and what are the strategies to effectively counter the negative influence provoked by the brands' COO. The study is realized through three major research areas: 1) examination of current customer-based brand equity of Chinese brands in the international market 2) the Country of Origin effects on Chinese automobile brands 3) feasible strategies on improving the customer-based brand equity for Chinese automobile brands. In a word, this study aims to clearly underlie the relationship between Country of Origin effects and brands' customer-based brand equity as well as to discover factors that hinder the growth of Chinese brands equity in the international market. Corresponding practical implications are presented in the end to provide feasible and market-based suggestions for future improvements.

**Research Method:** This study uses a quantitative research method, which is realized through an online consumer questionnaire. A snowball sampling is applied in order to circulate the questionnaire through major social network platforms. The questionnaire received 212 respondents in the end and 204 of which are considered valid. Most questions are closed ended questions measured by a 1-5 likert scale while three questions are open ended, one of which was designed to collect consumer thoughts for the practical implications.

**Findings:** The results provided by the questionnaire do not indicate an overall positive feedback on Chinese brands, which indicates inadequate customer-based brand equities for the brands that are associated with Chinese origin. The negative effects of China being the brands origin is discovered to be transferrable across brands from all kinds of categories, indicating the exclusion of product-category country association in this field. Additionally, it is proved that the Country of Origin effects and the customer-based brand equity share a bi-directional relationship, where mutual influences are detected to constantly shape and form consumers' perceptions. Quality resulted to be the major factor that sabotage the brand image while brand image, on the other hand, is treated as an indicator of quality standard. Last but not least, factors that are essential to conduct improvements are discussed, and the channels through which the outcome could reach its best are listed.

**Research limitations:** The fact that the main empirical data was collected in the form of consumer questionnaire could possibly generate bias, especially when it is approached by a snowball sampling method. Further, due to time and budget limit, interviews with experts in the field were not realized. Professional insights are, thus, missing. As solutions provided in this study were solely based on consumers' opinion without taking into account of experts' suggestions, strategies stated here could be rather one-sided. Implications provided may not be suitable for all Chinese brands cross industries of all kinds and resources needed to realize the strategies may vary among different companies.

**Practical implications:** Implications of this study is presented according to the results provided by factor analysis. Strategies concerning effectively counter negative Country of Origin effects are categorized into: product-related attributes, external association and brand differentiation while the marketing channels are discussed in terms of word of mouth and mass media.

**Keywords:** Country of Origin, Customer-based brand equity, branding, Chinese brands

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## 1 INTRODUCTION

*“He who owns the brands owns the wealth”*

*(Cass Creative Report, 2004)*

*“China is always going to be an important element of the global advertisement business...but we have been struck with the reverse potential: we do not see any reason why Chinese brands cannot have the same impact in the US, as US brands have had in China”*

*(Xinhua, 2004)*

China, as the biggest emerging economy, is seen as the world’s factory. This world’s factory manufactures cheap and low quality consumer goods for brands of well-known global companies and well-known foreign retailers. According to Barboza (2006), China is now the world’s number one producer in 172 categories of different consumer and industrial products. Yet, as the world’s second largest economy, when talking about successful Chinese brands in the global market, very few Chinese brands could be recognized worldwide.

Branding awareness was not a well-recognized concept among Chinese companies dates back to the establishment of People’s Republic. Enforcement of Russian-style centrally planned economy and the following Culture Revolution severely restricted the development of branding by stating advertising as evil and deceptive. Advertising was consequently disappeared till the 1978 when the reform and open door policy started. Nevertheless, compared to its neighboring country, such as Japan, China has already fallen behind in many categories.

From a historical perspective, Fan (2005) identified three periods in the development of branding in China after 1978, which was seen as three major phases of country’s



transformation to a market economy from the planned economy. During 80's, the economy mainly focused on eliminating shortages resulted from centrally planned economy and branding was not perceived as a determinant by most of the companies. Consumers, at the time, chose products mainly based on functionality, not brand. In the 90's, as the open policy going further, more foreign brands started invading the Chinese market and market supply started to exceed demand, which consequently caused the selling and advertising along with price competition. With no prior experiences, strategies of Chinese brands were primarily focusing on corporate identity with little attention to product value. This directly led to predicaments that few Chinese companies were able to survive in the increasingly competitive market. Yet, with buyers started to recognize brand names and brand loyalty started to conduct its natural outcome, last decade of the 20's witnessed dramatic growth in the advertising business, with average annual growth rates of around 40 percent. This could be reflected on total advertising revenue that increased more than 28 times to 72.2 billion RMB (US\$ 9 billion) between 1990 and 2000, taking China into the top ten largest markets for advertising services. However, in a big market as China, foreign brands still stay dominant across most of the industries. In electronics industry, most of the Chinese companies do not possess brands, but rather prefer to be original equipment manufacturers (OEMs) for global brands. In the automotive industry, amid competitive turbulence in the field, leading positions of German and Japanese brands have barely been challenged by local Chinese brands. Those extended time of closed economy has resulted in deficient branding expertise in most of the Chinese companies, and consequently inflicts damages on their brand competitiveness.

Facing the increasingly competitive domestic market and realizing the development of domestic brands is essential for the nation's continuous economic growth, the Chinese government announced the "go global" strategy, by which it tried to encourage the nation's most promising enterprises to go abroad and establish their own brands.

## 1.1 Chinese cars going global

*“Here come Chinese cars, look out Detroit”*

*(Bloomberg Businessweek, 2005)*

In November 2009, Ministry of Commerce of the People’s Republic of China (MOFCOM), National Development and Reform Commission (NDRC) of China and other six ministries jointly issued a paper called "Opinions on the promotion of sustained and healthy development of China's auto exports", in which point 7 explicitly stated governments’ intention on pushing Chinese cars to the international market. This signifies that Chinese government is putting its heft behind the export push, encouraging and supporting domestic car brands to develop their own brands overseas. The paper was seen as an important announcement to the world that China is gearing up to be a big auto exporter as well as being committed to take over the international market with its own automotive brands. With techniques continued to mature and the experiences continued to accumulate through foreign cooperation, and now with government’s push and support, Chinese top automotive brands, such as Chery and Geely, going out and reaching the international market is no longer impossibility.

Chery, a Chinese state-owned automobile manufacturer founded in 1997, made its first export to Syria in 2001 and started its international departure ever since. So far, Chery is the top exporter among Chinese automakers, a title it held since 2003. As of this year, the company has already established dealership in some countries throughout Europe after penetration in the South American market. The company’s major objective is to establish a comprehensive distribution network all over the Europe by 2015. Geely, another major Chinese automobile manufacturer who just started its automobile business in 2001, has already been exploring international market since 2003. The company’s sales have been continuously growing in Europe and America since 2007. In 2010, Geely successfully acquired Swedish luxury brand Volvo with a total payment of \$ 1.8 billion. For the record,

it is the largest overseas acquisition by Chinese automaker and a significant step to help Geely's going global ambition. By 2015, the company is expected to produce a total amount of 200 million cars, half of which will be sold in the international market (China Daily, 2009).

While most of the Chinese car brands have ambitiously started their international departure and being aggressive on buying out foreign companies, it is necessary to observe from another perspective and ask questions – is the international market ready for Chinese cars? What do consumers know about Chinese car brands and how do they perceive another round of product invasion from China?

In order to answer those questions, this study is designed to explore consumers' perception towards the phenomenon of Chinese cars going global as well as to observe effects of brands' Chinese identity on their customer-based brand equity (CBBE) in the international market.

## 1.2 Objectives

This study provides several contributions that improve understanding of how international consumers think about Chinese cars going global in terms of CBBE as well as to receive knowledge on how Country of Origin (COO) affects brand equity and what are the strategies to counter negative effects caused by brands' COO images amid “Chinese cars going global” phenomenon.

In the interest of comprehensiveness of this study, three different aspects need to be considered. First, status quo of Chinese brands as a whole and China as a COO image are investigated so as to receive knowledge of Chinese brands' existing CBBE in the market. Next, the study takes a further step to explore the role of COO on Chinese automobile brands in particular, thereby providing insights into conditions of how consumers perceive

Chinese automobile industry and whether effects of COO has transferred onto the Chinese automobile brands. Last but not least, given the status quo of Chinese automobile brands and from the stand of international consumers, knowledge on improving the CBBE of Chinese automobile brands is presented.

Thus, on the basis of above three aspects, research questions were formulated. Concerning the research method for this study, information obtained through these questions is considered as consumer-based so that the practicability of this study can be reached.

1. Existing customer-based brand equity of Chinese brands in the international market:
  - a. How are international consumers aware of Chinese brands?
  - b. What are the images of Chinese brands in the minds of international consumers?
  - c. Does “China” label positively or negatively influence the Chinese brands in the International market?
2. Country-Of-Origin effects on Chinese car brands
  - a. How important is brands’ country-or-origin to car purchases?
  - b. How do international consumers think of Chinese car industry in general?
  - c. Prospects on Chinese cars’ international sales.
3. Improving customer-based brand equity for Chinese car brands
  - a. How do international consumers think of the acquisition between Geely and Volvo?
  - b. What aspects should Chinese car brands improve the most in order to obtain strong customer-based brand equity?
  - c. What communication channels are the most preferred by consumers for success of branding effort?

Last but not least, from the managerial perspective, this study provides a framework that captures the linkage between CBBE and the effects of brands’ country of origin images as

well as provides guidelines for Chinese automobile brands to effectively improve brands' equity.

### 1.3 Structure of the study

In this section, structure of the study will be introduced as well as content of each section will be briefly stated.

Chapter 1 introduces the background of why Chinese companies have been left behind in the field of branding and why the Chinese government is urged to create globally recognized brands in order to keep the growth of economy and create sustainability. Discussion on the phenomenon of Chinese cars going global follows to further introduce the objective of this study, according to which research questions are then listed at the end.

Chapter 2 outlines theories of CBBE and COO effects on brands' equity, both of which carry significant importance to brands' cross boarder performance. Besides, theories purported to different "brand popularity" and "Country of origin" effect combinations are presented in an attempt to explore strategies for Chinese automobile brands. A framework will be placed at the end of this chapter as an illustration of relationship among all the theoretical constructs as well as a theoretical foundation of this study.

Chapter 3 presents the design of survey questionnaire and the process of data collection. Data analysis will then follow to describe methods employed for interpreting the data. Reliability and validity of the research method are presented at the end of this chapter to justify the trustworthiness of this study.

Chapter 4 discloses the empirical findings of the study, which are analyzed and interpreted in accordance with the theories outlined in Chapter 2.

Chapter 5 compares the theoretical framework with empirical findings, based on which a revised framework will be proposed and justified. Managerial implications as important guidelines for the brands are exclusively discussed afterwards. Limitations of the study and conclusion then follow at last as closure of the study.

## 2 LITERATURE REVIEW

Literature review is dedicated to present the existing knowledge on CBBE and COO as an effect. In the following sections, leading theories on conceptualization of CBBE and the establishment of it will be presented. It is then followed by descriptions about the effects that COO provokes on CBBE. Existing strategies that counter the negative effects of COO are highlighted at the end in an attempt to provide practical insights for the study.

### 2.1 Brand equity in a nutshell

Brand equity has been an issue of importance in recent years. In a study done by Aaker (1992, p. 56) who asked 250 business managers what is the biggest asset that gives firm a sustainable competitive advantage, brand equity was given as an answer by most of the managers. Being supported by statistics, Forgacs (2006) indicated the brand penetration in the ratio of branded vs. non-branded properties is more than 70% in the US and around 40% in Canada regarding commercial lodging industry. Although in Europe it is under 25%, the ratio is growing at an accelerated rate (Frogacs, 2006).

Yoo and Donthu (2001) defined the brand equity as the difference in consumer choice between the focal branded product and an unbranded product. Atilgan et al (2009, p. 115) refined the definition by explaining the “difference” as “the utility difference in terms of a positive marketing outcome, which is created by a branded product compared to that of the generic version of the same product.” According to Keller (2008, p. 44), the utility

difference or a positive marketing outcome both refer to the “added value” that is placed on a branded product derived from past marketing efforts.

In marketing literature, brand equity is viewed mainly from two perspectives: customer-based perspective and firm-based perspective (Atilgan et al, 2009, p. 115). On account of the scope of this study, literature review will be dedicated only to the study of CBBE

## 2.2 Customer-based brand equity

Keller and Lehmann (2001) stated that CBBE concentrates on the perspective that represents customer mind-set. Theoretical understandings towards CBBE vary among literatures. Yet, two conceptual models presented respectively by Aaker (1991) and Keller (1993) are perceived as prominent and valuable insights provided into the body of CBBE (Atilgan et al., 2009, p. 117).

Aaker (1991, p. 15) defined brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or detract from the value provided by a product or service to a firm and/or to that firm’s customers.” This definition is subsequently illustrated by a model (Figure 1) consists of four dimensions that are perceived quality, brand awareness, brand associations and brand loyalty (Aaker, 1996, p. 103). All the dimensions are designed and measured in relation to consumer perceptions and in the pursuit of increasing brands’ value (Atilgan et al, 2009, p. 118, Aaker, 1992, p. 56).

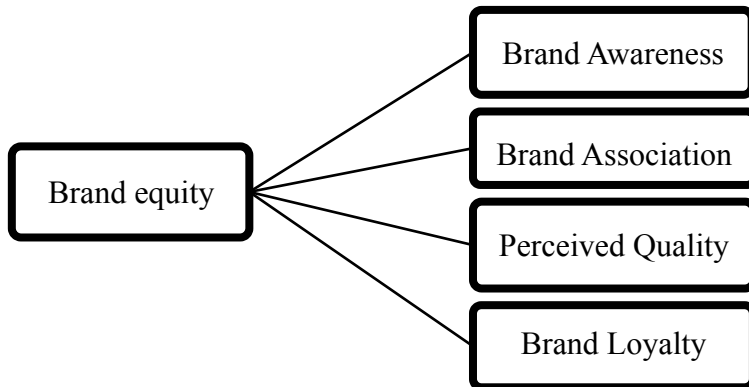


Figure 1: Brand Equity Model (Aaker, 1991)

Another well-known theory on CBBE is raised by Keller (1993, p. 2), who defines CBBE as “the differential effect of brand knowledge has on consumer response to the marketing of that brand.” CBBE model developed by Keller (1993, p. 46) is treated as the key to create brand equity. Compared to Aaker’s (1991) conceptualization (Figure 1) of brand equity, Keller’s (1993) understanding underlines the effects of brand knowledge by emphasizing that “the power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time” (Keller, 2001, p. 3) Accordingly, Keller (1993) developed another brand equity model (Figure 2) by stating brand knowledge as the base of creating brand equity and categorized brand knowledge into two dimensions: brand awareness and brand image (Keller, 2008, p. 48).

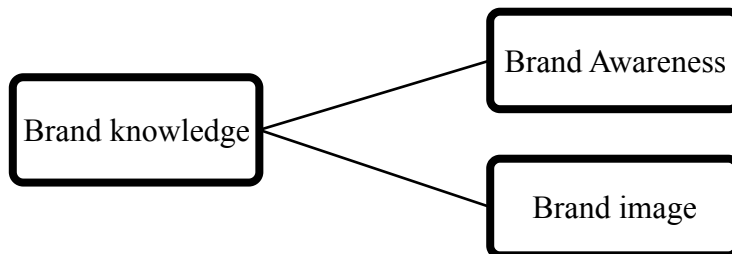


Figure 2: Brand Equity Model (Keller, 1993)



Regardless of these seemingly different dimensions incorporated in the two models, Atilgan et al (2009, p. 117) implicated that both CBBE models of Aaker (1991) and Keller (1993) are strictly intersecting. As in Aaker (1993)'s model perceived quality and brand association are treated as two dimensions, Keller (1993, p. 3) associated brand image with brand associations by defining the previous as "perceptions about a brand as reflected by the brand associations held in consumer memory (p. 3)." Therefore, the underlying association between brand image and brand association represents the same brand knowledge in terms of CBBE. What Keller (1993) really left out from Aaker (1991)'s model in defining CBBE is the brand loyalty dimension.

By drawing upon the intersection of the two mentioned models and in order to complement both models, a proposed CBBE model (Figure 3) is shown below as the key foundation of understanding consumer perceptions towards a brand. Each dimension in this proposed model will be stated and discussed next.

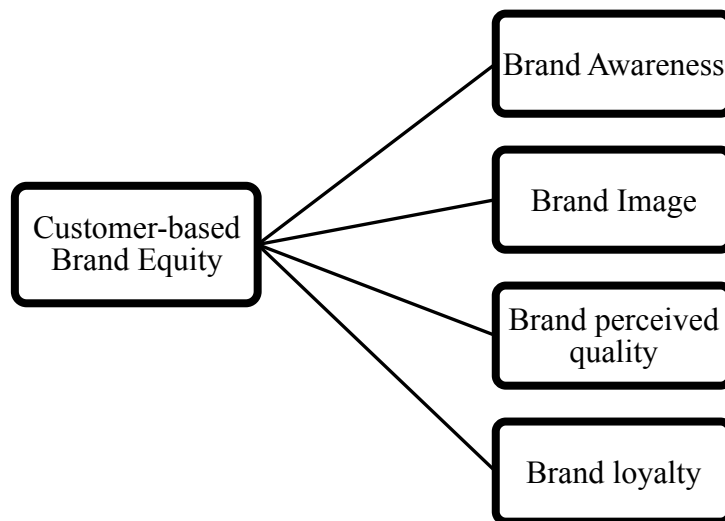


Figure 3: Proposed customer-based brand equity

### 2.2.1 Brand awareness

As one of the two dimensions of Keller (1993)'s CBBE model, brand awareness is of importance to consumers' decision-making. In literature, brand awareness is stated as carrying strategic significances, which contribute greatly to the determination of consumers' purchasing decisions.

In regard of low involvement decision settings, brand awareness could become a prevalent choice tactic to make a brand prominent (Bettman & Park, 1998; Hoyer & Brown, 1990; Park & Lessig, 1981), especially when consumers do not know anything about the brands in category or just simply do not care about the product or service (Keller, 2001). Moreover, high brand awareness can distinguish a brand from consumers' consideration set so the likelihood of that specific brand being considered for purchase will be increased (Baker et al. 1986; Nedungadi 1990). Hoyer and Brown (1990) further strengthened the importance of brand awareness by stating that consumers, who once are aware of the brand in a choice set, tend to choose the known brand even when other brands with better quality are presented. In practice, Aaker (1991) proved this statement by an experiment. Aaker (1992) and his colleagues placed three jars of peanut butter in front of some subjects. Result showed that 73% subjects chose the branded peanut butter over the other two, even the quality of the branded one is much lower. Supported by both theories and real-life experiment, brand awareness is demonstrated to be an essential contributor to consumer purchase decisions. It ought to be emphasized by marketers.

Keller (1993, p. 3) stated that brand awareness is "related to the likelihood that a brand name will come to mind and the ease with which it does so". It is triggered by the brand node or trace in memory, which will be reflected by consumers' ability to identify the brand amid different circumstances (Keller, 1998, p. 49). Hoyer and Brown (1990) considered brand awareness denotes a state of knowledge about a specific brand possessed by the consumers and represents the lowest end of a continuum of the brand knowledge. Last but

not least, Holden (1993) probed the importance of brand awareness in brand choice and indicates, with the support of his qualitative research, that brand awareness appears to be operating as a cue to brand retrieval.

Aside from various definitions, studies of brand awareness were mainly realized in regard of its effects on brand choice. In the 60s, Bird & Ehrenberg (1966) already studied the effect of brand awareness on consumer purchase behavior. In the 90's, Percy & Rossiter (1992) and Keller (1993) proposed that effects of brand awareness could be realized through two components: brand recognition and brand recall. Brand recognition is built through familiarity of brands' repeated exposure. It reflects the ability of consumers to confirm prior exposure to the brand (Keller, 1998, p. 49). In other words, brand recognition will assist consumers on distinguishing one brand as having been seen or heard previously (Keller, 1993, p. 3). Brand recall, on the other hand, occurs through strong associations with the product category or other relevant consumption cues. It reflects the ability of consumers to retrieve the brand when given the product category (Keller, 2008, p. 49)

By examining the relations between brand awareness and brand recognition, Percy & Rossiter (1992) indicated that brand recognition is based on existing brand awareness, meaning that brands are already presented to the consumers and their correspondent brand awareness do exist in consumers' minds. Here, brand recognition drives category need in the condition of brand awareness as an important premise that enables brand recognition to function. This statement is consistent with Hoyer & Brown's (1990) claim, which indicates brand recognition as a cognitive process resulting from brand awareness. Brand recall, on the other hand, requires a preliminary experience on a category need first (Percy & Rossiter, 1992, p. 265). This category need then acts as a primary drive that enables consumers to recall a brand or several brands within this category in order to generate purchase decisions. With all that said, it is critical to understand here that brand recognition and brand recall are two separate types of brand awareness that they are determined by

whether or not recognition of the brand drives category need or whether category need drives brand awareness (Percy & Rossiter, 1992, p. 265).

## 2.2.2 Brand image: association and belief

As another component of brand knowledge, brand image is thought to consist of brand associations attached to a brand. Keller understands brand image as “the consumers’ perceptions of a brand, which stem from the brand association in consumers’ memory (Keller, 2008, p. 49).” Brand associations are considered as “anything linked in memory to a brand” (Aaker, 1991, p. 109), such as product attributes (Yoo et al., 2000), brand name (Zinkhan & Prenshaw, 1994) and price (Aaker, 1996). According to Keller (1993, p. 5), brand associations vary based on their favorability, strength and uniqueness. Keller believed that favorable, strong and unique brand associations in consumers’ memory will trigger CBBE, leading to different consumer responses towards brands (2008, p. 50). Attributes, benefits and attitudes were determined as the three major categories of brand association. Attributes are decomposed into product-related and non-product-related (Myers & Shocker, 1981; Keller, 2008, p. 93).

Product-related attributes refer to the essential physical compositions that are necessary for performing product function valued by the consumers. Non-product-related attributes, on the other hand, refer to the external factors of the products or services that influence the purchase or consumption process, but are not physically part of the product (O’cass & Lim, 2001, p. 43; Keller, 2008, p. 93; Olson, 1977). Because product-related attributes are defined in relation to the ingredients embodied in a product, they are visible, easy to identify and easily modified by companies in regard of design and manufacturing (O’cass & Lim, 2001, p. 43). Non-product-related attributes, however, is intangible due to their indirect relationship with product function. Nevertheless, they may affect the purchase or consumption process (Keller, 2008, p. 95). Keller (2008, p. 95) categorized non-product-related attributes into five dimensions (Figure 4): price, user imagery (what type of person

uses the product or service), Usage imagery (where and under what types of situations the product or service is used), brand personality, feelings and experiences.

Benefits are the personal value consumers attach to, or derived from, the attributes of products or services (Keller, 2008. p. 93). Here, attributes ought to fulfill personal needs from perspectives of functional, experiential and symbolic dimensions. Therefore, attributes are of descriptive features, which are indicative of the value involved in the attributes that are appreciated by the consumers (O’Cass & Lim, 2001, p. 43). Attitudes, as the last category of brand awareness, generally depend on specific considerations concerning the attributes and functional benefits of the brand (Keller, 1998, p. 100). Brand attitudes can be formed on the basis of beliefs (Keller, 1998, p. 102). Winchester et al (2006) suggested using customer belief as the main perspective of understanding brand associations, especially when these beliefs derive from information that are developed from customer interactions/experiences with a given brand (Winchester et al, 2006, p. 553), therefore, accounting for the product attributes, perceived benefits, and various summary evaluations of that given brand (Cass & Lim, 2001, p. 42). Winchester et al (2006, p. 553) claimed brand associations would evolve along with the beliefs, which the latter develops into three categories: positive, negative and neutral based on information received (Winchester et al, 2006, p. 553). These three different beliefs then enable consumers to compare the benefits and deficits of different brands and, at the same time, they act as a cue for retrieval during purchase processes or as a part of an overall attitude to certain brand. Given diagnostic information it holds, brand belief is considered as effective on measuring brand knowledge, and therefore, an important part of CBBE (Ailawadi et al, 2003; Winchester & Romaniuk, 2008; Winchester et al, 2008).

Winchester et al (2008, p. 553) explained positive brand belief as the representation of desired qualities entailed by brands, while negative beliefs are those qualities considered undesirable. While consumers do use both positive and negative brand beliefs to direct the purchase process in contrast to positive brand belief, negative belief receive very little

attention in the academic literature (Winchester & Romaniuk, 2008, p. 356; Winchester et al, 2006, p. 554). This implies that the negative brand belief side of CBBE should be distinctively explored in order to understand the role and effects that negative brand beliefs play in the consumer choice process (Winchester & Romaniuk, 2008, p. 356).

Two stages are considered to consist of consumer choice process prior to purchase: constitution of a set of preferred brands (consideration) and determination of one brand from the set (selection) (Howard & Sheth 1969; Nedungadi 1990). Negative belief may contribute at each of these stages in different way. Two models that are commonly used to explain these two stages: non-compensatory model and compensatory model (Lussier & Olshavsky 1979; Moorthy et al. 1997). Non-compensatory model is used when consumers already eliminate brands during the first stage, which is consideration stage, based on negative beliefs about those brands (Kahn & Baron, 1995; Laroche et al. 2003). On the other hand, compensatory model suggests that consumers simultaneously utilize both positive and negative information to evaluate a brand (Kahn & Baron, 1995; Laroche et al, 2003). While these two models imply how different that negative brand belief may influence consumer purchase decision, they also indicate that negative brand belief are mainly a result of past usage of the brand and such negative brand experiences are considered to influence either the consideration or selection stage in the future (Winchester& Romaniuk, 2008, p. 357).

Winchester & Romaniuk (2008) examined the level of negative brand beliefs in conjunction with different usage experiences in the aim of investigating the relationship between usage status and the propensity of having negative brand beliefs. They concluded that those “Never tried”, who have not had any real usage experience with the brand, are less likely to respond to negative attribute if they have not used a brand (Winchester & Romaniuk, 2008, p. 368). Furthermore, to those current users, the act of them behaviorally rejecting a brand may become the cause for more negative belief, and these negative beliefs would become either a prior trigger of defection or a post hoc rationalization (Winchester &

Romaniuk, 2008, p. 369). Aside from those findings above, Wincheste & Romaniuk (2008, p. 369) also clarified that the usage of a brand not only increases the propensity for a response to a positive brand attribute, but also increases the chances that negative brand attribute will receive a response and these responses are likely to even increase after consumers stop using the brand. Last but not least, because those “Never tried” is the group of consumers who have the lowest response level of negative attributes, it is one of the biggest challenges for marketers to break through and generate brand associations (Romanuik & Sharp, 2004). This implies a main barrier that needs to be overcome when marketing to non-users (Winchester & Romanuik, 2008, p. 370).

### 2.2.3 Brand perceived quality

Of primary importance, perceived quality is cited as one of the four types of summary brand judgments that represent customers’ personal opinion and evaluation with regard to the brand (Keller, 2001, p. 13-14). Perceived quality is thought to be different from real quality of a brand because the unpleasant experience with a brand’s product prior will affect consumers’ judgments on the brand’s quality in the future (Hsin et al. 2009, p. 136; Aaker 1996). Perceived quality is a relative concept that possesses situational, comparative, and individual attributes. It will be affected by factors such as previous experience, education level, and perceived risk and situational variables, which include purchase purpose, purchase situation, time pressure, and social background from consumers (Holbrook & Corfman, 1985).

Garvin (1983) proposes that perceived quality is defined on the basis of users’ recognition and it is influenced by intrinsic and extrinsic cues, which are the evaluation basis for consumers (Olshavsky, 1985; Zeithaml, 1988). According to Olson and Jacoby (1972), extrinsic cues are understood as the factors that are product-related, yet, are apart from the physical product. Intrinsic cues, contrarily, are understood as product attributes, which cannot be changed or manipulated without change of the products’ physical characteristics.

Consumers' evaluation towards a brand with respect to its quality is often compounded by complexity amid purchasing situation (Pecotich & Rosenthal, 2001, p. 37). Studies on the relationship between product physical or intrinsic cues and customers' brand or product evaluation have cultivated mixed results (Pecotich & Rosenthal, 2001, p. 37). There are a few studies showed that physical quality or intrinsic cues had little effects on customers' perceptions of quality in multi-cue situation (Allison & Uhl 1964, Jacoby et al. 1971). However, latter studies by Szybillo and Jacoby (1974) Wheatley et al. (1981) indicated that intrinsic cues have profound positive effects on consumer perceived quality. Further, Olson (1977) hypothesized that intrinsic cues are more influential and more important than extrinsic cues. A number of articles (Szybillo & Jacoby, 1974; Rigaux-Bricmont, 1982; Hatch & Roberts, 1985; Fiore & Damhorst, 1992) supported this statement by claiming that intrinsic cues involve higher predictive value and are better influencers in evaluating quality than extrinsic cues across different product categories. Moreover, intrinsic cues are thought to be more importance until they cannot be sufficiently predictive or when consumers do not have the ability to evaluate and assess those cues (Agrawal and Kamakura, 1999; Bredahl, 2003; Srinivasan et al., 2004).

Nevertheless, Zeithmal (1988) suggested that, in the absence of adequate information about intrinsic product attributes, consumers tend to depend on extrinsic cues more. Four major extrinsic cues, which are price, name, retailer reputation and level of advertising, are considered to be frequently associated with perceived quality in research, especially the role of price in quality inference has been supported in numerous studies (Olson, 1977; Rao and Monroe, 1988; Zeithaml, 1988; Dodds et al., 1991). In a very recent article, Olsen et al (2001) have suggested that intrinsic cues are mainly responsible for developing consumers' perception about variation in quality while extrinsic cues are playing minor roles.

In addition to the intrinsic and extrinsic cues of a product, other dimensions of quality exist. Both Gavin (1987) and Bucks and Zeithaml (1991) proposed two conceptualizations of perceived quality. Gavin (1987) suggested eight dimensions that conceptualize brands'



perceived quality and performance, durability, serviceability, functionality, prestige, conformance, reliability and aesthetics. Among all these eight quality dimensions, companies could choose on which they intend to compete on (Gavin, 1987). Brucks and Zeithaml (1991) endeavored an exploratory research on perceived quality and the result did show a few inconsistencies compared to Gavin's findings. On the basis of the research, Brucks and Zeithaml (1991) argued that Gavin's "conformance" dimension does not belong with the others since it is prone to be managerially dictated, rather than a consumer perception. Moreover, Gavin may underestimate difficulties to discriminate between reliability and durability dimensions of quality. Last but not least, the "aesthetics" dimension raised by Gavin (1987) ought to be included in the prestige dimension (Brucks & Zeithaml, 1991). Despite all those differences found, it is recognized, however, that empirical studies have led to mixed results and that more research in this direction is required (Thakor & Katsanis, 1997, p. 84).

#### 2.2.4 Brand loyalty

Chi et al (2009) claimed that brand loyalty is the ultimate objective of brand management, and it can be used to test companies' loyalty by checking whether consumers still favor its product in contrast to competitors. Among all the dimensions listed by Aaker (1991) for conceptualizing CBBE, brand loyalty has been seen as the core (Moisescu 2006, p. 1128). Aaker (1991) emphasizes that a loyal customer base is a barrier to entry, a pre-condition for a price premium, time to respond to competitors, and a bulwark against deleterious price completion. Travis (2000) supports the claim by pointing out that brand loyalty is "the ultimate objective and meaning of brand equity", adding that "brand loyalty is brand equity". Assael (1998) defined brand loyalty is that consumers satisfy their past experiences in use of the same brand and incur repurchase behavior. Deighton et al. (1994) and Oliver (1999) concluded that brand loyalty represents consumer attitudes on a brand preference based upon previous use and shopping experience of a product, which can lead to a

repurchase commitment in the future purchase that will not be changed due to the change of situations.

Brand loyalty is perceived from the term of behavior and attitude. Behavior loyalty normally is realized through repurchase behavior while loyal attitudes express psychological commitment to a brand (Aaker, 1991; Assael, 1998; Oliver, 1999). This is to say that pure purchase frequency cannot be counted as loyalty (Tseng et al., 2004). Instead, a true brand loyalty can be called when both behavior and attitude loyalty occur (Baldinger & Rubinson, 1996). Additionally, Jones & Sasser, (1995) claimed that brand loyalty can also be distinguished despite short-term loyalty and long-term loyalty whilst short-term loyalty is considered a unreal brand loyalty as a long term customer will not switch other brands in disregard of availabilities of better brands.

The other three descriptive dimensions of brand equity, perceived quality, brand associations and awareness, are thought to be the foundation for loyalty enhancement taking into account of their influences on customer satisfaction. Nonetheless, brand loyalty can also provoke higher perceived quality, stronger associations and increase awareness (Moisescu, 2006, p. 1128). Therefore, it is concluded that brand loyalty plays both roles as an input and an output of brand equity and it is both affected and affects the other dimensions of brand equity. It is worth nothing, however, that brand loyalty is strongly experience based while the other three dimensions may be present or in the case of a brand that has not been even used yet (Moisescu, 2006, p. 1129).

### 2.3 Building customer-based brand equity

Known as the important asset of many companies, a strong brand with significant equity is thought to provide possible sources of benefits to a company (Keller, 2001, p. 3). To marketers, the biggest challenge for building up a strong brand is to ensure that target customers have the right type of experiences with products / services and their

accompanying marketing programs so the intended thoughts, feelings, images, beliefs, perceptions, opinions, become linked to the brand (Keller, 2001, p. 3).

### 2.3.1 Establish brand-building blocks

In order to assist companies to successfully establish CBBE model, Keller (2001, p. 5) stated four steps needed to be accomplished while each of which is contingent upon the successful completion of the previous step (Figure 4).

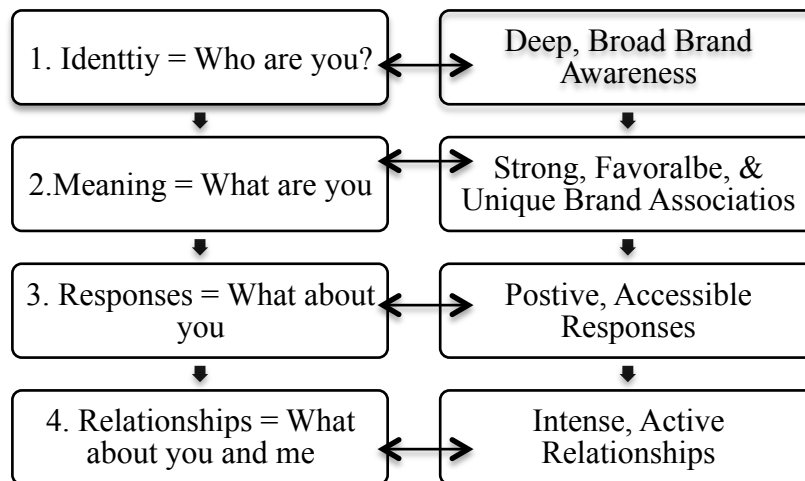


Figure 4: A sequence of steps for building up the CBBE model (Keller, 2001, p. 5)

Consumers' knowledge of products' category is considered as important factor that complement brand awareness (Keller, 2001, p. 8). Companies need to ensure that customers know which of their needs could be fulfilled through purchasing these brands, concerning many brands are usually forgotten or ignored during possible usage situation, increasing brand salience can effectively drive consumption of the brand and enhance its sales volume (Keller, 2001, p. 8-9).

Brand meaning, on the other hand, is thought to be brand image relevant and can be distinguished in terms of functional, performance-related considerations versus abstract,

imagery-related considerations. Differently speaking, brand meaning is made up of two major categories of brand associations, which are performance and imagery (Keller, 2001, p. 9).

The third step is in relation with the brand response. According to Keller (2001, p. 13), brand responses are the indicators of what customers think of or feel about the brand and any brand related activities, and usually consists of brand judgment and brand feelings. Brand judgment represents customers' opinion and evaluation with regard to the brand, which emerge from the brand performance and its imagery associations. In order to create positive brand judgment, four aspects, categorized into brand quality, brand credibility, brand consideration and brand superiority, are particularly important (Keller, 2001, p. 13). Brand feelings, on the other hand, focuses on customers' emotional aspects with respect to the brand and it can be categorized into six important types: warmth, fun, excitement, security, social approval and self-respect (Keller, 2001, p. 14).

As the final step of building blocks, brand relationship represents the ultimate relationship and level of identification that the customers have with the brand. Brand relationship can be perceived in terms of brand resonance, which indicates the nature of the relationship that customers have with the brand and the extent to which they feel they are "in synch" with the brand (Keller, 2001, p. 15).

With four steps for establishing branding blocks being discussed above, Keller (2011, p. 7) created a CBBE pyramid to further illustrate the process (Figure 5).

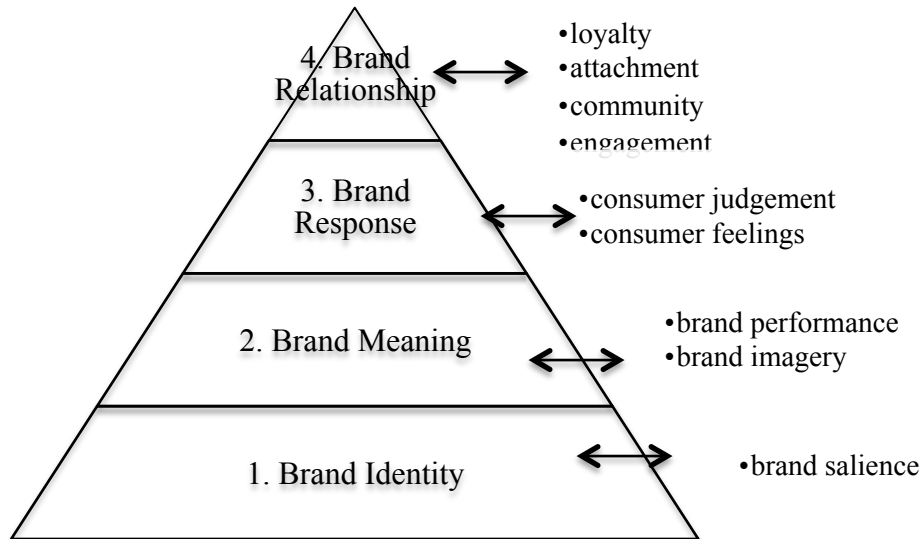


Figure 5: Customer-Based Brand Equity Pyramid (Keller, 2001, p. 7)

The significance of the CBBE model is the guidance it provides for brand building. Further, it can be seen as a yardstick by which brands can assess the effectiveness of their brand building efforts as well as a guide for marketing research initiatives. Last but not least, a critical application of the CBBE model should lie in planning, implementing and interpreting brand strategies (Keller, 2001, p. 19).

#### 2.4 Country of origin (COO) as an effect on branding

Globalization and increased international business activity have caused the emergence of global market, where brands from one country are available to consumers in other countries (Hsieh, 2001). Many studies have marked the significance of COO effects on branding outcomes by stating that both brands and COO are important determinants of consumers' perceptions of quality and favorability (Chu et al., 2008; Lots & Hu, 2001; Tse & Lee, 1993; Pappu et al., 2006; Kim, 1995). For products of both strong brands and weak brands, COO is thought to play an equally essential role in influencing consumers' product/brand evaluation (Chu et al., 2008, p. 1067). Regardless of reputation of the brands, managers ought to take COO into account when designing global sourcing and marketing strategies

(Chu et al., 2008, p. 1068). Especially when the brands with negative COO image, it becomes imperative for marketing managers to design adequate marketing programs to alleviate the negative impact of unfavorable COO (Chu et al., 2008, p. 1068).

Bilkey and Nes (1982) concluded that the evaluation of products is influenced by country stereotyping, which is, the image that consumers hold about a certain country will influence their perception of brands from that country. While firms are introducing brands to other countries, it is important for them to understand the relationships between consumers' country images and consumer based brand equity (Pappu et al., 2006, p. 727). Except for the fact that firms from developed countries have been increasingly shifted their production to other developing countries for the benefits of cheaper costs (Haubl, 1996), brands originated from developing countries have gradually started its international departure since recent decades. Given the stereotype as conventional manufacturers, understanding the effects of COO on the customer based brand equity is exclusively essential to those brands with unfavorably perceived COO (Pappu et al., 2006, p. 727).

#### 2.4.1 COO effects on the dimensions of CBBE

Brand equity is seen as a key indicator of consumers' perceptions about a brand (Keller, 2008, p. 49). COO, in this study, refers to "the country where brand is perceived to belong and where the brands products are made by its target consumers" (Takhor, 1996). COO is considered another important variable influencing consumer perception of brands (Hulland, 1999). Both Aker (1991) and Keller (1993) claimed that COO could emerge as the second brand association that affects a brand' equity. By examining the relationship between COO of a brand and its CBBE, market practitioners would be able to understand the way of protecting and enhancing the core essence of the brand (Pappu et al, 2006, p. 697) with a better comprehension on two important issues, which are "quantification of a brand equity" and "identification of elements that could change consumer behavior and cause changes in brand equity" (Biel, 1993, p. 77).

Srikatanyao and Gnoth (2002) claimed that “consumers are known to develop stereotypical beliefs about products from particular countries and the attributes of those products.” and therefore, the COO represents the home country for a company or the country that consumers infer from brand name (Han & Terpstra, 1988). The COO effects are thought to be an extrinsic cue (Thorelli et al., 1989) that brings out associations, influencing consumers’ perceptions and leading consumers to cognitive elaboration (Hong & Wyer, 1989). These COO associations in consumers’ mind could therefore influence dimensions of CBBE based upon a specific country level. For example, consumers may think of France and Spain differently in terms of the degrees of reliability and durability (Pappu et al, 2006, p. 699).

With the presence of country specific association in consumers’ minds, the COO effects could be of essence to either nurture a brand name (Shocker et al, 1994, p. 150) or tarnish it (Thakor & Katsanis, 1997). As consumers’ perceptions toward Japanese brands have improved significantly over the years (Kamis & Nagashima, 1995), brand names, such as Sony or Toyota, certainly remind consumers of its Japanese originality (Pappu, 2006, p. 699). Conversely, if the COO of a brand was to change from consumers’ favored country to a consumers’ less favored country, the brand’s name and its corresponding brand’s equity could be eroded (Pappu, 2006, p. 699). However, Pappu (2006, p. 698) emphasized that the COO and its effects on certain brands’ names should be measured within a given product category as consumers have so called Product category-country associations.

#### *Product Category-Country Associations*

Product category-country associations refer to consumers’ ability to evoke a country when the product category is mentioned (Pappu, 2006, p. 698). Here, product category-country associations can be bi-directional (Farquhar and Herr, 1993). This is to say, consumers could recall a particular product category when think of certain brands and they may also recall certain brands when think of a product category (Pappu et al, 2006, p. 698).

Similarly, consumers are also known to associate countries with certain product categories and vice versa (Terpstra & Sarathy, 2000). Pappu et al (2006, p. 708) argued that consumers hold significantly different perceptions towards countries in terms of product category-country associations. To be more specific, CBBE of certain brands made in a country with stronger product category-country associations is higher than that of the same brand but made in a country with weaker product category-country associations (Pappu et al, 2006, p. 708). Moreover, consumers' product category-country associations are considered as moderation for the effect of the COO on CBBE dimensions indicated by Figure 5. It illustrates the relationship between COO and CBBE could be extended to a more micro-related level (Pappu et al, 2006, p. 700), given four dimensions of CBBE by Keller (1993) and Aaker (1992) which are brand awareness, brand image, brand loyalty and perceived quality. Further research showed that each of the CBBE dimensions contributes differently to the COO - CBBE relationship based on product category, indicating that observation and research on COO effect ought to be product category specific (Pappu et al, 2007, p. 7)

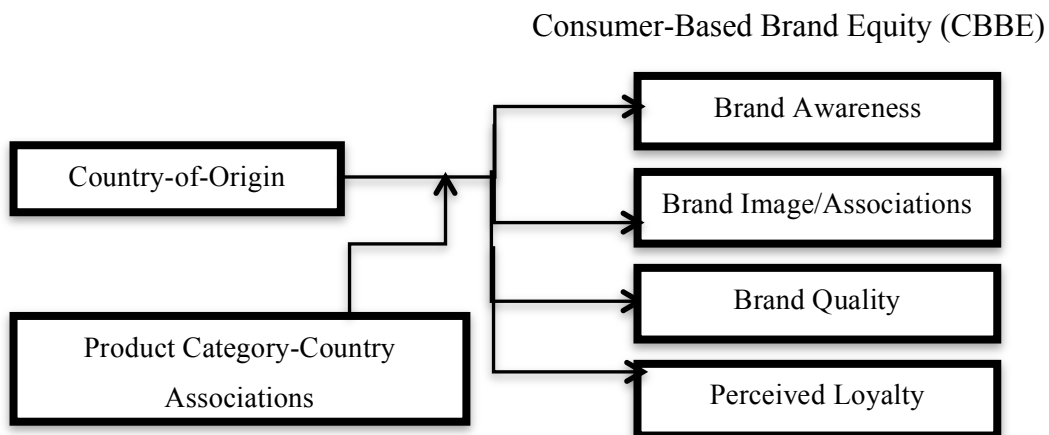


Figure 6: A model of country-of-origin effects on Consumer-based brand equity (Pappu et al, 2006, p. 700)



#### 2.4.1.1 COO and brand awareness

Pappu et al (2006, p. 701) did not address substantively about the impacts of COO on consumers' brand awareness due to technical difficulties. It is claimed that consumers are possible to address a brand's home country without the availabilities of the COO information (Pappu et al, 2006. p. 701). Keller (1998, p. 277) stated that many countries have successfully managed to create expertise in certain product categories, which lead to a so called "culture bazaar" where consumers are aware of and can choose those brands whose COO possesses expertise within particular product category. Yasin et al (2007) determined that relationship exists between country image and brand awareness and country image is found to have a significant effect on the brand awareness. They further pointed that countries with good image are often familiar to the consumers and often perceived as producers of quality brands (Yasin et al, 2007). In order to fully take advantage of the COO to build up brand awareness, the country name can actually appear together or be embedded in the brand name, such as Irish Spring soap or Bailey's Irish Cream, and the country name can even dominate the brand advertising (Keller, 1998, 277). Therefore, under the effects of COO, a number of brands are able to differentiate itself from the others in the same category during consumers' brand recall or brand recognition process (Keller, 1998, p. 277).

#### 2.4.1.2 COO and brand image/associations

Brand image refers to the reasoned or emotional perceptions consumers attach to a specific brand and it consists of functional and symbolic beliefs (Dobni & Zinkhan, 1990). Koubaa (2008) stated that image held in consumer mind is manifested by human beliefs, which are derived from experiences related to the brand and serve as basis for judgment in future brand evaluation. Yasin et al (2007) stated that consumers develop their interest and preference for a brand on the basis of their perception of the COO and the available information pertaining to the brand. As such, favorable information about the country then

helps create positive attitude toward the brand, which leads to favorable image of the brand (Yasin, 2007). Previous researches have revealed strong associations between the brand and its COO (Takhor, 1996; O'Shaughnessy & O'Shaughnessy, 2000) and the significant effect of COO information on brand image (Anderson & Chao, 2003; Cervino et al., 2005). As concerns as COO effects, Thakor and Lavack (2003) declared that brand's COO image is one such cue that plays potentially important role in determining a brand's image.

Researches indicated that consumer brand image shifts when the COO of the brands changes (Pappu et al, 2007, p. 729). These researchers have also pointed out that consumers have country-specific brand images (Pappu et al, 2007, p. 729). Being seen as a secondary association of a brand (Aaker, 1991; Keller, 1993), COO is seen as one source to generate brand image. Similarly, Pappu et al (2006, p. 701; 2007, p. 729) emphasized that while consumers' COO associations emerge as secondary associations, they would affect brand image/associations and subsequently brand equity as consumers with knowledge of COO of the brand will possess positive/negative associations towards the image of that brand. Meenghan (1995) viewed product features and the brands' COO image as external factors, also called "umbrella brand-image. Koubaa (2008) described the umbrella brand image as to underline the fact that the brand image perception is under influence of country image perceptions, which is premature to the brand image perception in consumer mind. Scott and Keith (2005) explained that consumers are known to recall the stored information about the brand and the country and then relate the brand name with the COO to form a brand image and infer the product evaluation.

Koubaa (2008) thinks that brand image is multi-dimensional rather than an overall concept and the structure of brand image could be significantly different in relation to brands, brands' COO. This claim is established based on Hsieh and Lindridge (2005), who found that dimensions of a brand image differ across countries of brands' origin. A study by Hsieh in 2002 has proved the multi-dimensional brand image structure by revealing that

those dimensions transfer consumers' sensory, utilitarian, and symbolic and economic needs about a brand. Further, in consideration of the set of those dimensions (the brand image structure), Koubaa (2008) argued that the image structure also differs across brands and across countries and this change is more intense with less reputed brands.

Last but not least, different from Pappu et al (2006, p. 736)'s claim that COO effects are product category specific, Agarwal and Sikri (1996) argued that the image of COO has been found transferrable between product categories. This is to say, consumers' country image beliefs related to a specific product category can be transferred to another new products from the same country. Such transference of beliefs is seen as a sign of consumer loyalty to brands that are from countries with favorable images (Pappu et al, 2007, p. 729).

#### 2.4.1.3 COO and perceived quality

As a key dimension of CBBE (Aaker, 1991), perceived quality is believed to set apart a brand from the others by providing enhanced value. Some researchers view COO image as consumers' general perceptions about the quality of products made in a particular country (Han & Terpastra, 1988; Parameswaran and Yapark, 1987) while some others view it as the "defined beliefs about a country's industrialization and national quality standard" (Srikatanyoo & Gnoth, 2002). Pappu et al (2006, p. 701) argued that the level of perceived quality varies according to the COO of the brand. For example, within the product category of "mobile phones", perceived quality level of a brand that originates from Finland is likely higher than the perceived quality level of a brand that is from Mexico or Hungary. Therefore, it is suggested that consumers are likely to hold favorable perceptions towards the quality of a brand that is from a country with a strong association in a particular product category, compared to the brand that originates from a country with a weaker association in the same product category (Pappu et al, 2006, p. 701). Yasin et al (2007) supported this claim by indicating a positive relationship, which implies consumers see countries with good image as technologically advanced countries and brands that are originate from these

countries are reliable and high quality. Consumers' perception towards COO is often transferred to the brands originate from that country because of carry-over effects. Due to this, consumers feel that brands from countries with good image are more reliable than brands from countries with less favorable image.

Furthermore, in terms of the impact of COO on the four dimensions of CBBE, perceived quality is considered to be the one that is mostly affected (Lim et al, 1994). Similarly, Pappu et al (2006, p. 708) also pointed out that the differences by COO were the largest for perceived quality. For example, with the product category of TV, the magnitude of difference for perceived quality could approximately twice that observed for brand loyalty, and one and half times that observed for brand associations (Pappu et al, 2006, p. 708).

#### 2.4.1.4 COO and brand loyalty

Present researches seem to lack insights into the relationship between COO and brand loyalty (Pappu et al, 2006, p. 701; Pappu et al, 2007, p. 729). Nonetheless, literatures never lack hints of possible link between these two constructs (Pappu et al, 2007, p. 729). Kim (1995) argued that country with a positive country image would cause brand popularity, and consequently led to consumer brand loyalty. It was also suggested and is recently demonstrated (Paswan et al, 2003; Pappu et al, 2006, p. 702) that consumers could develop country loyalty based on the preferences and loyalty over brands originated from that country. This is also consistent with the Ahmed and d'Astous's (1996, p. 199) opinion that consumers may develop loyalty towards certain countries and lead to continuous purchase preferences from that countries. Yet, one important premise of creating country loyalty at this point is that consumers must have experienced and be in favor of the features or benefits offered by the brand from the particular country (Pappu et al, 2006, p. 702). On the other hand, COO image could be used as one determinant during consumers' brand evaluation process while information of that country's products is limited to consumers' knowledge (Erickson et al., 1984). This is to say, consumers' brand loyalty could also be

increased on the basis of familiarity and favorability of the COO image (Pappu et al, 2007, p. 729).

As one of the most widely studied phenomena in the International business, marketing and consumer behavior literature during the past a few years, the brand's effect of COO on consumers' perception, evaluations and intentions has drawn a great deal of attention from the management (Kabadayi & Lerman, 2011, p. 6). With the growing impact of globalization, significance of brands' COO images in influencing consumers' behavior is growing rapidly (Erdener et al, 2000, p. 1). Consumers are increasingly aware of the brands' COO and are known to use COO information as an extrinsic cue to evaluate the value of products (Lin and Sternquist, 1994) and brands (Han and Terpstra, 1988). Many studies have concluded that consumers particularly perceive brands originate from developing countries less dependable and, as a result, less favorable (Cordell, 1992; Wang and Lamb, 1980). Therefore, it is important for companies, especially companies from developing countries, to develop effective branding strategies in order to counteract the damage, such as negative consumer attitudes and perceptions, caused by the negative COO image (Kabadayi & Lerman, 2011, p. 5; Cordell, 1992).

## 2.5 Countering country of origin (COO) effects

As a negative COO image will distort a consumer's product evaluation within a certain product category (Kabadayi & Lerman, 2011, p. 5; Cordell, 1992), it is necessary to come up with strategies to counter the negative sides of the COO image for those affected brands.

Tse and Lee (1993, p.1) argued that the negative effect of COO can be weakened when country image is decomposed. According to their research, the negative effects caused by unfavorable COO image could be lessened by decomposing the origin information into "component origin" and "assembly origin" (Tse & Lee, 1993, p. 43). Tse and Lee (1993, p. 43), however, noted in their study that after certain period of product experiences, a brand

from a less favored COO could even embody higher purchase value than the one originated from a COO with better image. Besides confirming the possibility of removing negative COO effects, above findings contain important significances from a perspective of brand management. First, it suggested that consumers may hold weaker and/or less distinct concepts on component and/or assembly origins when “made in” concept is decomposed. Along with the decomposition, it is also suggested that a strong global brand and product experience were also in favor of removing negative “made-in” images (Tse & Lee, 1993, p. 44). Compared to other product information cues such as pricing, decomposition is considered as more cost efficient to the marketer and more comprehensive in a sense that it avoids other unwanted effects such as lowered quality perception caused by lowering price (Tse & Lee, 1993, p. 44). To the management, it implies that biases and hurdle in branding products originated from less favorable COOs could be overcome cost effectively by decomposing the “made-in” concept, which may even enhance purchase value to create a niche market for their brands especially when consumers are able to attain the opportunities to try the products (Tse & Lee, 1993, p. 44-45).

Further, there are other approaches discovered to dilute negative COO stereotypes in order to promote brands from developing countries or unfavorably –perceived countries. In light of Lots and Hu’s study (2001), changes in negative COO stereotypes could be triggered by promoting “extremely different” or “unique” products (2001, p. 128). Lots & Hu (2001, p. 128) argued that brands associated with unfavorably perceived countries could be benefited from the “unique product” strategy in conjunction with other strategies that either have weak results or require trade-offs. For example, a promotional campaign could be realized in a way that focuses on the uniqueness of the brand originated from a less favored COO along with a decomposition of the “made-in” product cue (Lots & Hu, 2001, p. 129). Further, the study noted that the negative image of COO as a producer of variable quality products is actually easier to be reversed than the image of COO which is believed to produce consistent quality products (Lots & Hu, 2001, p. 129). All the other researches aside, Lots and Hu (2001, p. 130) inferred the possibility that products with brands that

carry negative country image could be in a better position to reverse poor perceptions through producing and promoting unique products than those brands that carry marginally better evaluations. Last but not least, Lots and Hu (2001) presented a very interesting view, indicating important effects of country policies on promoting the brands and products. As most promotional campaigns have been largely generic in nature rather than product specific (Lots & Hu, 2001, p. 130), they suggested that country policy maker ought to implement a program that is aimed at a two-pronged audience, which, for example, could be the companies carrying national brands and their targeted global customers or purchasing agents. Taiwan's "Image Enhancement Program" is one of the cases that confirm the trend as it allows its national brands with superior qualities carry special labels with phrases, such as "It's very well made in Taiwan" (Lots & Hu, 2001, p. 130).

Kim (1995, p. 29) developed a strategic model for global brands in terms of two aspects, which are country image, brand popularity. Kim (1995, p. 30) argued that country image is not controllable by a company's effort. Instead, it is affected by external factors such as country's economic status, technology and so on. On top of the relations between COO image and product categories, Kim noted (1995, p. 30) that COO image is also affected by the major brands originating from the country. A COO image would be improved if its associated brand images or brand qualities were enhanced with small variance (Kim, 1995, p. 30). Although country equity is thought to be difficult to control at a company's corporate level, brand popularity, on the other hand, is manageable through company's corporate level (Kim, 1995, p. 30). In order to not only manage its current brands and brand extensions in other product category but also effectively manage its brand equity in other countries, brand managers ought to focus on managing brand equity in conjunction with the country equity or liability, without which, branding in a global market would be misleading (Kim, 1995, p. 30). Table 1 presents the model designed by Kim (1995, p. 29).

Brand Popularity	Country Image	
	High	Low
High	Double positive brands <ul style="list-style-type: none"> <li>• Maintaining popularity</li> <li>• Premium Pricing</li> <li>• Defensive strategy</li> <li>• Possibility of foreign sourcing from low-cost countries</li> </ul>	Country-deficit brands <ul style="list-style-type: none"> <li>• Maintaining popularity</li> <li>• Competitive pricing</li> <li>• Differentiation with quality</li> <li>• Foreign direct investment in favorable countries</li> </ul>
Low	Popularity-deficit brands <ul style="list-style-type: none"> <li>• Building shares</li> <li>• Creating images consistent with country associations</li> <li>• Offensive strategy</li> <li>• Identifying key success factors</li> </ul>	Double negative brands <ul style="list-style-type: none"> <li>• Building shares</li> <li>• Niche marketing strategy with continuous upgrading</li> <li>• Creating functional images</li> <li>• Foreign direct investment in favorable countries or joint venturing</li> </ul>

Table 1: Brand popularity and country image (Kim, 1995, p. 29)

In light of the model, brands associated with low COO image could be categorized into “Country – deficit brands” and “Double negative brands” (Kim, 1995, p. 29). “Country – deficit brands” here refer to those brands that are popular but carry negative COO image while “Double negative brands” refer to those brands that suffer from both negative COO image and brand popularity (Kim, 1995, p. 31).

Kim (1995, p. 30) suggested that companies hold country-deficit brands should always maintain market shares of these brands and make the task as the first priority. There are four strategies, which are raised to serve the purpose. First, Kim (1995, p. 30) suggested that companies differentiate the brands from the other brands by providing exclusive bundles of products that are not associated with their COO image. Simultaneously, functional quality from the perspectives of product related and service-related quality. Besides, the companies may adjust their sourcing strategies by involving foreign



manufacturers and suppliers from more favorably perceived countries and make their brands competitive in price (Kim, 1995, p. 30).

For those brands, which are not popular in the global market and are carrying negative COO image, Kim (1995, p. 31) noted that the companies should develop a brand management strategy from a global and long - term perspective, which ought to focus on both brand components and COO image. Due to the difficulties of building country image, Kim (1995, p. 31) emphasized that brands of this kind should be more active in establishing brand share and brand reputation in a niche market that is usually ignored by major brands. Yet, it is important that the brands and their products are supported by continuous quality improvement and service quality upgrade (Kim, 1995, p. 31). Last but not least, although it is difficult for those brands which carry negative COO images to reverse the reputation of the country, it is suggested that companies are better off to form joint venture with companies possessing positive country image or get their products / components manufactured in a country with positive equity (Kim, 1995, p. 31).

Aside from those strategies discussed above, Lots and Hu (2001, p. 128) also listed a few tools that assist the marketers with promoting brands from a negatively perceived country, e.g. modifying the country image of the brand, promotional campaigns and moving production facilities to positively perceived locations. There are also a few other literatures on how to alleviate the negative effect of COO (Chu et al, 2008, Fetscherin & Toncar, 2009, Kim, 1995). Chu et al. (2008, p. 1069) suggested that marketers should avoid displaying brands originated from less developed countries with those brands made in more advanced countries to prevent comparison. It is claimed that doing so will help consumers' evaluation on quality and favorability of brands from developing countries (Chu et al., 2008, p. 1070).

## 2.6 Theoretical synthesis and research framework

In this chapter, three major theoretical aspects have been discussed. The major objective of this discussion is to first conceptualize the Customer-Based Brand Equity (CBBE) as an overall context of branding management while taking into consideration of effects of the COO as an additional variable. Strategic knowledge on countering the negative COO image with respect to brands' equity is discussed at the end.

To begin with, concept of brand equity was introduced and emphasis was given to the CBBE model, which is proposed based on both Keller (1993) and Aaker (1996) CBBE theories. Justification is presented in order to rationalize the proposal of the combined model. Keller's theory of building CBBE is then followed with a corresponding CBBE Pyramid.

Seen as an extrinsic cue of a brand, COO effect on CBBE is introduced to bridge the concept of CBBE and COO effects. The relationship between COO image and each dimension of the CBBE model is analyzed with great attention towards the effects of this relation on consumers' purchasing behavior.

Last but not least, knowledge on countering COO effects is discussed, aiming at providing practical insights for brands that are under strong effects of COO and whose brand equity is in need of a lift.

The following Figure 7 devotes to portray the theoretical framework that is built upon the essence of the literature review. It represents the major structure of the theories utilized for the subject of this study.

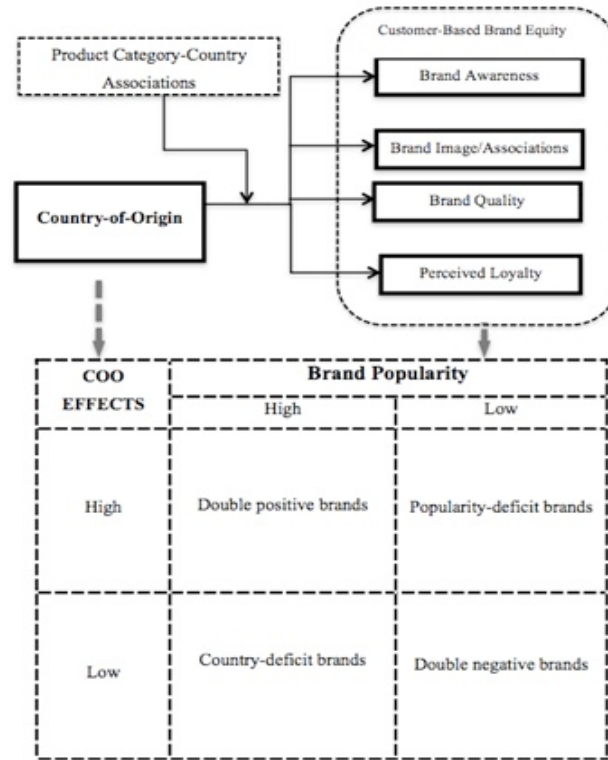


Figure 7: Building Customer-Based Brand Equity under negative impact of Country of Origin Framework

Given the above framework, CBBE should be first examined in terms of brand awareness, brand image, brand quality and brand loyalty in order to determine the overall brand popularity and customer perceptions of the brand. At this point, brand’s COO effects should be evaluated within certain product category so its impacts on the brand can be detected in advance and corresponding strategies can be conducted accordingly.

### 3 RESEARCH METHOD

This chapter outlines the research method applied in this study. Considering the objective of the study, a quantitative research is conducted. Reasons of doing so will then be presented to justify the research strategies. The following sections will describe 1) the

design of the quantitative research 2) the data collection method for quantitative consumer survey 3) the data analysis, and 4) trustworthiness of the study.

### 3.1 Empirical research design: a quantitative approach

Empirical research is applied to answer research questions and the research design is seen as the overall strategy used to conduct an approach that allows for answering the research questions in the best possible way (Ghauri & Gronaug, 2005, p. 26). That is to say, no label is attached to a particular research strategy as long as it enables the researcher to answer particular research questions and meet the objectives (Saunders et al, 2009, p. 141). In order to identify the best possible method for different studies, Yin (2009, p. 8) stated three conditions and relation of each of these conditions with the five major research methods by displaying COSMOS' table (Table 2) as below:

<b>Method</b>	1) Form of research question	2) Requires control of behavioral events	3) Focuses on contemporary events
<b>Experiment</b>	how, why?	yes	yes
<b>Survey</b>	who, what, where, how many, how much?	no	yes
<b>Archival Analysis</b>	who, what, where, how many, how much?	no	yes/no
<b>History</b>	how, why?	no	no
<b>Case study</b>	how, why?	no	yes

Table 2: Relevant Situations for Different Research Methods (COSMOS Corporation in Yin (2009, p. 8)

By cross referencing the table above while taking into account of the research questions of this study, a survey was selected to be the data collection method of this study.

### 3.1.1 Survey: a quantitative self – administered questionnaire

As indicated by Figure 10, survey is most frequently used to answer who, what, where, how much and how many, and therefore, it tends to be used for exploratory and descriptive research (Saunders et al, 2009, p. 144). In business studies, descriptive surveys, such as attitude and opinion questionnaires, are often used to obtain consumer attitudes towards a certain product or to identify and describe the variability in different phenomena (Saunders et al, 2009, p. 362; Ghauri & Gronaug, 2005, p. 59). Thus, a quantitative consumer questionnaire was designed in this study in an attempt to examine consumer perceptions towards the phenomena of Chinese cars going global and the impacts of brands' COO on Chinese (automobile) brands. Using a survey gives the researcher more control over the research process while the data collected can be used to present possible reasons for particular relationships between variables and to produce models of these relationships (Saunders et al, 2009, p. 145).

Saunders et al (2009, p.362) stated that the design of a questionnaire differs based on the way it is administered and the amount of contacts the researcher has with the respondents. In light of the definition given to the types of questionnaires by Saunders et al (2009, p. 362), self-administered questionnaires are usually completed by the respondents and are administered electronically using the Internet or intranet. As the quantitative consumer questionnaire for this study was realized electronically through Internet, it can be concluded that the type of the quantitative survey here is a self – administered questionnaire. The self-administered questionnaire is designed to address issues from three perspectives: 1) evaluation of current CBBE of Chinese brands in the International market, 2) country-of-origin effects on Chinese car brands in the International market. 3) International consumers' perspectives on managerial implications for improving CBBE of Chinese car brands.

Like any other research methods, survey holds its own imperfections. According to De Vaus (2002, p. 7), flaws exist in terms of philosophical, technique-based and political aspects. De Vaus (2002, p.7-9) indicated survey as intrinsically manipulative, which lacks solid grounds to establish causal connections between variables, ignores the context in which a particular aspects of people's beliefs and actions occur, assumes that human action is determined by external forces without realizing the role of human consciousness. Further, in order to avoid misleading results, the four sources of survey error listed as sampling error, coverage error, measurement error and nonresponse error should be reduced to an acceptable level with the greatest attentions towards nonresponse error and measurement error (Dillman, 2007. p. 9-11).

### 3.2 Data collection

This section is dedicated to present details of data collection procedure of this study. As stated, a quantitative consumer survey is applied in the study to collect data, meaning that processes of conducting this method is described here in order to provide rationale of the approach, in which data are collected.

For this study, a quantitative consumer survey was conducted in the form of an online questionnaire. This subsection indicates the survey process, sample structure and questions design of the questionnaire. Due to the subject of this study, gaining consumers' perspective on Chinese automobile brands is key. This questionnaire serves as a strategic indicator, whose results will not only assist the discussion of the subjects of the study, making the data collected more market oriented, but also complement the overall findings of the study by examining, comparing and analyzing data from both consumers and the case company point of view, which will result to a more practical and market-based conclusions. Just as Eisenhardt (1989, p. 538) argued, "quantitative evidence can keep researchers from being carried away by vivid, but false, impression in qualitative data and it can bolster findings when it corroborates those findings from qualitative evidence".

### 3.2.1 Survey preparation and sample structure

As stated in the previous section, quantitative data were collected through an online questionnaire. Preliminary planning for constructing the questionnaire is in need and it was completed in accordance with the pattern suggested by Gill and Johnson (1991, p. 76-77). The planning process is presented in the following Table 3:

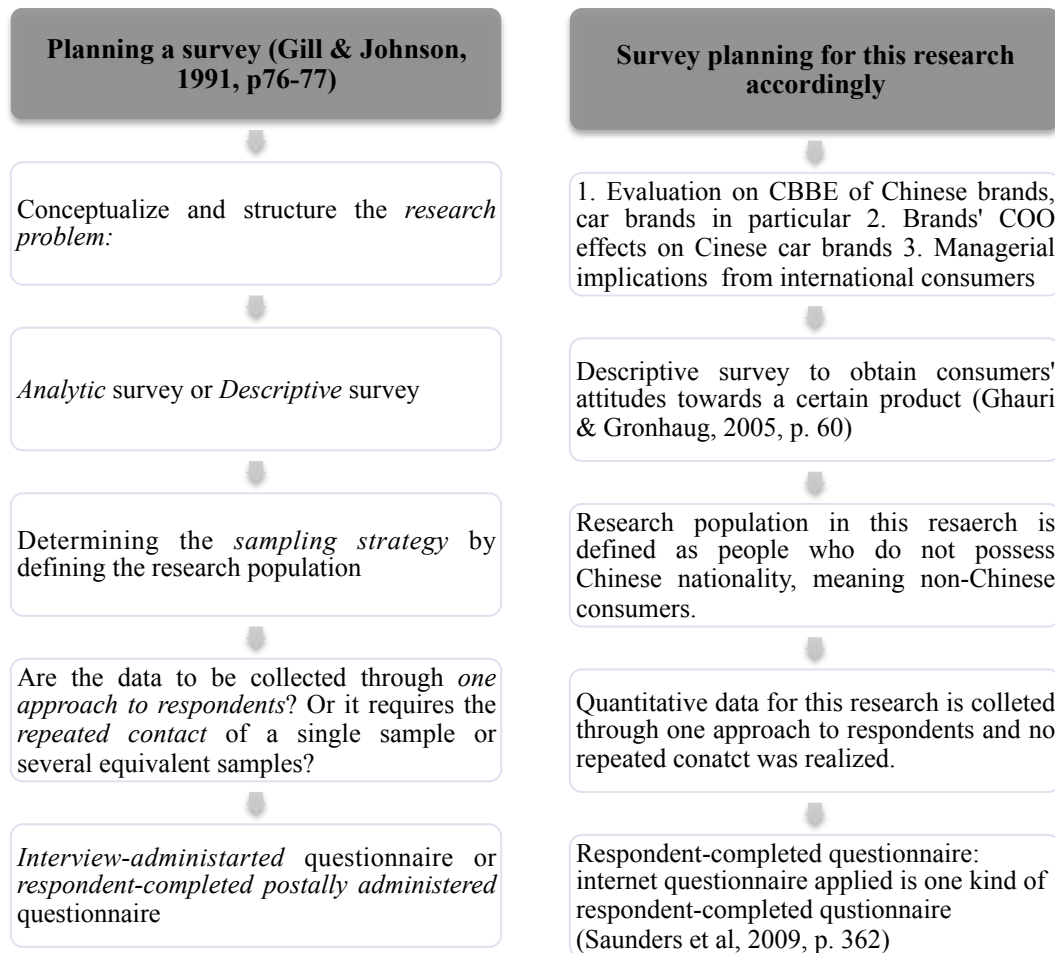


Table 3: Planning a survey (Gill & Johnson, 1991, p. 76-77)

According to the plan, an online questionnaire was delivered to the respondents, the majority of which was reached through Facebook, and the rest was reached through twitter and email. Internet questionnaire was chosen because it enables researchers to survey a large random sample of a population at a relatively low cost. Moreover, placing the Internet questionnaire through some packages delivers convenience to researchers who are able to design questionnaire, collect, enter and analyze the data within the same platform (Saunders et al, 2009, p. 365; De Vaus, 2002, p. 124). Saunders et al (2009, p. 365) further argued that it is a rough rule that data should be analyzed through computer if they have been collected from more than 30 respondents and the intended number of respondents of this questionnaire is 200 for the conclusiveness of data analysis. Therefore, a questionnaire through Internet is determined as the most suitable means. For this specific study, the online platform employed for the entire survey process is titled Webropol.

Any contamination of respondents' answers will reduce data's reliability. Although respondents to online questionnaire are relatively unlikely to answer to please the researcher (Dillman 2007), potential low response rate can still bias the sample (De Vaus, 2002, p. 128, Saunders et al, 2009, p. 365). Internet survey and mail surveys are especially prone to this type of bias due to the fact that mail survey requires reading and writing and Internet survey requires Internet access (De Vaus, 2002, p. 128). To ensure that the questionnaire receives adequate answers, the Tailored Designed Method (Dillman, 2007) was applied. This approach has been considered as an effective approach that is derived from rational of social exchange in an attempt to collect adequate amount of responses and quality data for the Internet questionnaire (Dillman, 2007). Details about applying this approach will be introduced in the Questionnaire Design section.

Since the questionnaire was distributed primarily through Facebook contacts and was afterward passed onto additional respondents based on referrals from those initial respondents, it is not possible to obtain the response rate and form a frame population for probability-based sampling. Thus, snowball sampling as a type of non-probability sampling



is undertaken. However, it is worth noting that applying snowball sampling will cause bias, which are largely attributed to the technique itself that increases the likelihood of sample not being representative of the population (Saunders et al, 2009, p. 240) As Lee (1993) exemplified that “respondents are most likely to identify other potential respondents who are similar to themselves, resulting in a homogeneous sample”.

The online questionnaire was designed and its link was circulated on the 18<sup>th</sup>. October 2011. Till the 31<sup>st</sup> October 2011, a total of 212 respondents had completed the questionnaire. As stated before that the target respondents are non-Chinese consumers, three Chinese respondents were removed from the list. Five non-Chinese respondents’ answers were discarded due to their uncompleted questionnaire. Therefore, as the final result, the final amount of respondents for the quantitative study is 204.

Among these 204 respondents whose answers were considered valid, the most common respondents’ nationality was Finnish (n=61), followed by German (n=20) and American (n=16). The questionnaire has received more answers from female respondents than male respondents and majority of the total respondents is between 20 – 29 years old. A summary of respondent’s demographical information can be found in the Table 4:

### Demographical Characteristics of the respondents

National Groups: (Nationality=40)	Frequency	
	Absolute	Relative (Percent)
North America	22	10.8
Central America	1	0.5
South America	5	2.5
Northern Europe	71	34.8
Western Europe	19	9.3
Central Europe	25	12.3
Southern Europe	17	8.3
Eastern Europe	4	2.0
East Asia	17	8.3
South East Asia	6	2.9
South Asia	13	6.4
Africa	2	1.0
Middle East	2	1.0
<b>Total number of respondents</b>	<b>204</b>	<b>100</b>

Gender:	Absolute	Relative (Percent)
Female	115	56.4
Male	89	43.6
<b>Total number of respondents</b>	<b>204</b>	<b>100</b>

Age Group:	Absolute	Relative (Percent)
Below 20	1	0.5
20-29	158	77.5
30-39	37	18.1
40-49	4	2.0
Above 50	4	2.0
<b>Total number of respondents</b>	<b>204</b>	<b>100</b>

Table 4: Demographics of the respondents to the quantitative questionnaire

Given the demographical information of the respondents, side effects of “snowball sampling” can be detected. Although the respondents are geographically dispersed, covering 40 countries, larger number of respondents with certain nationality or from a specific region is likely to cause bias. This also applies to the uneven age groups of the

respondents, where group of 20-29 years old takes up 77.5% of the total respondents. Therefore, limitation of the findings should be aware of and the potential bias embodied implies that the conclusion of the study can only be considered as suggestive.

### 3.2.2 Constructing questionnaire and the tailored design method

De Vaus (2002, p. 80) argued that it is crucial to anticipate the type of information needed so that the questions can deliver relevant information. In order to do so, Dillman (1978, p. 80) claimed that it is helpful to command a strong grasp of four types of question content: behavior, beliefs, attitudes and attributes. With regard to the purpose of the questionnaire, beliefs and attitudes are the main contents that the questionnaire intends to focus on for this study while certain questions focused on attribute to collect respondents' demographical information.

De Vaus (2002, p. 87) argued that it might be worth using a combination of open and closed questions for the key variables. The questionnaire consists of 17 questions, 14 of which are closed questions and 3 of which are open-ended questions. Among the 3 open-ended questions, one was used to collect the respondents' nationalities while the other two were used to collect the information of the respondents' car and collect thoughts on the strategic improvements. All of the 14 closed questions used forced-choice responses format. The major types of forced-choice questions are rating and matrix, which are often used to collect opinion data (Saunders et al, 2009, p. 375). Response categories for these two types of rating questions in this questionnaire were familiarity, likelihood, preference, importance and agreement. Likert – style rating scale and numeric rating scale were employed to represent respondents' responses on five rating scales.

Although forced-choice questions are quick to answer and easier for researchers to code, they can restrict answers and generate false opinions if responses cannot be easily interpreted (Saunders et al, 2009, p. 375; De Vaus, 2002, p. 86; Nardi, 2006). De Vaus

(2002, p. 87) suggested to use pilot testing to develop the range of exhaustive alternative responses in order to avoid potential biasing responses. However, in order to do so, excessive time and resources are required, which cannot be possibly realized in this study due to very limited time and scope of this research. Nonetheless, one strategy at this stage was developed to tackle this problem. The questionnaire assessed consumers' perspectives on Chinese brands and automobile industry using questions and scales adopted from Interbrand (2005), which is one of the most famous and professional brand-consulting companies in the current market. Using the same questions and alternatives as the ones that authority employed in the survey ensured the reliability of the findings to a great extent and make up the potential deficiency caused by the absence of pilot testing. This study is not the first one who adopted questions for data collection purpose. Same approach was exploited in Ambos et al. (2010)'s article on the consequences of initiative taking in multinational subsidiaries, where the researchers adopted questions and scales to assess subsidiary autonomy and influence. It is worth noting that the other non-adopted questions were carefully developed, incorporating feedback from two academics, which identified questions that were vague, ambiguous, or the source of possible bias.

The Tailored Designed method (Dillman, 2007) was used during the data collection process, aimed at enhancing response rate. Based on the social exchange theory implied by the method, questions were designed in a way that prolonged questionnaire can be avoided and the language of the questions was easy to comprehend with no jargon involved. By doing so, cost of responding can be effectively reduced (Dillman, 2007). Furthermore, incentive was delivered by the promise of providing results to respondents

In order to serve international consumers, who are the targeted respondents to the questionnaire, all the questions are designed in English. A group of volunteers completed trials of the questionnaire to ensure all the questions are comprehensive and no obscure words are involved. The questionnaire link was initially messaged to the primary respondents through Facebook and was circulated by the primary respondent to the others.

### 3.3 Data analysis

This section is dedicated to describe the quantitative and qualitative data analysis utilized in this study, each of which was undertaken by different approaches with different focus.

#### 3.3.1 Questionnaire data analysis

The questionnaire conducted for obtaining international consumers' perspectives on Chinese brands was analyzed with the aid of SPSS, involving t-test, ANOVA, correlation analysis and factor analysis. Since all data types should be recorded using numerical data (Saunders et al, 2009, p. 422), a codebook was conducted for convenience of running a computer analysis. The process of coding strictly followed the four steps indicated by both Saunders et al (2009) and De Vaus (2002). Open questions were coded based on the multiple response method presented by De Vaus (2002). The codebook is attached as an appendix 2 at the end of this paper.

A variety way of presenting data was applied in this study. As Mahlhotra and Briks (2007, p. 421) stated: "the care exercised in the data preparation phase has a direct influence on the quality of statistical results", data for individual variables in the questionnaire were carefully examined, summarized and presented in the forms of table (frequency distribution) and diagrams.

In order to understand the data, descriptive statistics were utilized to describe and compare variables numerically based on two aspects, the central tendency and the dispersion (Saunders et al, 2009, p. 444). To be more specific, means and medians were counted whereas different approaches were dedicated for the dispersion. At the same time, means are compared in the interest of understanding different demographical characteristics. For that, Independent sample t-test and one way ANOVA are performed. Moreover,

correlations were calculated to test bivariate relationships between certain variables as De Vaus (2002) and Malhotra & Birks (2007) argued that using correlation co-efficient provides a concise and easy overview of the character of the association between two metric variables”. Factor analysis is also utilized at some stage to detect principal components for the comprehensiveness of the findings.

### 3.4 Trustworthiness of the study

This section is dedicated to discuss the trustworthiness of study by evaluating the research method applied. Just as Gibbert and Ruigrok (2010) stated that the most widely used model for this matter is named natural science model, which includes reliability and validity.

#### *Reliability*

A reliable measurement is thought to be the one where the identical result can be retained on repeated occasions and this could be realized in terms of three aspects determined by De Vaus (2002, p. 54), which are sources of unreliability, testing reliability and increasing reliability.

First of all, in order to exclude the possible sources of unreliability, questions involved in the survey are worded with care to ensure that respondents perfectly understand the questions on different occasions. Before survey is officially circulated, all questions were pre-tested by volunteers with different genders and different ethnic background so that interpretation of each question would not be misleading. Additionally, answers to each question are well coded by the researcher to guarantee that same responses receive same codes (see Appendix 2). Last but not least, questions of the survey are designed in a way that takes into account of consumer knowledge on the subjects so respondents would have sufficient information to answer the survey and no rough-and ready answers would appear.

Second of all, although there are lots of methods could be used for testing the reliability, De Vaus (2002) suggested a test-retest method, which requires a same test on the same sample twice. At this point, questions designed in the survey are tested and retested on the same group of volunteers. Yet, there could be potential flaw caused by this method as volunteers' memories could artificially keep the consistency of the tests and consequently inflate the apparent reliability of the question.

Last but not least, in order to increase reliability, multiple – item indicators are suggested. This means that using a number of questions as multiple – item indicators would minimize the effect of one question that is badly worded. De Vaus (2002) stated that the best course at this point is to use well-tested questions from reputable questionnaires. In this study, there is a number of questions were directly adapted from prior published paper by interbrand in year 2005 so that the reliability of the survey can be increased to certain extent.

### *Validity*

De Vaus (2002) suggested that a valid measure is one, which measures what it is intended to measure. There are three ways suggested to evaluate validity, criterion validity, content validity and construct validity, although none of them is entirely satisfactory according to De Vaus. In this study, construct validity was chosen to measure the extent to which an operationalization measures the concept, which it purports to measure (Ghauri et al, 1995, p. 48). In order to assess the construct validity of this study, face validity, convergent validity and divergent validity are tested by different approaches.

De Vaus (2002, p. 48) stated a simple test for face validity is to ask for the opinion of others acquainted with the actual topic. Here, this step is realized in two ways for this study. The same group of volunteers for assessing the reliability of the research method was invited to deliver thoughts about questions and measures given in the survey. Further, a number of professionals from a Chinese automobile company were consulted at the same

time in order to guarantee the information that the questions are intended to gather will be precise and valuable without causing invalid common sense.

Ghauri et al (1995, p. 48) defined convergent validity as the extent to which multiple measures or multiple methods yield comparable results while divergent validity was defined as the extent a construct is distinguishable from another construct. Yet, both validities can be approached by multi-trait multi-method approach, which includes correlational techniques and factor analysis. At this point, most questions designed for this study are on five-point scale for the convenience of both analyses. Correlation coefficients are placed to test customer perceptions on brands' Chinese originality while factor analysis will be placed to investigate the major dimensions of strategies that could be applied in regard of countering the negative effects of the China label. Both analyses are well presented in the empirical findings in the following chapter.

#### 4 EMPIRICAL FINDINGS

This chapter presents the empirical findings gathered from quantitative study of this research. As the first part, 204 valid responses from the questionnaire are illustrated in the form of charts and tables so that international consumers' perspective on Chinese brands, car brands in particular, can be visually indicated. The objective of this study is to first examine the existing customer – based brand equity of Chinese brands on the market by observing consumers' awareness and image of Chinese brands, as well as to determine the impacts of “China”, as brands' COO, on the Chinese automobile brands. Thoughts on the potential strategies for Chinese automobile brands are collected, aiming at assisting companies to comprehensively understand the market and, as a result, to manage their brands with products that fit consumer needs. At this stage, findings gathered from the questionnaire are described based on three aspects:



1. Existing customer-based brand equity of Chinese brands in the international market:
  - a. How are international consumers aware of Chinese brands?
  - b. What are the images of Chinese brands in the minds of International consumers?
  - c. Does “China” label positively or negatively influence the Chinese brands in the International market?
2. Country-Of-Origin effects on Chinese car brands
  - a. How important is brands’ country-or-origin to car purchases?
  - b. How do international consumers think of Chinese car industry in general?
  - c. Prospects on Chinese cars’ international sales.
3. Improving customer-based brand equity for Chinese car brands
  - a. How do international consumers think of the acquisition between Geely and Volvo?
  - b. What aspects should Chinese car brands improve the most in order to obtain strong customer-based brand equity?
  - c. What communication channels are the most preferred by consumers for success of branding effort?

#### 4.1 Customer-based brand equity of Chinese brands in general

Dimensions of CBBE were assessed at first. Major Chinese brands, including car brands, which operate internationally, were listed and respondents were required to assess each brand, using likert scale 1-5 (1 as Not at all familiar, 5 as extremely familiar). Data collected at this question indicates the general level, at which international consumers are familiar with those “major international brands originated from China”. Impliedly, results here also serve to indicate the level of brand recognition and brand recall, the major dimensions of brand awareness, which are important determinants that affects consumers’ brand choice (Keller, 1993; Aaker, 1991, Percy & Rossiter, 1992). Brand image as the other dimension of CBBE was assessed through brand stereotypes chosen by the

respondents. As stated before, this question along with the options were both adopted from Interbrand’s white paper 2005 in consideration of enhancing reliability of the data. Here, stereotypes listed represented the image associated with Chinese brands and indicate consumers’ brand beliefs and attitudes as the overall evaluation of the brands.

4.1.1 Brand awareness

15 Chinese brands, including 8 Chinese car brands, were evaluated on a scale of 1-5 with 1 being not at all familiar and 5 being extremely familiar. All 204 respondents assessed the brands based on their own knowledge. Result is showed as below:

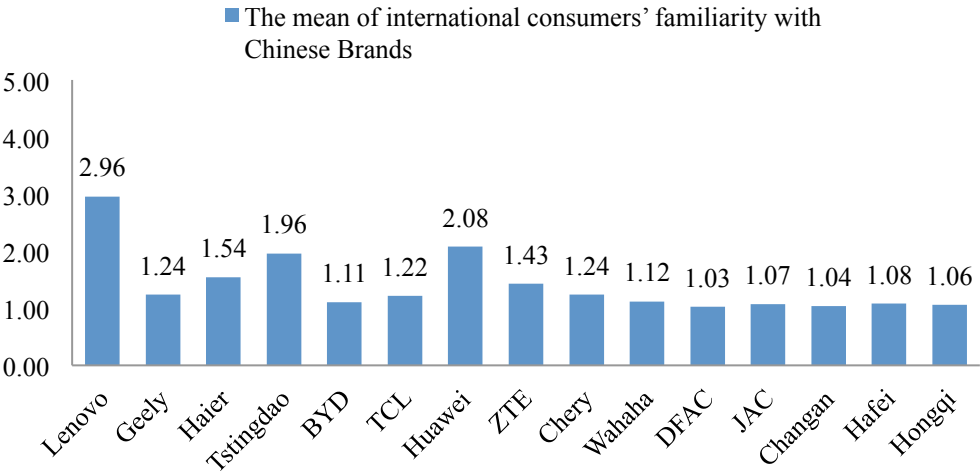


Figure 8: The mean score of international consumers’ familiarity with Chinese major brands (Likert scale 1-5, as 1 being not at all familiar and 5 being extremely familiar) (N=204)

<b>Familiarity of Chinese brands</b>		
<i>Chinese brands:</i>	<i>Familiarity</i>	
	<i>Mean</i>	<i>Standard Deviation</i>
Lenovo	2.96	1.49
Geely	1.24	0.71
Haier	1.54	1.06
Tsingtao	1.96	1.43
BYD	1.11	0.51
TCL	1.22	0.57
Huawei	2.08	0.28
ZTE	1.43	0.96
Chery	1.24	0.73
Wahaha	1.12	0.55
DFAC	1.03	0.21
JAC	1.07	0.40
Changan	1.04	0.23
Hafei	1.08	0.35
Hongqi	1.06	0.32

Table 5: The standard deviation of international consumers' familiarity with Chinese major brands

Given the results, only two brands scored above 2. Lenovo is the most internationally known Chinese brand of all with a mean score of 2.96. Huawei, a Chinese multinational networking and telecommunications equipment and services company, followed as the second with a mean of 2.08. In the category of automobile industry, none of the Chinese brands scored above 2, indicating weak brand awareness towards Chinese cars in the market. Compared to the other brand in the same field, Geely and Chery were the ones that achieved the highest brand awareness.

If looking at these brands as a whole, no single Chinese brand listed achieved an average score that is above 3 (3= moderately familiar). This coupled with a major proportion of less than 1 standard deviation further signifies overall inadequate brand awareness towards Chinese brands in the international market. Chinese automobile brands, in particular, suffer from very little brand awareness. Some of the respondents' comments below confirm the status quo of Chinese car brands:

*"I am not familiar of any Chinese car brands. Most big car brands use TV and commercials to make their new features and cars knowledgeable to the public. I have never*

*seen a TV commercial of a Chinese car brand in Europe. With cars, Branding is extremely important.” (Spanish, male, 20-29)”*

*“It is largely unknown outside of China. Even within china, I rarely notice nice Chinese cars.” (American, male, 20-29)*

In the interest of knowing which gender is more familiar with Chinese brands, the responses were divided into male and female group and mean score of each was calculated and illustrated as below:

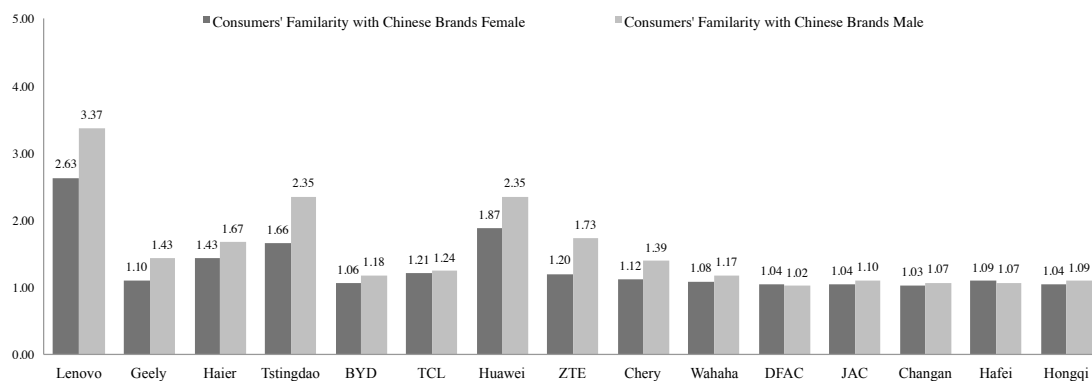


Figure 9: The means of different gender on the awareness of Chinese brands. (N=204)

Shown as above, male respondents exhibit slightly more awareness of Chinese brands than female respondents. Disparities are obvious on a few brands such as Lenovo, Tstingdao and Huawei. This is probably caused by genders' different preferences on products' categories. Yet, with regard to all the car brands listed in the questionnaire, no major difference detected between the two genders. Despite little difference on the mean score of Geely and Chery, all Chinese automobile brands have received extremely low scores from both genders.

#### 4.1.2 Brand image and its country of origin

Brand image of Chinese brands were mainly assessed with two aspects. The first is to examine whether consumers think “made in China” helps or hurts the brand and the second is to ask the respondents to choose three words to describe the brand image. Both questions and options were adopted from the questionnaire conducted by Interbrand’s white paper (2005).

Likert scale 1- 5 is applied to clarify respondents’ statement of “made in China” effects on the brands with 1 being it definitely hurts to 5 being it definitely helps. All of the 204 respondents answered this question. Result is showed in Figure 10 as below:

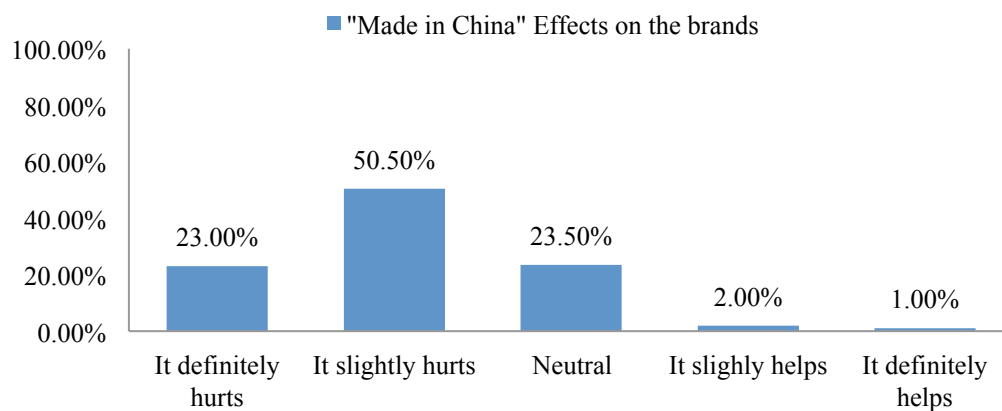


Figure 10: “Made in China” Effects on the Chinese brands ( $N = 204$ ,  $Mean = 2.07$ ,  $Std. Deviation = 0.79$ )

Shown in Figure 10, more than half of the respondents think that “made in China” slightly hurts the brand and 23% of the respondents think that it definitely hurts the brand, which makes it over 70% of the respondents perceive the “made in China” label as a minus or a negativity of a Chinese brand. This argument is further strengthened by a strong comparison of only 3% of the respondents, who think “made in China” helps or slightly helps the brand. A significant disparity displayed here suggests a major concern for Chinese brands.

In the scale of 1-5, the mean score at this question is 2.07 with a standard deviation of 0.79. In order to further test the difference between groups and examine if genders or the age group of the respondents has any significant effect on the respondents' statements, an independent sample t-test and a one-way ANOVA are performed. At this point, t-test is applied to distinguish the means of male and female respondents and ANOVA was used to test the age groups. Both tests are realized and their results are analyzed by SPSS.

Variables	Female		Male		t
	Mean	S.d	Mean	S.d	
"Made in China" hurts or helps the brand	2.13	0.81	2.00	0.77	1.17
F					0.03
p					0.25

Table 6: T-test on difference of perceptions towards “made in China” effect between genders. ( $N=204$ )

Based on the result of the t test ( $t = 1.17$ ,  $p = 0.25$ ), the outcomes were similar in the male group ( $M = 2.00$ ,  $SD = 0.77$ ) and in the female group ( $M = 2.13$ ,  $SD = 0.81$ ). In other words, the t-test showed that there was not statistical difference on the perceptions of “Made in China” effects between male and female respondents.

Age Group	Perceptions	
	Mean	S.d
<20	3.00	
20-29	2.06	0.82
30-39	2.11	0.66
40-49	2.25	0.96
50	2.00	0.82
F		0.43
P		0.79

Table 7: ANOVA on difference of perceptions towards “made in China” effect among the age groups. ( $N=204$ )

Further, the ANOVA test ( $F = 0.43$ ,  $p = 0.79$ ) also shows the insignificant  $p$  value ( $p > 0.05$ ) for the age groups, meaning that respondents' perceptions on the "made in China" effects are also not affected by the age difference.

Thus, it is clearly demonstrated that a label of "made in China" is thought to be negative by both male and female respondents from different age groups. This implies a commonality among the respondents, representing a common negative view on "Made in China" effects.

In the interest of knowing consumers' impression of Chinese brands today, the respondents were asked to provide three words that are representative of their thoughts. Results turned up as uniform and the top five responses are presented below:

Ranking of response	Attribute	Frequency	Percentage
1	Cheap	171	83.80
2	Poor value	119	58.33
3	Poor quality	82	40.20
4	Unreliable	66	32.35
5	Unsophisticated	46	22.55

Table 8: Top five impression of Chinese brands today. ( $N = 204$ )

Here, the rank of the attributes gathered from the consumers indicates factors of quality, reliability, largely unknown and overall value are critical missing associations. The respondents acknowledged that Chinese brands lack reliability and credibility.

*"Chinese brands suffer from a negative reputation as being cheap with poor quality. They need to convince the consumers with brands that embody good quality and reliability".*  
(Belgian, male, 20-29)

*“Many people sometimes don’t believe Chinese brands. Chinese companies have to establish some brands that international consumers can trust, not brands that are associated with fake and replica products”. (Korean, female, 30-39)*

By comparing the results to the results (Table 9) obtained by Interbrand (2005, p. 3) from the same question, it is both anticipated and surprising to find extensive similarity between the two results as both listed cheap, poor value, poor quality and unreliable in the top 5 attribute of Chinese brands. Clearly, this affirms a reality that Chinese brands do not score well on many of the dimensions most often associated with leading brands and it seems as a universally acknowledged problem of most Chinese brands.

<b>Ranking of response</b>	<b>Attribute</b>
1	Cheap
2	Poor value
3	Poor quality
4	Unreliable
5	Unsophisticated

Table 9: Results obtained by Interbrand in 2005.

At this point, it can be stated that “made in China” effects and the top ranked attributes of Chinese brand images are profoundly consistent, indicating the overall disapproval of brands that are originated from China due to their lack of quality, reliability and credibility.

#### 4.1.3 Chinese brands and China as a COO

After obtaining information of Chinese brands’ image and consumers’ perceptions towards brands’ “made in China” identity, it is of interest to understand the relationship between Chinese brands and China as a COO. The amount of respondents (in percentage) who picked the top 5 words that represent the image of Chinese brands were paired with their



attitudes towards brands' Chinese identity in order to make a cross-reference and examine to what extent do respondents' image of Chinese brands influence their attitude towards China as the COO. Result is illustrated as below:

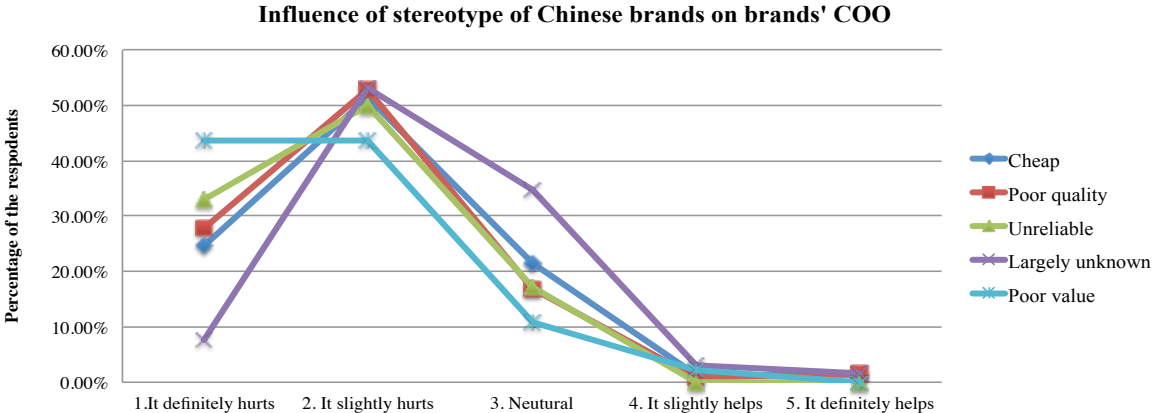


Figure 11: To what extent does consumers' image of Chinese brands influence their attitudes towards China as the COO.

Clearly, most respondents who choose the top 5 words, such as cheap, poor quality, unreliable, largely unknown and poor value, also expressed negative attitudes of the Chinese identity by stating “made in China” definitely hurts or slightly hurts Chinese brands. Very few respondents who picked top 5 words consider the Chinese identity still helps the Chinese brands.

Two aspects are considered to explain the result. First, consumers concluded those words to represent their impression about Chinese brands through their previous product experience, which in turn developed into a generalization stereotyping Chinese brands. This is to say, the perception towards brands' COO is associated with consumers' impression about brands of that country. Thus, consumers' prior experiences with Chinese brands have a direct impact on the emergence of consumers' generalization towards China as brands' COO.

On the other hand, the generalization of China as brands' COO could be reflected on consumers' brand image of certain Chinese brands that they may not have or may have very little experiences with. On the basis of little awareness of Chinese car brands presented prior, Chinese automobile brands could be a good example to test the effects of brands' COO at this point and it will be further discussed in the next section.

#### 4.1.4 Summary

Findings in this section illustrate a rather homogenous view on Chinese brands. Although the responses were compared and analyzed according to respondents' gender and age group, no significant differences were detected in terms of the brand awareness and brand images.

The Chinese brand that the respondents are most familiar with is Lenovo ( $M=2.98$ ), a Chinese multinational computer company that acquired IBM's personal computer business in 2005. Huawei ( $M=2.08$ ) came to the position as the second most familiar Chinese brand. However, Chinese car brands as a whole failed the brand awareness test. All of the means of Chinese car brands scored below 2, among which Geely and Chery possess relatively higher brand awareness. Even so, no single Chinese brand scored above 3, indicating a grim reality that 1) international consumers are not well aware of Chinese brands, and 2) international consumers have nearly no brand awareness towards Chinese automobile brands.

With regard to the brand image, the "made in China" label on Chinese brands was first examined. Findings showed that the majority of the respondents think the "made in China" label hurts the brand image to some extent. Similarly, no statistically difference based on gender or age group was detected by using independent sample t-test and one-way ANOVA. The subsequent discussion on the attributes of Chinese brands revealed the general stereotypes of Chinese brands in the minds of the consumers. 88% of the respondents think that Chinese brands represent cheapness and over half of the respondents think the brands

are associated with bad quality. Unreliable, largely unknown and poor values are the other three top ranked attributes. These attributes represent that the overall Chinese brand image is widely disapproved in the international market as well as partly explained the disapproval of the “made in China” label discussed prior.

Therefore, it can be concluded that CBBE of Chinese brands in the international market is not a satisfactory at the moment.

Aside from brand awareness and brand image, the extent to which the stereotypes of Chinese brands influence China as brands’ COO was illustrated and analyzed. The reciprocal relationship between consumers’ impression of Chinese brands and their perception towards China as the brands’ COO was highlighted. The interrelationship was essential to understand and anticipate the overall brand equity for Chinese automobile brands amid global market.

In the next section, findings about the COO effects on Chinese automobile brands in particular are presented. Simultaneously, opinions gathered on Chinese automobile brands and its industry are discussed with details

#### 4.2 COO effects on Chinese automobile brands

This section presents findings related to the second part of the research questions, which was designed to explore the effects that COO places on Chinese automobile brands. After obtaining the respondents’ attitudes about Chinese brands as a whole, it is necessary to study their perceptions on Chinese automobile brands per se. First, perceptions on the automobile branding are introduced, providing a general picture on how important people think of branding is in the car business. Second, Chinese automobile industry in particular will be assessed and the result will be compared to the results obtained by Interbrand in 2005 to test the consistency and result validity. Last but not least, the current market

demand on Chinese cars will be determined in order to anticipate the prospects of Chinese car brands in the future.

#### 4.2.1 Importance of brands' country of origin in the car business

The importance of brands may differ in various industries. Considering the subject of this study, it is vital to understand the role of brands in the car business by studying importance it is in the minds of the international consumers. For this purpose, respondents were required to rank the importance of branding amid car purchase with a likert scale from 1 as being not at all important to 5 as being extremely important. Figure 12 below presents the findings.

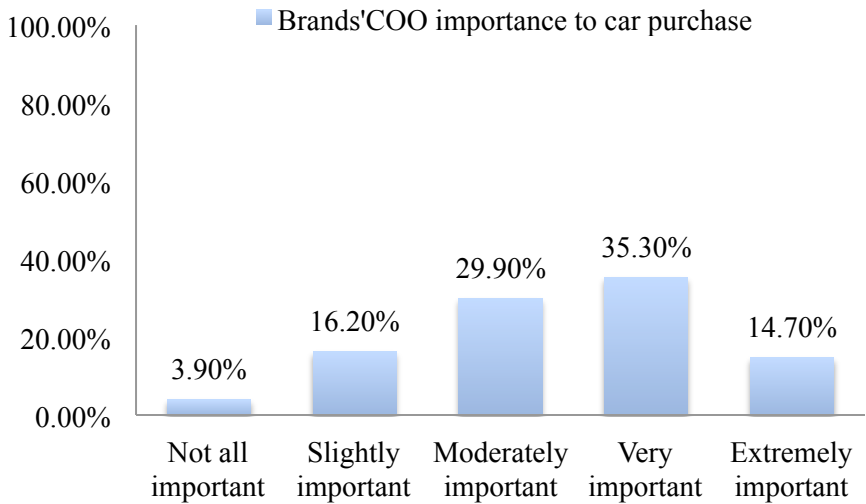


Figure 12: Importance of brands' COO to car purchase ( $N = 204$ ,  $M = 3.14$ ,  $Std. Deviation = 1.05$ )

Given the Figure above, it is clear that half of the respondents think brand's COO is very important or extremely important to the purchase decision of car. Contrarily, 3.9% of the respondents think brands' COO do not matter at all and 16% of the respondents it is of slight importance.

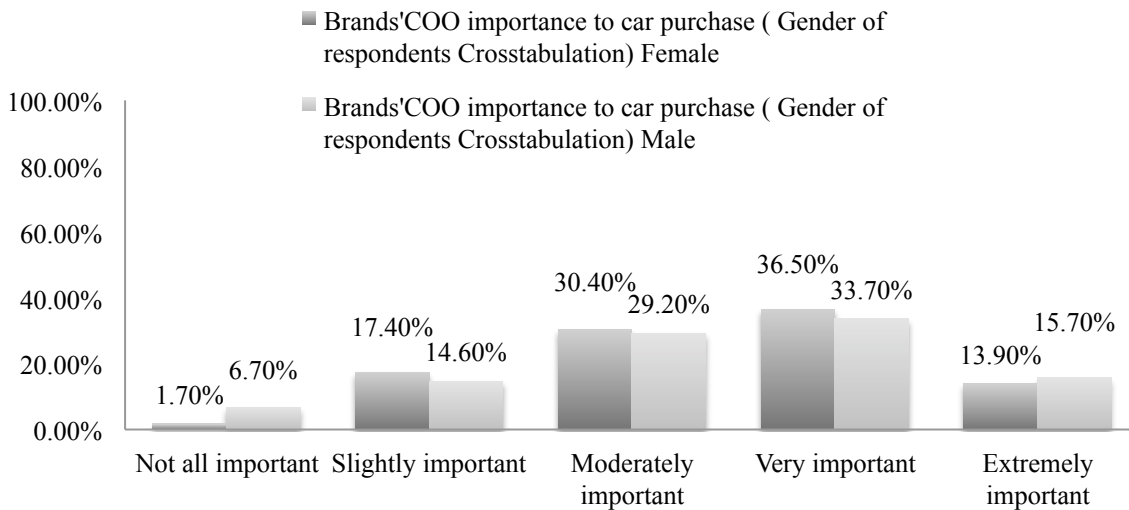


Figure 13: Importance of brands' country of origin to car purchase in terms of different genders ( $N=204$ )

According to Figure 13, with regard to the different genders, no significant disparity was detected except for the group who does not see brands' COO as at all important. Among those respondents who think brands' COO are not at all important, there is 6.7% of the total male respondents and only 1.7% of the total female respondents. Nevertheless, this implies an existence of a certain customer group, the majority of which is male customers who do not care about brands' COO. Additionally, female consumers seem to make more account of brands' COO than male respondents.

From the statistical point of view, a chi-square test was performed on the differences between male and female respondents for the importance of brands' COO. The test showed no statistical significance, meaning gender difference is not associated with the proportion of individuals' statements based on the 1-5 scales,  $\chi^2 (4, N = 204) = 3.7, p > 0.05$ . An independent-sample t-test (Table 10) followed to test if there is statistically significant difference of perceptions on the importance of brands' COO between male and female. The large p-values suggest that group means of male ( $M = 3.37, SD = 1.12$ ) and female ( $M =$

3.43, SD = 0.99) are identical, meaning the extent of the importance of car brands' COO in the minds of male and female respondents does not vary.

**Descriptive differences of the importance of car brands' Country of Origin (COO)**

Variable	Female		Male		t
	Mean	Std.Deviation	Mean	Std. Deviation	
Importance of car brands' COO	3.43	0.99	3.37	1.12	0.43
F		1.27			
p		0.67			

Table 10: Independent-sample t-test on the importance of car brands' COO between different genders.

With regards to the different age groups ( $N = 204$ ), respondents who are from the group of 20-29, group of 30-39 and the group of 40-49 seemed to pay more attention to the car brands' COO as depicted in Table 11. Yet, proportions of all the age groups dropped on the statement of brands' COO being “extremely important”. This is in line with the trend shown in the Figure 13, where proportions of the different genders also dropped on the same statement.

Brands'COO importance to car purchase (Age Groups of respondents Crosstabulation)

		Age Groups of respondents					Total
		<20	20-29	30-39	40-49	>50	
Not all important	Count	0	7	1	0	0	8
	% within Age Groups of respondents	0.00%	4.40%	2.70%	0.00%	0.00%	3.90%
Slightly important	Count	1	27	3	0	2	33
	% within Age Groups of respondents	100.00%	17.10%	8.10%	0.00%	50.00%	16.20%
Moderately important	Count	0	45	13	2	1	61
	% within Age Groups of respondents	0.00%	28.50%	35.10%	50.00%	25.00%	29.90%
Very important	Count	0	53	17	1	1	72
	% within Age Groups of respondents	0.00%	33.50%	45.90%	25.00%	25.00%	35.30%
Extremely important	Count	0	26	3	1	0	30
	% within Age Groups of respondents	0.00%	16.50%	8.10%	25.00%	0.00%	14.70%
Total	Count	1	158	37	4	4	204
	% within Age Groups of respondents	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 11: Frequencies of different age groups on the importance of Car brands' COO to car purchase. ( $N = 204$ )

Last but not least, one-way ANOVA (Table 12) was performed to test the differences in the means across different age groups. The test ( $F = 1.003$ ,  $p = 0.407$ ) indicated the insignificant  $p$  value ( $p > 0.05$ ) for the age groups.

<b>Age Group</b>	<b>Perception</b>	
	<b>Mean</b>	<b>Std. Deviation</b>
<20	2.00	0.00
20-29	3.41	1.09
30-39	3.49	0.87
40-49	3.75	0.96
>50	2.75	0.96
F		1.00
P		0.41

Table 12: ANOVA of the Brands' COO importance to car purchase among different age groups.

Based upon all the figures presented, it is approved that most of the respondents think the brands' COO is important when it comes to car purchase, regardless of the gender and the age. In addition, people, whose ages are between 20-49, tend to pay more emphasis on the car brands' COO than people from the other age groups. It is also worth noting the existence of one customer segment, the majority of which is male consumers who do not think brands' COO as important at all. On the other hand, female respondents seem to be slightly more attentive towards brands' COO than male respondents are.

#### 4.2.2 Consumers' evaluation of Chinese car industry

In an interest of understanding consumers thoughts on Chinese automobile industry and examining if the result is in line with the stereotypes and images of Chinese brands discussed in the previous section, Chinese automobile industries are rated against a number of criteria. The result is also compared to the result obtained by Interbrand in 2005 in order to seek consistency or possible variation over the years. The respondents were required to

rank the Chinese car industry on a scale of 1-5 (1 as the lowest score, and 5 as the highest score). The criteria include price, prestige, service, innovation, trust, safety, reliability and overall value. The findings (Figure 14) are presented below:

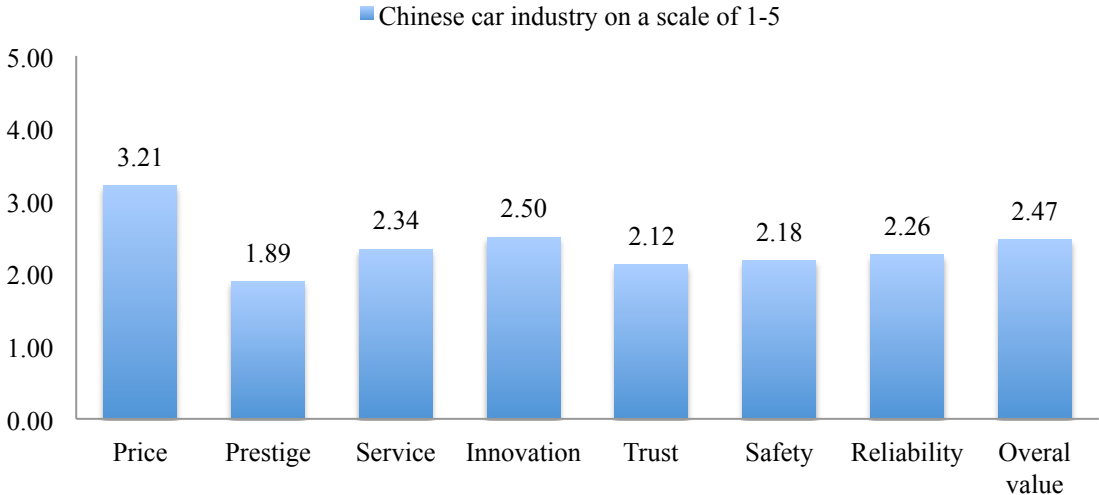


Figure 14: Means of Chinese car industry on a scale of 1-5 against listed criteria ( $N=204$ ,  $M = 2.37$ )

As is indicated by Figure 14, Chinese automobile industry is quite low rated against most of the criteria. Besides price, the respondents rate the industry below 3 on all the other criteria, indicating an overwhelming takeaway of Chinese automobile industry being below acceptable standards. Among all, prestige receives the poorest score, followed by trust, safety and reliability. On the other hand, the above 3 score on price implied a common knowledge that price could always be a competitive advantage for Chinese brands in the international market. However, having it as the only advantage is obviously far from adequate to compete in the global market. What is even worse is that it could cause a generalization for Chinese automobile brands just like for some other Chinese brands in some cases that cheap prices equal to bad quality and a short product lifetime. If looking at the result obtained by Interbrand in 2005, similarity can be detected. In 2005, while international respondents were asked to score the Chinese car industry on the same criteria, prestige also received the lowest rate, and service and reliability comes the second and the



third (Interbrand, 2005, p. 3). Here, it is concluded that Chinese car brands have remained poor prestige and low reliability through years and the reality is now calling Chinese car companies to quickly become more sophisticated in the practice of branding and quality control.

With regards to the different gender groups (Figure 15), male respondents seem to be more appreciative of the competitive price of Chinese automobile brands than female respondents do. However, on all the other criteria, male respondents gave lower rates than the female respondents.

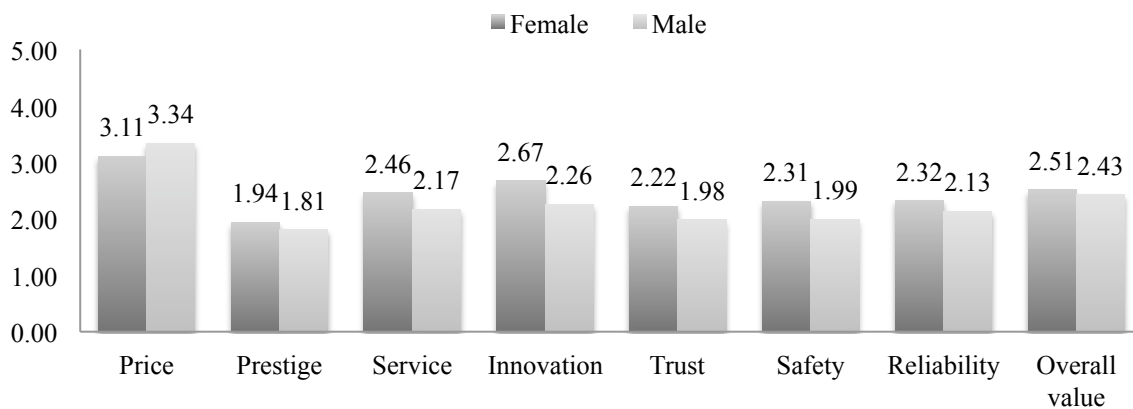


Figure 15: Means of different genders on the rate of Chinese car industry against certain criteria ( $N = 204$ )

Although no significant variance can be detected by solely looking at the means between male and female respondents, an independent-sample t-test (Table 13) showed there are statistically differences on three criteria.

Discriptive difference of the rates on Chinese car indsutry against certain criteria (Gender)					
Variables	Female		Male		t
	Mean	Std. Deviation	Mean	Std. Deviation	
Price	3.11	1.29	3.34	1.31	-1.22
Prestige	1.94	0.92	1.81	0.82	1.05
Service	2.46	0.85	2.17	0.88	2.395*
Innovation	2.67	1.01	2.26	1.06	2.826*
Trust	2.22	0.86	1.98	0.87	1.98
Safety	2.31	0.84	1.99	0.91	2.633*
Reliability	2.32	0.85	2.13	0.91	1.51
Overall value	2.51	0.77	2.43	0.85	0.72

\*p < 0.05

Table 13: T-test on difference of the rate on Chinese car industry against certain criteria (Gender) ( $N = 204$ )

Given the results of t-test, there were three criteria, on which the means were statistically different between male and female respondents. These criteria are service ( $M(f) = 2.46$ ,  $SD = 0.85$ ,  $M(m) = 2.17$ ,  $SD = 0.88$ ,  $t = 2.395$ ,  $p = 0.018$ ), innovation ( $M(f) = 2.67$ ,  $SD = 1.01$ ,  $M(m) = 2.26$ ,  $SD = 1.06$ ,  $t = 2.826$ ,  $p = 0.005$ ) and safety ( $M(f) = 2.31$ ,  $SD = 0.84$ ,  $M(m) = 1.99$ ,  $SD = 0.91$ ,  $t = 2.633$ ,  $p = 0.009$ ). In other words, with respect to service, innovation and safety, there were statistically significant differences between genders. At this point, male consumers tend to possess lower opinion of Chinese car brands than female consumers from the perspectives of service, innovation and safety.

Figure 16 depicts ratings among different age groups. Respondents above 50 years old seemed to highly appreciate the price aspect of Chinese cars by giving an average score of 4.5 out of 5. Moreover, respondents that are under 20 years old seemed to have high opinions of the service and innovation of Chinese car industry. Yet, the majority of the respondents who are aged between 20-29 gave out averagely very low ratings. It is also worth noting that 40-49 years old respondents rated the reliability with 3.5 and the respondents above 50 years old rated overall value with the same score.

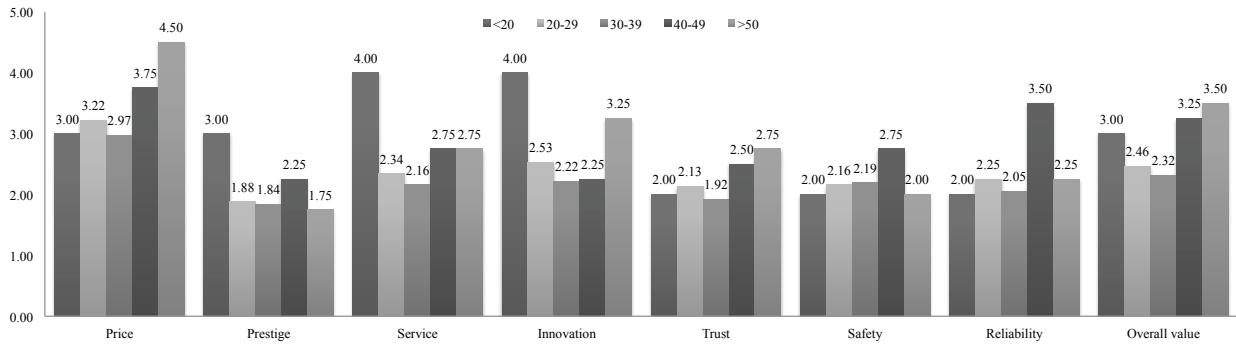


Figure 16: Means of age groups on Chinese car industry against certain criteria ( $N = 204$ )

One-way ANOVA was performed to test if the means across the age groups are different. The outcomes showed that there are statistically significant differences on the ratings of reliability ( $F = 2,567$ ,  $p = 0,039$ ) and overall value ( $F = 3,125$ ,  $p = 0,016$ ) among the age groups. This means that the age differences do have effect on the ratings of reliability and overall value of the Chinese automobile industry. Table 14 below depicted the ANOVA results

Descriptive difference of the rates on Chinese car industry among the age groups (ANOVA)																
Age Group	Price		Prestige		Service		Innovation		Trust		Safety		Reliability		Overall value	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
<20	3.00	0.00	3.00	0.00	4.00	0.00	4.00	0.00	2.00	0.00	2.00	0.00	2.00	0.00	3.00	0.00
20-29	3.20	1.30	1.90	0.89	2.30	0.87	2.50	0.09	2.10	0.07	2.20	0.72	2.30	0.07	2.50	0.64
30-39	3.00	1.28	1.80	0.80	2.20	0.80	2.20	0.15	1.90	0.13	2.20	0.14	2.10	0.12	2.30	0.12
40-49	3.80	0.96	2.30	1.50	2.80	1.70	2.30	0.75	2.50	0.50	2.80	0.48	3.50	0.65	3.30	0.48
>50	4.50	1.00	1.80	0.50	2.80	0.50	3.30	0.25	2.80	0.25	2.00	0.41	2.30	0.25	3.50	0.29
F		1.49		0.62		1.74		1.82		1.24		0.48		2.57		3.13
p		0.21		0.65		0.14		0.13		0.30		0.75		0.04		0.02

Table 14: Means differences on the ratings of Chinese automobile industry against certain criteria (age groups) ( $N = 204$ )

To summarize this section, it is clear stated that the international consumers rated the Chinese car industry below acceptable standards ( $M < 3$ ) against most of the listed criteria. Prestige seems to be the most problematic dimension of all time, underlying unappealing actualities of Chinese car brands in the global market and implying unsatisfying CBBE caused by the unsophistication in the practice of branding. Moreover, quality remains the biggest concern as all associated criteria such as trust, safety and reliability all received very low score. Statistical analysis indicated that male consumers possess lower opinion of

Chinese car industry on the criteria of service, innovation and safety. Rates on reliability and overall value vary based on the age groups, where consumers aged between 40-49 perceive the reliability of Chinese car industry above the acceptable standards and consumers aged over 49 think the overall value of the industry is better than average. Neither t-test nor ANOVA indicated significant differences on the other criteria between genders and among age groups. At this point, some of the respondents' comments well reflect the challenges faced by the Chinese car companies in terms of brands' prestige and quality:

*“In order for Chinese brands to improve their own reputation in the world, quality improvements is the very first they have to do.” (Japanese, male, 20-29)*

*“Chinese car brands should have their own identity, which at least in my country is not very clear. Chinese brands are most known for being cheap, but not other competitive advantage is known about them. They should make branding efforts to establish a specific quality to be associated with.” (Italian, female, 20-29)*

#### 4.2.3 Market prospects for Chinese car brands

After discussion about CBBE of Chinese automobile in the previous section, it is important to assess the market prospects of Chinese cars. This is first approached by a likert scale of 1-5 in the interest of purchasing a car in the future as a prior research on the market demand.

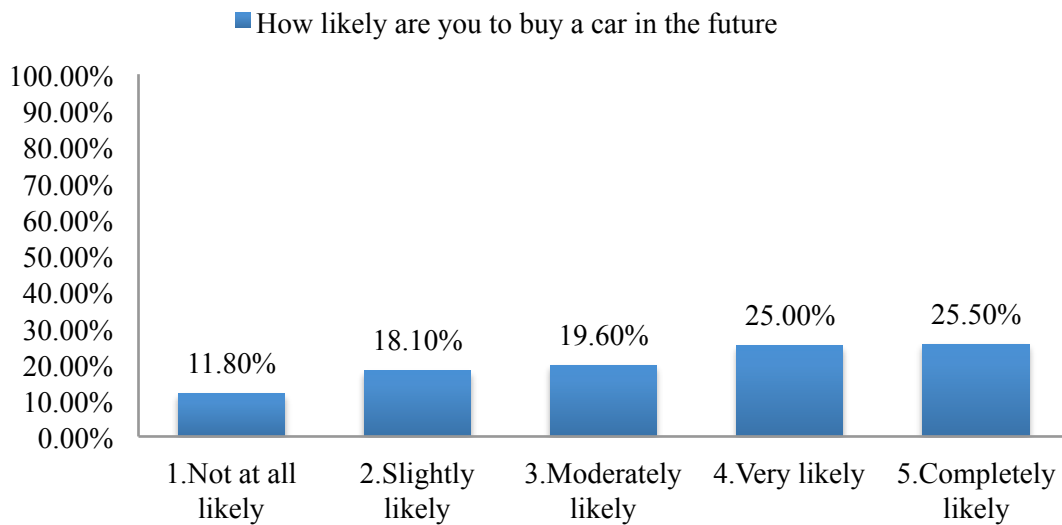


Figure 17: Likelihood of the respondents purchasing a car in the future.

Given the figure, market demand is demonstrated with over half of the respondents stating strong likelihood of purchasing cars in the future, whereas 11.8% of the respondents eliminate the possibility. Subsequently, the demand on Chinese cars in particular is of interest at this point in order to anticipate the prospects of future sales. Similarly, the results were obtained through a likert scale from 1-5 and are illustrated below (Figure 18).

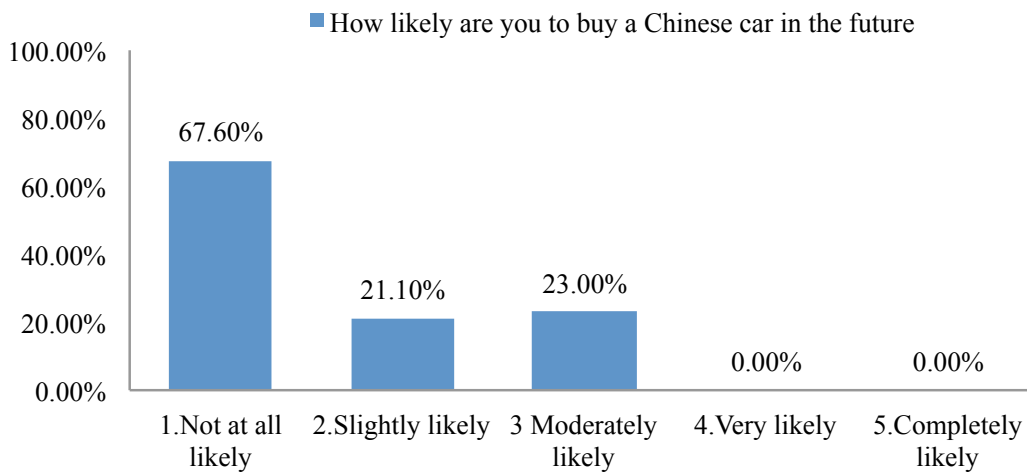


Figure 18: The likelihood of buying a Chinese car in the future ( $N = 204$ ,  $M = 1.44$ ,  $Std. Deviation = 0.69$ )

The result showed above is both anticipated and surprising. Current China identity and unsatisfied CBBE seems to place a bleak future on Chinese cars in the market. As shown by Figure 18, more than half of the respondents stated the impossibilities of buying a Chinese car in the future while half of the rest stated slight chances. However, there is glimmer of hope with the 23% of respondents who stated the moderate likelihood of buying Chinese cars. This is to say, the Chinese car brands could possibly attract this group of respondents, who are likely to become early adopters of their products, given the right branding strategy and market positioning,

Distinction between genders was identified and depicted by Figure 19. Overall, there is no major difference detected. Yet, female respondents seemed to be slightly more reluctant to purchase Chinese cars than male respondents based on the percentage in each group. Independent-sample t-test was performed to compare the means between male and female respondents. The outcome was similar (Male:  $M = 1.47$ ,  $SD = 0.724$ , Female:  $M = 1.41$ ,  $SD = 0.661$ ). No significant differences were found ( $t = -0.650$ ,  $p = 0.517$ ).

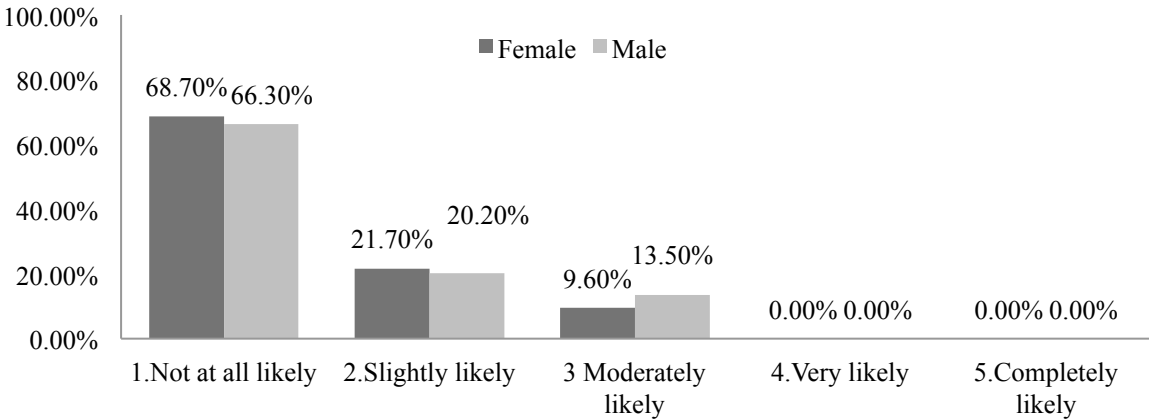


Figure 19: The likelihood of different gender on buying Chinese car in the future ( $N = 204$ )

In terms of the age groups, respondents below 40 years old seemed to be the groups that are least likely to buy Chinese cars. Conversely, respondents above 40 years old somewhat

showed the willingness of trying the cars, respondents aged between 40 -49 years old in particular as 25% of this age group expressing the moderate likelihood in the questionnaire.

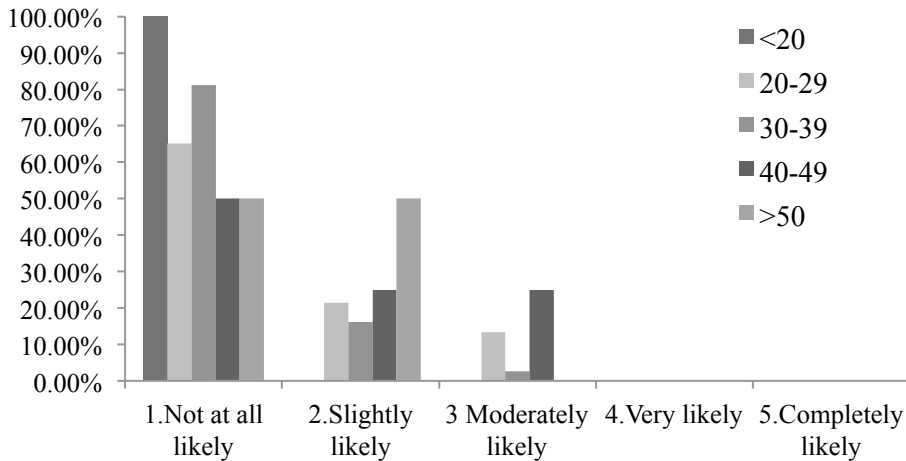


Figure 20: The likelihood of different genders on buying Chinese car in the future ( $N = 204$ )

ANOVA was also performed to test the differences among the means of the age groups. The large p value suggests that the means across the age groups are not different.

Likelihood of buying a Chinese car in the future (ANOVA)		
Age Group	Likelihood (1-5)	
	Mean	Std. Deviation
<20	1.00	0.00
20-29	1.48	0.72
30-39	1.22	0.48
40-49	1.75	0.96
>50	1.50	0.58
F		1.44
p		0.22

Table 15: ANOVA test on means of the likelihood of buying a Chinese car across the age groups ( $N = 204$ ,  $M = 1.44$ ,  $Std\ Deviation = 0.69$ )

Highlight of this section is the examination on the willingness of buying a Chinese car in the future. Although more than half of the respondents expressed the possibilities of purchasing a car in the future, indicating a promising market demand, the actual willingness of buying a Chinese car is incredibly low. Nearly 68% of the respondents completely eliminate the possibility of buying a Chinese car while 23% of the respondents somewhat expressed the likelihood of buying the cars. In comparison to the market demand examined prior, the future for Chinese car companies in the international market is indeed not optimistic. The reality is that being associated with an unfavorably perceived COO along with the unsophisticated practice of branding, Chinese brands, including car brands, are under negative influences caused by stereotypes of Chinese brands in order to successfully manage the brand equity of Chinese car brands in the market, understanding the influences brought by brand's COO is an essential first step to begin with.

#### 4.2.4 Summary

This chapter is designed to explore the effects of brands' COO on Chinese brands, car brands in particular. It begins with a study regarding the importance of branding in the car business. The underlying purpose of this study is to obtain knowledge on the extent, to which customers value a brand, and thereby to understand the role of a brand's COO amid car purchases. As a result, over half of the respondents stated that brands' COO is either very important or extremely important to their purchase decision. Further, female consumers seemed to value brands COO more than male consumers. However, no statistically significant differences were detected between the genders. Consumers between 20-49 years old seem to think that car brands' COO is of importance. Consumers that are under 20 or above 50 years old seem to think that car brands' COO is somewhat important. No significant variance was detected as well across the age groups based on the ANOVA analysis.



In order to obtain the evaluation of the Chinese car brands as a whole, the respondents were required to assess the industry on a scale of 1-5 with 1 being the lowest score and 5 being the highest score. Results showed that Chinese automobile industry received low grades on most of the criteria with prestige individually scored the worst among the others. This result reveals the reality that Chinese car companies' lack of branding expertise and its subsequent consequence of inadequate branding. Additionally, all the low ratings on criteria such as trust, safety and reliability are reflections of consumers' disbelief towards the quality of Chinese car brands, which is profoundly in line with the brand images discussed prior.

The sales prospect for Chinese is not positive. Approximately 68% of the respondents expressed the absolute unlikelihood of purchasing a Chinese car in the future despite the fact that more than half of the respondents expressed the willingness of purchasing a car prior.

Based on the previous findings, it is clear that international consumers do not view Chinese cars exclusively different from the other brands of different fields. To be more specific, according to the results, Chinese car brands remain largely unknown and suffer from low prestige associated with bad quality and unreliability just as the other Chinese brands of different categories. The strong consistency observed implies a solid fact that the generalizations of Chinese brands are also applicable to the Chinese car brands, especially from the perspective of CBBE. More importantly, it underlies a reciprocal influence between the brands' CBBE, brand image in particular, and the brands' COO effects. Correlations among certain constructs were performed to statistically validate this interrelationship. Table 16 reports the descriptive statistics and correlations.

Depicted by the correlation coefficient, strong correlations ( $p < 0.01$ ) exist among the influence of brands' COO (measured by "made in China" effects in the study), the role of brands' COO amid car purchase (the importance of brands' COO to car purchase) and the

likelihood of consumers buying Chinese cars in the future. In other words, these strong correlations indicate significant interrelationships among the three constructs. Similarly, the influence of brands' country or origin and the image of Chinese cars (measured by the evaluation of Chinese car industry) are proved to be correlated in terms of trust, safety, reliability and overall value. The correlations are particularly strong with the latter three quality related criteria ( $p < 0.01$ ), underlying the substantial association between quality assessment and consumers' perceptions on the brands' COO. It is worth noting that these quality-related criteria are also in strong associations ( $p < 0.01$ ) with consumers' purchase prospects on Chinese cars.

Thus, based upon the arguments above, findings can be stated from the following aspects:

1. Brand's COO is perceived as important by the international consumers when it comes to the car purchase.
2. Consumers' perceptions on Chinese cars are quite negative. Just like other Chinese brands from different categories, the Chinese car brands suffer from same low prestige and are associated with bad quality and unreliability.
3. Statically proved, Chinese car brands are definitely under the generalization of brands' Chinese identity, which was considerably associated with consumers' unpleasant experiences with other Chinese brands across different product categories.
4. The sales prospect for Chinese cars in the international market is bleak. According to the extent to which consumers value the car brands' COO, lack of expertise on branding causes Chinese car companies serious problems on top of the already low customer based brand equity.

Constructs (1-5 scale)	Mean	Std. Deviation	Made in China hurts or helps the brand image	Correlations																		
				Price	Prestige	Service	Innovation	Trust	Safety	Reliability	Overall Value	Brands'COO importance to car purchase	Likelihood of buying a Chinese car									
Made in China hurts or helps the brand image	2.07	.79	1.00																			
Price	3.21	1.30	-0.10	1.00																		
Prestige	1.88	.88	0.10	0.07	1.00																	
Service	2.33	.88	0.14	.189**	.634**	1.00																
Innovation	2.49	1.05	0.06	0.07	.479**	.514**	1.00															
Trust	2.11	.87	.174*	0.08	.625**	.548**	.541**	1.00														
Safety	2.17	.89	.227**	0.07	.494**	.448**	.498**	.688**	1.00													
Reliability	2.24	.88	.250**	0.09	.520**	.593**	.449**	.727**	.706**	1.00												
Overall Value	2.47	.80	.242**	.253**	.540**	.551**	.614**	.651**	.599**	.654**	1.00											
Brands'COO importance to car purchase	3.41	1.05	-.214**	-0.01	-0.12	-0.08	-.138*	-0.13	-.192**	-0.11	-.197**	1.00										
Likelihood of buying a Chinese car	1.44	.69	.221**	0.01	.158*	.215**	.201**	.198**	.265**	.241**	.297**	-.227**	1.00									

\*. P < 0.05  
 \*\*p < 0.01

Table 16: Descriptive Statistics and Correlations among China as a COO, Chinese automobile industry and the prospect of Chinese car brands in the market

### 4.3 Improving customer-based brand equity of Chinese car brands

The objective of this section is to present the findings in ways that could assist the Chinese car brands in improving their CBBE based with respect to consumers perspectives. Findings were mainly obtained through 1) the effectiveness of Merger and Acquisition on the improvement of Chinese car brands image 2) consumers' evaluations on the factors crucial to support the Chinese car brands countering negative COO, and 3) the channels for effective branding, which aim at enhancing the CBBE. All constructs were evaluated by international consumers so that the marketing efforts on branding could be achieved to a great extent.

#### 4.3.1 M&A on improving the image of a Chinese car brand

In an effort to quickly build up brand equity as well as to dilute the negativity brought by the Chinese origin in the international market, many Chinese companies chose to merge or acquire foreign brands. Geely, as a representative Chinese automobile brand, acquired Swedish luxury brand Volvo in 2010 for \$ 1.8 billion. Yet, the concern lies in the question of whether Chinese brands' image has improved by this strategic move. For that, five-point, likert-type scale was used to measure respondents' thoughts on the M&A strategy. The scale was anchored by 1 = "Strongly disagree" and 5 = "Strongly agree".

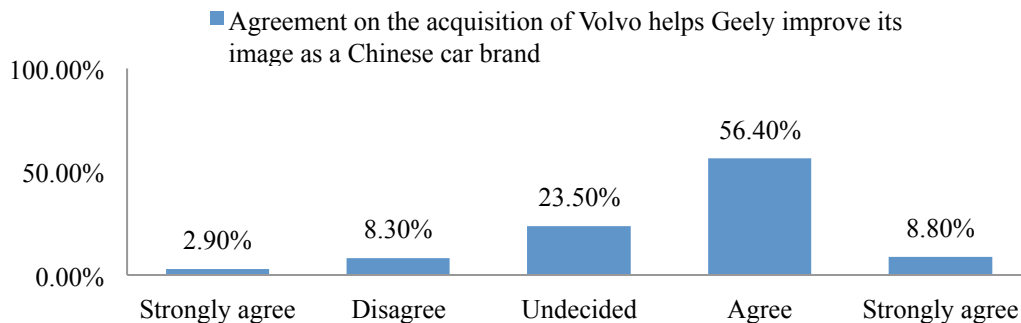


Figure 21: Effect of merger and acquisition (M & A) of Volvo on the image improvement of Geely as a Chinese car brand. ( $N = 204$ ,  $M = 3.6$ ,  $Std. Deviation = 0.87$ )

As illustrated by the figure above, approximately 65.2% of the respondents agreed or strongly agreed that acquisition with Volvo improves the image of Geely as a Chinese car brand. Around 10% of the respondents do not think so and the other 23.5% of the respondents neither agreed nor disagreed.

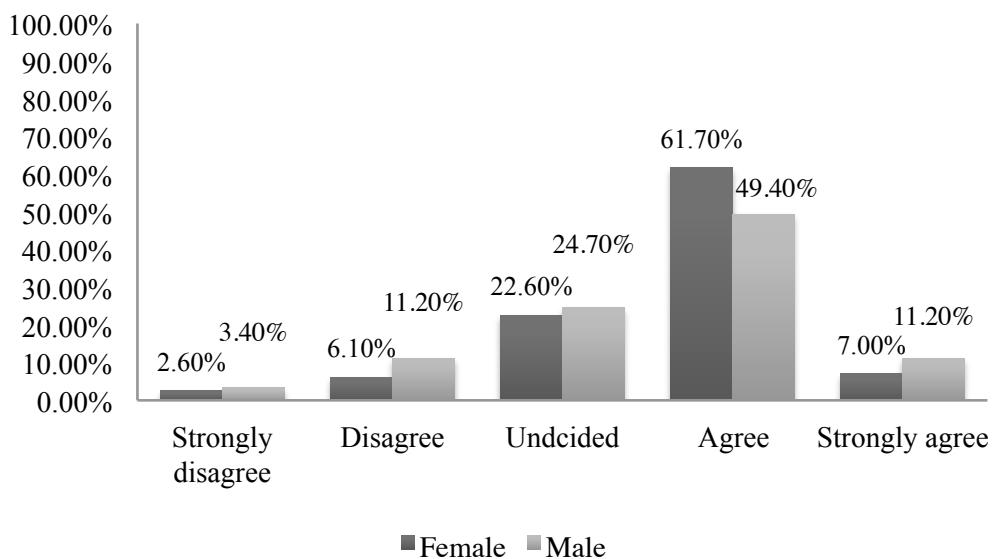


Figure 22: Difference of M&A effects on improving the image of Geely as a Chinese car brand between genders ( $N = 204$ )

In terms of gender (Figure 22), approximately 70% of the female respondents and 60% of the male respondents tend to believe that Geely acquiring Volvo improved its image as a Chinese car brand. On the other hand, approximately 15% of the male respondents and 9% of the female respondents disagreed the effects of the acquisition.

Statistically, no significant difference was observed between the means of female ( $M = 3.64$ ,  $SD = 0.81$ ) and male ( $M = 3.54$ ,  $SD = 0.95$ ) respondents through T-test performance ( $t = 0.83$ ,  $p = 0.41$ ).

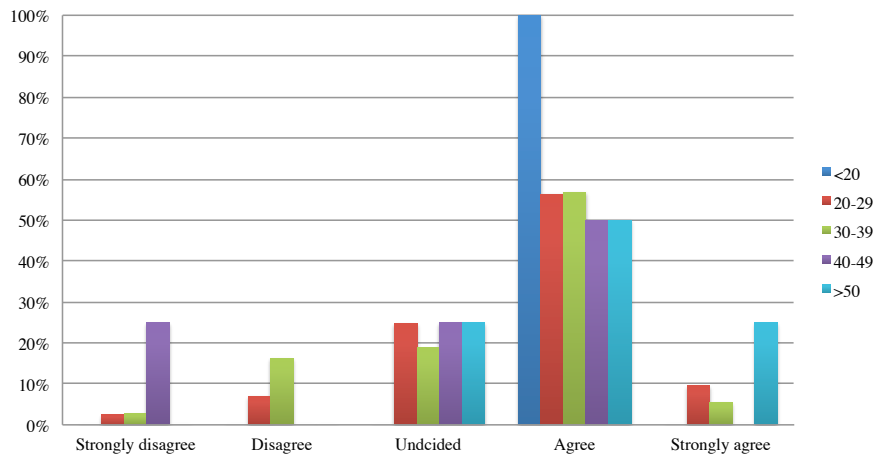


Figure 23: Difference of M&A effects on improving the image of Geely as a Chinese car brand among age groups.

In Figure 23, at least half of each age group seemed to agree that the acquisition of Volvo brings positive perception towards Geely. Yet, there is a total 25% of the respondents from 40-49 years old totally disagree on the actual image improving effects of acquiring Volvo. Compare to the other age groups, the group of 40-49 years old seems to have the biggest proportion of respondents who do not perceive the acquisition as an effective strategy for Geely to improve its brand image.

Statistically, no significant difference among the means given by different age groups was obtained through ANOVA performance. This means that age has not necessarily been significantly influential to the outcome in this context. Data is presented as below:

Do you agree the acquisition of Volvo improves the image of Geely as a Chinese brand

Age Groups	Agreements (1-5 scale)	
	Mean	Std. Deviation
<20	4.00	0.00
20-29	3.63	0.85
30-39	3.46	0.93
40-49	3.00	1.41
>50	4.00	0.82
F		1.03
p		0.39

Table 17: ANOVA of the agreement on the actual effects of Geely acquiring Volvo on its brand image improvement ( $N = 204$ )

Here, according to the findings discussed above, it is conclusive to state that by acquiring foreign car brands with their established brand equity in the international market, a Chinese car brand will be able to improve its brand image, despite the negative influences its brand COO triggers. No specific demographical characters were detected to have statistically significant effects on the outcomes at this point.

#### 4.3.2 Factors needed to counter the negative brands' country of origin effects

Being associated with negatively viewed COO, Chinese car brands are in need of sophisticated branding practices. For that, an important precondition is to pinpoint factors that the brands ought to improve so that the associated and negatively perceived COO image could be effectively reversed. Thus, the respondents were required to rank factors that they think are important to help Chinese car brands counter negative brands' COO effects. Figure 24 below presents the means of each factors based on 1-5 scale given by the respondents.

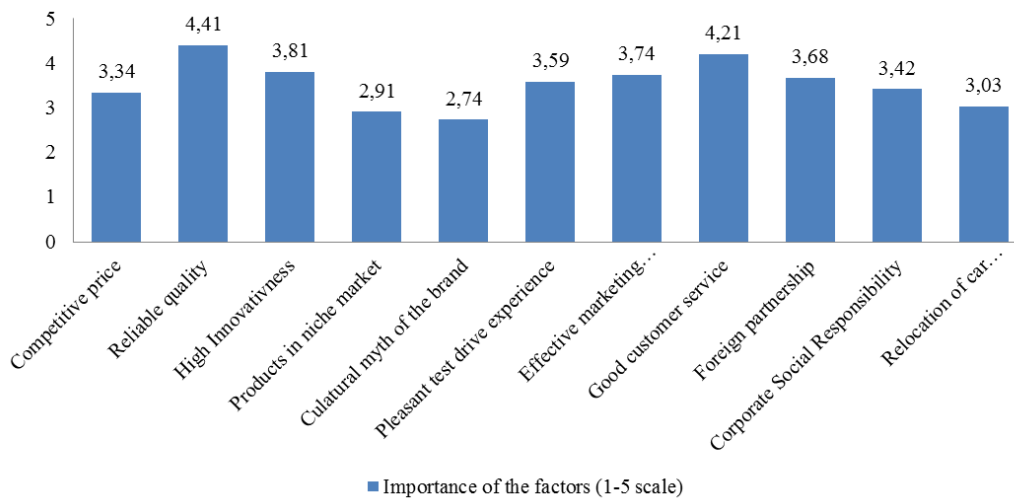


Figure 24: The means of importance of the factors needed to counter negative Country of Origin ( $N = 204$ )

Indicated by Figure 24, the concern of quality seems to be the most critical challenge for Chinese car brands. The traditional role of being world factory that manufactures bad-quality products has earned China an unfavorable image of COO. Thus, it is most important that the Chinese car brands could overcome the lack of quality perception so that the overall reliability of the brands could be improved. Moreover, customer services seem to be valued as the second most important factor. This result highlights the important role of customer relationship management in building up good image. After service, high innovativeness was ranked as the third important factor that is considered to be helpful. Aside from quality problem, fake and replica brands from China seem to be another reason for unflattering perceptions of Chinese brands. Therefore, in the global market, it is key for the Chinese car companies to bring out brands that embody high innovativeness in an effort to reverse the mindset. The top 5 factors selected are presented below:



Importance of the factors on countering brands' COO (top 5 on 1-5 scale)	Mean	Std. Deviation
1. Reliable quality	4.41	0.69
2. Good customer service	4.21	0.79
3. High innovativeness	3.81	0.98
4. Effective marketing comm	3.74	0.98
5. Foreign partnership	3.68	1.03

Table 18: Top 5 factors that are important to counter the negative brands' COO ( $N = 204$ )

In addition, means of different gender groups were illustrated below to examine whether there is statistically difference between the ratings of male and female respondents, and on which factor that significant disparity existing between the two groups. Means were compared through independent-sample t-test.

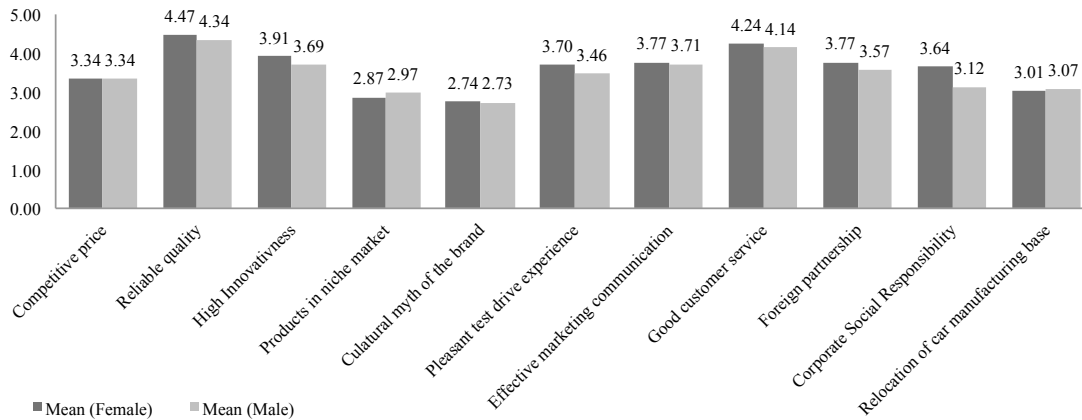


Figure 25: Means of different gender on the importance of factors needed to counter negative image of brands' country of origin ( $N = 204$ )

Referring to Figure 25, no extensive difference is detected between female and male respondents. Both female and male respondents ranked “reliable quality” and “good customer service” as the top 2 important factors that the Chinese car brands have to work on. Yet, male respondents seem to think that effective marketing communication is a more

important factor than the high innovativeness while female respondents chose the high innovativeness as the third most important factor.

Factors to counter negative brands' COO	Female		Male		p
	Mean	SD	Mean	SD	
Competitive price	3.34	1.00	3.34	1.03	0.99
Reliable quality	4.47	0.57	4.34	0.83	0.18
High Innovativeness	3.91	0.84	3.69	1.12	0.10
Products in nich market	2.87	0.94	2.97	1.08	0.50
Cultural myth behind brand	2.74	1.24	2.73	1.33	0.96
Pleasant test drive experience	3.70	0.95	3.46	1.06	0.10
Effective marketing communication	3.77	0.92	3.71	1.05	0.68
Good customer service	4.24	0.80	4.17	0.77	0.50
Partnership with foreign expertise	3.77	0.88	3.57	1.20	0.19
Corporate Social Responsibility	3.64	1.09	3.12	1.24	0.002*
Relocation of car manufacturer	3.01	1.18	3.07	1.18	0.73

Table 19: Perceptions on the importance of factors needed to counter negative brands' COO between gender groups, Independent sample t-test ( $N = 204$ )

Statistically, no significant differences were discovered on most factors between male and female respondents. However, in terms of corporate social responsibility of the brand, the outcome of t-test indicated the existence of significant difference ( $t = 3.173$ ,  $p = 0.002$ ) between the female group ( $M = 3.64$ ,  $SD = 1.09$ ) and male group ( $M = 3.12$ ,  $SD = 1.24$ ). In other words, it is statistically proved that international female consumers value the importance of corporate social responsibility as a factor of countering negative COO more than male consumers do. This also serves a strategic indication that could effectively promote Chinese car brands that target at the female consumers.

In the same manner, age group is another perspective to compare the means at this point. It is of interest to examine the evaluation on the importance of the factors among respondents of different age group and observe the possible differences. One-way ANOVA here was applied to test the significance.

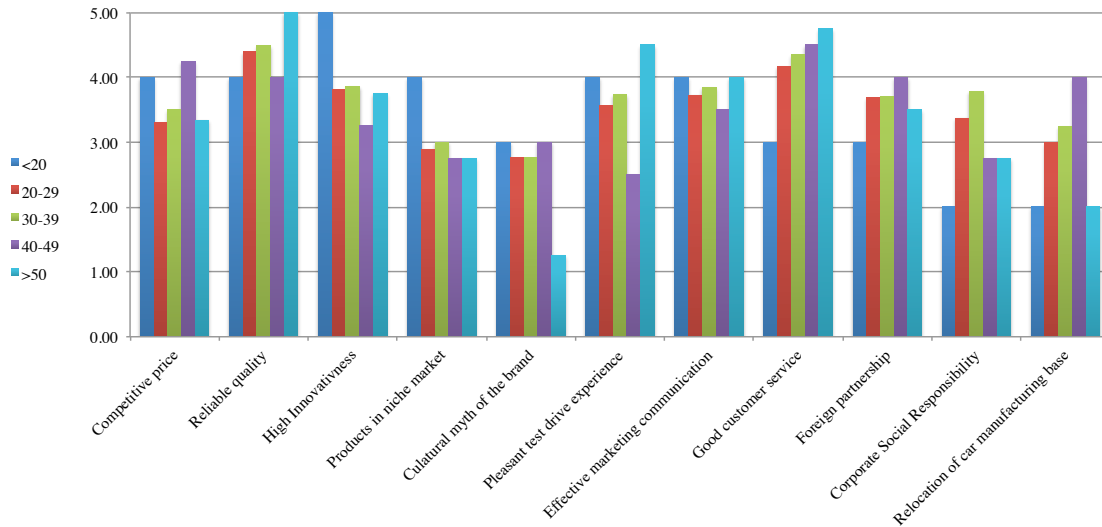


Figure 26: Means of different age groups on the importance of factors needed to counter negative image of brands' country of image ( $N = 204$ )

In light of Figure 26, respondent below 20 years old valued high innovativeness as the most important factor. The majority ( $N = 195$ ) of the respondents, which is from the age group of 20-29 years old and 30-39 years old value the reliable quality and good customer services as the most important factors. This is in line with the top 5 factors listed in Table 18. On the other hand, respondents that are above 40 years old seem to accord great importance to customer service, especially the respondents between 40-49 years old. Furthermore, a trend that might have become apparent is that importance of good customer service seems to increase by age.

Next, one-way ANOVA was applied to determine the difference of means across the age groups. According to the results, no statistically significant differences were detected among the age groups. Perceptions towards the importance of those factors are not statistically different among these age groups.

Factors to counter negative brands' COO	<20		20-29		30-39		40-49		>50		F	p
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Competitive price	4	0	3.3	1.026	3.35	0.949	3.5	1.291	4.25	0.5	0.992	0.413
Reliable quality	4	0	4.39	0.73	4.49	0.559	4	0	5	0	1.309	0.268
High Innovativeness	5	0	3.81	1.004	3.86	0.918	3.25	0.5	3.75	0.957	0.723	0.577
Products in niche market	4	0	2.89	1.032	3	0.943	2.75	0.957	2.75	0.5	0.427	0.789
Cultural myth behind brand	3	0	2.76	1.284	2.76	1.254	3	1.414	1.25	0.5	1.433	0.225
Pleasant test drive experience	4	0	3.56	1	3.73	0.871	2.5	1.732	4.5	0.577	2.323	0.058
Effective marketing communication	4	0	3.72	0.997	3.84	0.834	3.5	1.732	4	0.816	0.264	0.901
Good customer service	3	0	4.16	0.813	4.35	0.676	4.5	0.577	4.75	0.5	1.646	0.164
Partnership with foreign expertise	3	0	3.68	1.042	3.7	1.024	4	1.414	3.5	0.577	0.236	0.918
Corporate Social Responsibility	2	0	3.37	1.223	3.78	0.947	2.75	1.258	2.75	0.957	1.964	0.101
Relocation of car manufacturer	2	0	2.99	1.202	3.24	1.038	4	0.816	2	0.816	2.02	0.093

Table 20: Perceptions on the importance of factors needed to counter negative brands' COO, ANOVA performance ( $N = 204$ )

To better improve the understanding of the factors that are important to assist Chinese car brands with countering the negative brand's COO, factor analysis was performed to discover unobserved and uncorrelated variables. This is a meaningful step towards finding important dimensions as overall guidelines, based on which the Chinese car brands can determine the branding strategies. In this specific case, the number of factors listed was categorized reduced by carrying out a principal component analysis. Table 21 illustrates the result.

<b>Principal components of factors needed to counter negative country of origin effects.</b>		
<b>Product specific value added attributes</b>	Principal component 1	$h^2$
Reliable quality	.72	.52
Good customer service	.66	.53
High innovativeness	.61	.61
Pleasant test drive experience	.60	.39
Effective marketing communication	.50	.39
Competitive price	.33	.16
<b>External Associations</b>	Principal component 2	$h^2$
Relocation of manufacturing base	.73	.63
Cooperation with foreign expertise	.72	.57
Strong corporate social responsibility	.58	.44
<b>Brand Differentiation</b>	Principal component 3	$h^2$
Products in the niche market	.77	.60
Culture myth behind the brand	.71	.58

Table 21: Factor analysis on factors needed to counter negative COO effects

For performing the factor analysis, varimax rotation was employed and minimum loading output is .497. Kaiser-Mayer-Olkin (KMO) measure of sampling adequacy is .724 and a Bartlett sphericity coefficient is 309.599 with a significance of .000. Therefore, it is fine to state that the correlation matrix is acceptable for the principle component analysis. Data implied three principle components, which explained 49.32% of the total variance of the variables. By referring to the content and the loading of the variables, the three principal components were called: product specific value added attribute, external associations and brand differentiation.

These resulted three components reveal three dimensions, which the Chinese brands should attach importance to. The result underlies an important strategic indication, stating that, aside from incorporating with foreign brands to improve the reputation, enhancing the products' attributes is of primary importance to the Chinese car brands. Regardless of all external efforts to promote the brand, the product the core and foundation that consumers base their evaluations on. In this case, for Chinese cars, solid quality is the first and the most serious issue at forefront. Only when the Chinese cars are testified to their reliabilities as a pre-condition, the rest of the product related attributes could be strengthened. Last but not least, although products in niche market ( $M = 2.91$ ) and culture myth ( $M = 2.74$ ) behind the brand both received relatively low score in terms of the importance, factor analysis indicated that differentiating brands by competing in the niche market and generating brand myth could be contributive as well to counter the negative effects of brands' COO.

#### 4.3.3 Channels for effective branding

With the absence of right channels, branding efforts cannot reach the best results. Therefore, in spite of exploring the right factors to be improved, channels that could efficiently communicate to the consumers are key. The final part of the questionnaire was designed to

figure out the way that consumers would like to be approached. Measurement was realized through 1-5 likert scale anchored by 1 = Not at all preferred and 5 = Extremely preferred.

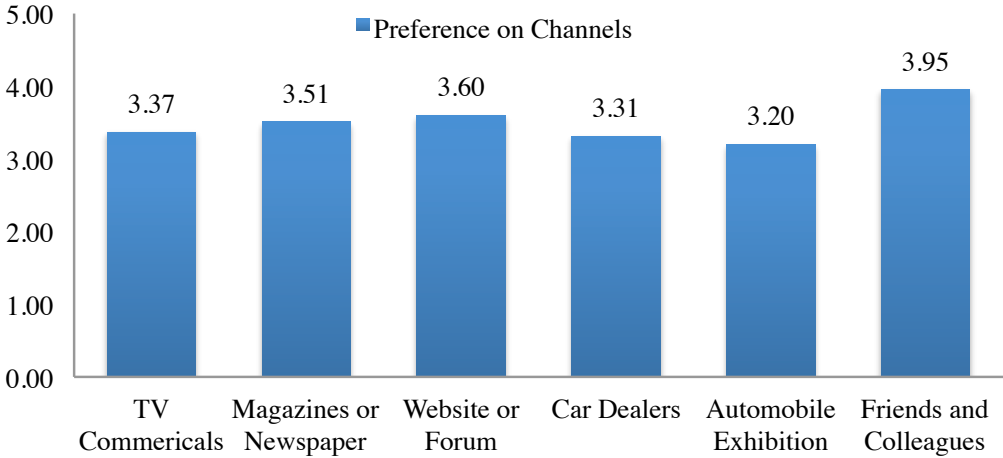


Figure 27: The mean of preferences on channels through which consumers would like to receive information about cars ( $N = 204$ )

Apparently, friends and colleagues were selected as the most preferred channel for consumers to receive information. It can be seen that receiving recommendations through people that consumers are close with or working with could be the most preferred, and therefore, the most effective channel to brand the Chinese cars. It also underlies a fact that people are usually more convinced if the feedback or recommendation is from people that have no association with the company or the brand. Contrarily, automobile exhibition, car dealers and TV commercials were selected as the least preferred channels from where the respondents would like to receive information. Information received through these channels might be rich, however, not as convincing. The strong attempts of selling products accompanied by those channels could sometimes intimidate or concern the consumers, arousing doubts towards the product information. Additionally, website or forum and magazine or newspaper on the subject of car were viewed as the other two preferred channels, professional website and forum are in particular preferred in accordance with the average grade.

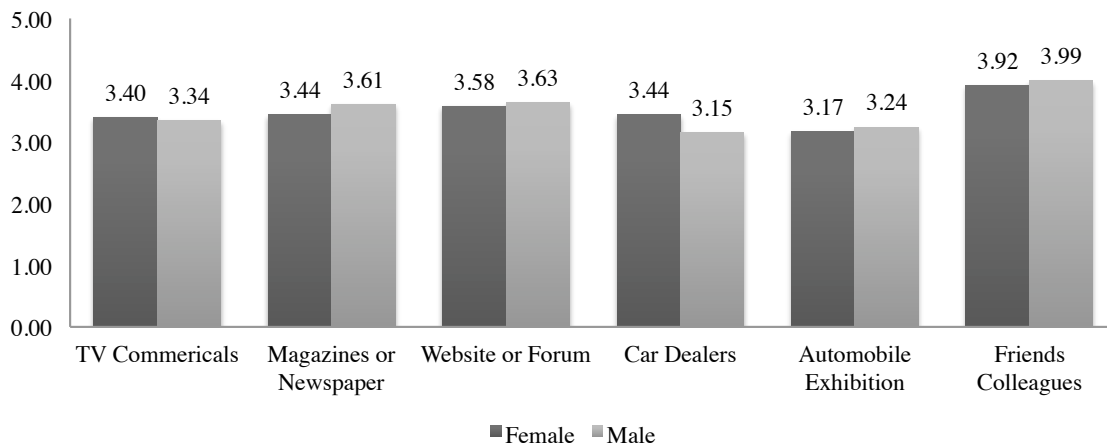


Figure 28: Means of comparison between female and male respondents on channels preferred ( $N = 204$ )

With regard to the gender group, no large difference was observed. The average preference on each channel was fairly similar between female and male respondents. Both genders preferred the most to receive information about a car through their friends and colleagues whereas male respondents rated car dealers as the least preferred channel and female respondents rated automobile exhibition as the least preferred channel.

Preference on the branding channels	Female		Male		p
	Mean	SD	Mean	SD	
TV Commercials	3.40	1.28	3.34	1.22	0.72
Magazine or Newspaper	3.44	1.20	3.61	1.17	0.33
Website or Forum	3.58	1.29	3.63	1.15	0.79
Car Dealers	3.44	1.27	3.15	1.10	0.08
Automobile Exhibition	3.17	1.30	3.24	1.23	0.70
Friends and Colleagues	3.92	1.20	3.99	1.08	0.68

Table 22: T-test on the average preference on each channel between female and male respondents ( $N = 204$ )

From statistical point of view, no significant difference was found. In other words, at this point, there is no statistically difference found between gender groups in terms of the preference on the channels through which they receive the information.

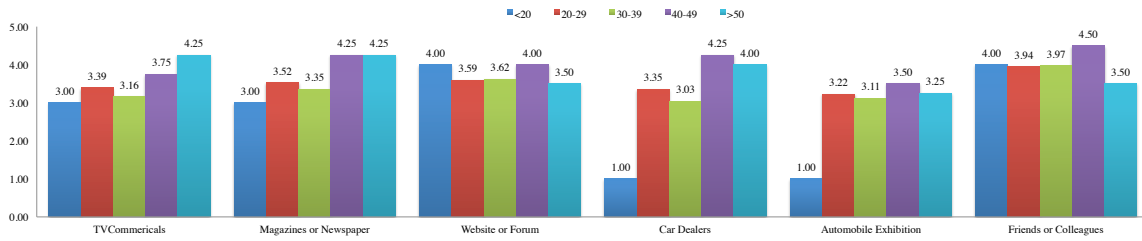


Figure 29: Preference on Channels in terms of different age groups ( $N = 204$ )

Referring Figure 29, respondents under 20 years old specially do not prefer to receive information from car dealers and automobile exhibitions by stating both these two channels 1 on preference rating, which are the lowest rate these channels received among all the age groups. While all respondents from the other age groups rated friends or colleagues as their most preferred channel, respondents aged above 50 years old clearly preferred more traditional approaches, such as TV commercials and Magazine/Newspaper. Further, although car dealers is generally one of the least preferred channel, respondents from 40-49 years old choose it as their second preferred way in this case. This also implies a possibility that branding cars through car dealers maybe an effective approach to consumers who are from that age group. The other two age groups maintained the similar preferences over channels as the overall results presented in Figure 27, where friends or colleagues is the most preferred channel and car dealers and automobile exhibitions are the least preferred ones. Aside from friends and colleague as the most preferred channel, it seems that people over 40 years old prefer traditional branding channels, such as TV commercials and car dealers to receive information while people under 40 years old are more inclined to modern branding methods such as website or forums.

Age Group	TV Commercials		Magazine or Newspaper		Website or Forum		Car Dealers		Automobile Exhibition		Friends and Colleagues	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
<20	3.00	0	3	0	4	0	1	0	1	0	4	0
20-29	3.39	1.26	3.52	1.204	3.59	1.247	3.35	1.211	3.22	1.295	3.94	1.158
30-39	3.16	1.214	3.35	1.184	3.62	1.139	3.03	1.142	3.11	1.125	3.97	1.19
40-49	3.75	1.893	4.25	0.957	4	1.155	4.25	0.957	3.5	1.291	4.5	0.577
>50	4.25	0.5	4.25	0.5	3.5	1.915	4	0.816	3.25	1.708	3.5	1
F	0.875		0.987		0.142		2.479		0.863		0.384	
P	0.48		0.416		0.966		0.045*		0.487		0.82	

\*  $p < 0.05$

Table 23: ANOVA to compare the average preference on each channel among different age groups ( $N = 204$ ).



Statistically, no difference was detected among age groups in terms of their average preference on most of the channels. Yet, the outcome presented that there is a significant difference ( $p < 0.05$ ) on the preference of car dealers among the age groups. It is clearly demonstrated that consumers from age group of 40-49 years old place the highest value on car dealers as a branding channel while consumers below 20 years old view the channel as the least preferred. Again, this result underlies an important signal to brand Chinese car among people aged from 40-49 years old.

Last but not least, factor analysis was performed in order to better understand the preferences of consumers on branding channels for Chinese cars. Major strategic orientation for branding the Chinese car brands could be determined through this step. Table 24 below presents the outcome of the factor analysis:

<b>Principal components of channels consumers prefer to receive information about Chinese car brands</b>		
<b>Word of mouth</b>	Principal Component 1	h <sup>2</sup>
Car Dealers	.72	.54
Friends or Colleagues	.66	.47
Website or Forum	.63	.50
Automobile Exhibition	.52	.43
<b>Mass Media</b>	Principal Component 2	h <sup>2</sup>
TV commercials	.81	.67
Magazine or Newspaper	.76	.66

Table 24: Principal components of channels consumers prefer to receive information about Chinese car brands

According to the analysis, A Kaiser – Mayer –Olkin (KMO) measure of sampling adequacy of .602 and a Bartlett sphericity coefficient of 171.768 with a significance of .000 were obtained, indicating the acceptance of the correlation matrix. The gathered result explained 54 per cent of the total variance of the variables. On the basis of the content and the loading of the variables, the two principal components were called: word of mouth and mass media (Table 24).

Here, these two principal components obtained describe the strategic orientation for Chinese car brands on selecting the marketing channels, through which the brands can be effectively promoted. In other words, it means that Chinese car brands should adopt channels, which allow word of mouth effects, as the dominant approaches while utilizing mass media to increase brand awareness at the same time.

#### 4.3.4 Summary

This section is dedicated to explore strategies on improving customer – based brand equity of Chinese car brands. Three sub sections were conducted to respectively discuss 1) if merger and acquisition of foreign brands could help Chinese brands improve image in the international market 2) factors that are important to counter negative brands' COO effects 3) channels that consumers prefer to receive information about Chinese car brands.

Merger and acquisition seem to be the major, or probably the only, strategy that Chinese brands are applying to expand business to the international market. Most consumers acknowledged the positive impact on Geely as a Chinese car brand after its acquisition with Volvo and no statistical difference detected in terms of gender and age differences. Yet, is M&A the only way to improve Chinese car brands' brand equity? Factors that are needed to help the brands counter negative brands' COO were examined afterward to explore the other possible techniques and the factor analysis was performed to determine the major dimensions that the brands should focus on. The results showed that quality still is the number one concern. Again, this point here significantly goes in line with the findings in the previous sections, which all indicate quality as the primary concern. Customer service and high innovativeness come as the second and third most important factors while foreign partnership, including M&A, only ranked as the fifth. This result did not deny the effectiveness of M&A as a strategy, but indicates that it is not the most effective one for the status quo of Chinese car. Further, major dimensions were concluded through factor

analysis. According to the result, product-related attributes, which involve quality, service, innovativeness, etc., turn out to be the first principal component while external associations, which involve foreign partnership and foreign manufacturing base, etc., turn out to be the second. Brand differentiation, as the last dimension, includes brand promotion of niche products and generation of culture myth behind the brand, etc.

Good strategies need to be equipped by the right communication channels, which, in this case, were examined through consumers' preference, using 1-5 likert scale with 1 being not at all preferred and 5 being extremely preferred. Through comparison of the average score, receiving information and recommendation about a car through friends or colleagues was voted as the most preferred among all the other approaches. Professional website or forums follow as the second preferred channel while traditional branding channels, such as TV commercials, car dealers or automobile exhibitions, received the least preference. Result as such underlies a fact that consumers are more likely to be convinced if the branding channel carries a handful of information or recommendations that derive from brand experiences of the users. To the Chinese car brands, as it lack of trust among consumers, realizing word of mouth effects through most preferred channels as the voted ones would essentially tackle the problem. Yet, in order to generate word of mouth effects, a reliable car with good quality remain as the primary condition, which again demonstrated the importance of improved quality in this case. However, this is not to say that traditional mass media are not as important. Demographically, consumers that are above 40 years old seem to consider such channels, as car dealers, TV commercials or automobile exhibitions, acceptable. Consumers from 40 – 49 years old were statistically approved as the group that prefer car dealer as a branding channel more than any other age groups. Here, determination of branding channels based on different age groups may not be unnecessary.

## 5 CONCLUSIONS AND DISCUSSIONS

In this chapter, the theoretical framework portrayed prior is modified, given the empirical findings from the quantitative research. In accordance with the revised framework, the factors that significantly affect CBBE are presented and discussed, in addition to which relationships among those factors are revealed at the same time. The revised framework also emerges to determine the type of brands by referring to the model developed by Kim (1995). Strategic implications are introduced next based on suggestions drawn from both the empirical findings and Kim's framework. Last but not least, limitation of the study and future research indication will be suggested as a closure of the study.

### 5.1 Revised framework

This section is dedicated to present the rationale behind the revised framework, which is concluded from the previous empirical findings. The major purpose at this stage is to identify the inconsistency between the theoretical framework that was derived from prior literature review and empirical observation retreated from the quantitative study for the sake of conducting a new revised framework. In the following sub-sections, three major adjustments regarding the new framework will be presented and discussed.

#### 5.1.1 Relations between the brand image and country of origin effects

The four dimensions (brand awareness, brand image, brand quality and brand loyalty) presented in the theoretical framework are representations of both Aaker (1993)'s and Keller (1993)'s theories, Yet, to most of Chinese brands that barely generate brand awareness in the market, brand loyalty does not occur at this stage. In light of the empirical findings, consumers cannot recognize most of the Chinese brands, car brands in particular, which made brand recall difficult to realize. Further, the so called "culture bazaar" concept defined by Keller (1998, p. 277) cannot be applied in this study with respect to the brand

awareness due to the inexplicit COO expertise in the product categories. Therefore, for Chinese brands that go abroad, the advantage of the COO on building up brand awareness is not in position to be utilized. Rather than stating the country name together with brand name, Chinese brands are better off by diluting its China identity. At this point, most Chinese brands are not able to differentiate themselves from the others in the same category in favor of brand recognition and brand recall.

Brand Image plays a profound role in the relationship between the brands' COO and the brands' CBBE. Literature review suggests that COO is seen as one source to generate brand image (Aaker, 1991; Keller, 1993) and its associations would affect brand image and subsequently the brand's equity. At this point, empirical findings proved that Chinese brands are under significant effects of the China identity and the brand images are very much negative. In other words, due to the infectious Chinese identity, Chinese brands majorly suffer from attributes such as, cheap, poor quality, unreliable etc., that are normally attached to this identity regardless of brand's product category.

From another perspective, researches indicated that consumer brand image shifts when the COO of the brands change (Pappu et al, 2007, p. 729). These researchers have also pointed out that consumers have country-specific brand images (Pappu et al, 2007, p. 729), and a country's image could also be reversely affected by its major brands' performances in the other markets (Kim, 1995). Given the bi-directional influences existing between the COO and the brand image, a relationship between COO and the brand associations is suggested. Being seen as a secondary association of a brand (Aaker, 1991; Keller, 1993), COO is seen as one source to generate brand image. Similarly, Pappu et al (2006, p. 701; 2007, p. 729) emphasized that while consumers' COO associations emerge as secondary associations, they would affect brand image/associations and subsequently brand equity as consumers with knowledge of COO of the brand will possess positive/negative associations towards the image of that brand. Last but not least, different from Pappu et al (2006, p. 736)'s claim that COO effects are product category specific, Agarwal and Sikri (1996) argued that the

image of COO has been found transferrable between product categories. This is to say, consumers' country image beliefs related to a specific product category can be transferred to another new products from the same country. Such transference of beliefs is seen as a sign of consumer loyalty to brands that are from countries with favorable images (Pappu et al, 2007, p. 729).

Depicted from the findings and discussion above, the bi-directional relationship does exist between brands' COO and brands' image and their association. Brands per se are no longer simply affected by their country identity. Brand's COO image is, at the same time, defined by brands' performances. The relationship derives from customer experiences of brands originated from specific country, defining stereotypes exclusively summarize the image of that country's product, which later on significantly affect the other brands with that country's identity regardless of products' category.

#### 5.1.2 The roles of brand image and brand quality

As referred by the theoretical framework, brand image and brand quality are seen as two independent constructs affected by the brands' COO image. Aside from the just discussed relationship between brand image and brands' COO, this study implies an interrelation between brand image and brand quality, which underlies an important role brand quality plays in the dimension of brand image.

For Chinese brands, quality is one of the most frequently cited attributes that are associated with brands originated from China. Over half of the respondents in the survey choose "poor quality", when asked which word is representative to describe their impression about Chinese brands. Other words such as "unreliable" and "poor value" that are associated with quality can also be detected in the top 5 chosen attributes.

For Chinese car brands in particular, the influence of quality concern on brands image is no exception. Although Chinese cars do not have a large customer base and little brand awareness exists in the market, quality related images are implicitly the major factors that halt the growth of Chinese car industry. In accordance with the findings of survey, the overall brand awareness towards Chinese car brands scored very low ( $M < 2$ ) and most respondents stated unfamiliarity with car brands from China. Yet, in the absence of prior brand experiences, the respondents still cited a variety of suspicion towards factors associated with quality, such as reliability, trust, and safety. Apparently, prior image of Chinese brands has generated explicit stereotype of unreliable quality in consumers' mind and these quality concerns certainly affect the other Chinese brands in different product category, despite the fact that consumers have not encounter the brands' products in real life. At this point, it can be stated that quality is a profound element on shaping and defining the image. For Chinese brands in particular, quality cannot be set apart from brand image. As an important component of brand image, its interrelation with brand image can be illustrated as below:

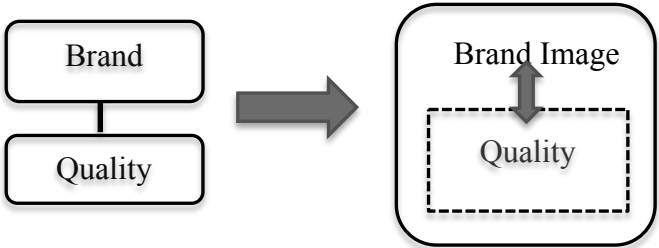


Figure 30: Interrelation of brand image and brand quality.

From a statistical perspective, correlation test on the assessment of Chinese car industry also demonstrates that quality is an essential part of the brand image and it is closely related with brand image. Analysis shown in Table 16 suggests the existence of strong correlations between brand image and all quality-associated criteria, such as “safety” ( $p < 0.01$ ), “reliability” ( $p < 0.01$ ) and “Trust” ( $p < 0.05$ ). In other words, it is statistically proved that quality is an important component for brand image and it is significant to perceive quality

as a vital dominant element that influences the brand image, especially for Chinese car brands.

To shortly summarize the discussion at this point, instead of viewing brand image and quality as two separate constructs that influence consumers' perceptions towards brands' COO, quality should be seen as a vital component of brand image. For Chinese brands in particular, quality is a dominant element that determines the image of the brand. Especially to international consumers, their prior encounters with Chinese brands inevitably label the country brands under the category of "unreliable quality", which could easily be transferred to other brands with the same country identity.

### 5.1.3 The omission of product category– country association and brand loyalty

This section is used to present the rationale of the exclusion of two dimensions in the original framework, product category-country association and brand loyalty. Omission of these two dimensions is determined by the particular reasons lied in the current situation of Chinese car brands.

#### 5.1.3.1 Product category – country association

As is stated in the theoretical section, product category – country association is a term used to define consumers' ability to evoke a country when the product category is mentioned (Pappu, 2006, p. 698) and the relation is bi-directional (Farquhar & Herr, 1993). By comparing the consumers' perceptions towards Chinese brands in general and Chinese car brands in particular, Chinese brands apparently do not stand in the realm of this definition. Rather, opinions regarding brands tend to be associated profoundly with country image only.



When asked to rank top five attributes of Chinese brands, respondents in this study chose top 5 attributes (Table 8), out of which 4 attributes are identical to the results received by Interbrand from the same question in year 2005 (Table 9). “cheap”, “poor quality”, “unreliable” and “poor value” seem to be the globally recognized brand associations with Chinese brands both in the past and in the present. On top of that, when asked to rank the attributes of a specific brand category, for example: Chinese cars in this study, similar attributes (trust, safety, reliability and prestige) were highlighted by receiving the lowest rating from the respondents. Information drawn from this result implies incredible consistency, which indicates a reality that images of Chinese brands are significantly generalized as a whole, regardless of brands’ product category. This statement is further strengthened by Interbrand’s survey on 9 different Chinese industries, where all the industries did not score well on many of the dimensions. Yet, it is worth noting that, for all industries, factors of trusty, reliability and overall value are critical missing associations (Interbrand, 2005, p. 3), which, again, are extensively consistent with the findings in this study.

Therefore, based upon the consistency shown by all the surveys mentioned above, it can be concluded that consumers tend to have unified brand associations towards Chinese brand. That is to say, most brands from China tend to be in conjunction with dimensions of “low quality”, “unreliability” and “poor overall value”, regardless the product category that the brand belongs to. Here, it is apparent that product category-country association is not the major definition that determines the resulted consistency. Instead, consumers tend to solely associate Chinese brands with brands’ country rather than taking brands’ product category into consideration. Thus, in this study, the product category – country association is omitted from the original framework, grounded on the discussion above.

### 5.1.3.2 Brand loyalty

As one of the constructs that consist of CBBE, brand loyalty is a vital dimension that assesses consumers' commitment towards the brand. By referring to the CBBE Pyramid created (Figure 5) by Keller (2001, p. 7), brand loyalty occurs at the last stage when brand awareness, brand image and brand response are all in place (Keller, 2001, p. 7). This is to say, in the absence of those three phases, brands' loyalty are lacking solid pre-conditions to take place.

According to the findings of the consumer survey, the brand awareness and brand image along with brand responses of Chinese car brands are considered as weak. This indicates a reality that brand loyalty for Chinese car brands does not quite existed yet in the international market and the process of brand building still stays at a very preliminary stage where brand awareness, brand image along with brand quality, as important foundation for brand loyalty, are still in the urge of magnificent improvements. Therefore, it is suggested to exclude brand loyalty in the ultimate framework and only focus on the other three constructs.

In a word, this section explains the logic as to why the two constructs, product category – country association and brand loyalty, are omitted from the framework. This choice was case-based and very dependent on the findings received from the corresponding survey undertaken for the study. At this stage, Figure 31 serves as a brief summary to illustrate the partial change of the framework.

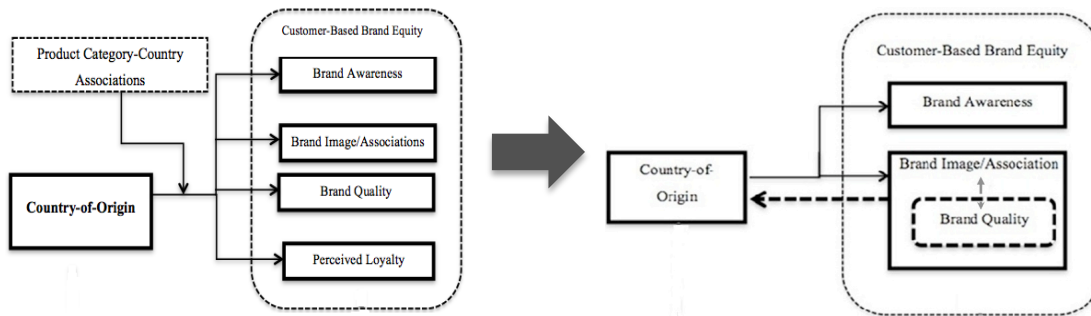


Figure 31: Modified relationship between the effect of Country of Origin and Customer – based brand equity.

#### 5.1.4 Determination of double negative brands

After determination of the various relationships between COO and CBBE equity, Chinese car brands could be then categorized in accordance with brands’ popularity and the effects of brands COO so that corresponding strategies that pinpoint the weaknesses can be formed.

In line with findings of this study and with reference to Kim’s table (Table 1) on brand popularity and COO effect, Chinese car brands are grouped into the category named “Double negative brands” where both brand popularity and Country – of – Origin image are not perceived as positive by the consumers. The underlying purpose of doing so is not only to explicitly indicate the status quo of the Chinese brands in the market but also to suggest effective solutions that can be employed at the corporate level so that the study is of profoundly theoretical and practical significance.

Country	Brand Popularity	
Image	High	Low
High	Double positive brands	Popularity-deficit brands
Low	Country-deficit brands	Double negative brands

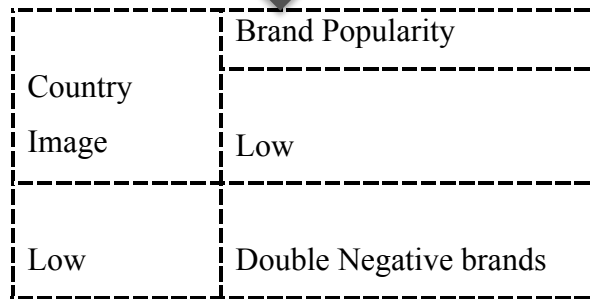


Table 25: Determination of the brands' category

Hitherto, the theoretical framework is restructured along with revised relationships among the constructs as is depicted in Figure 32.

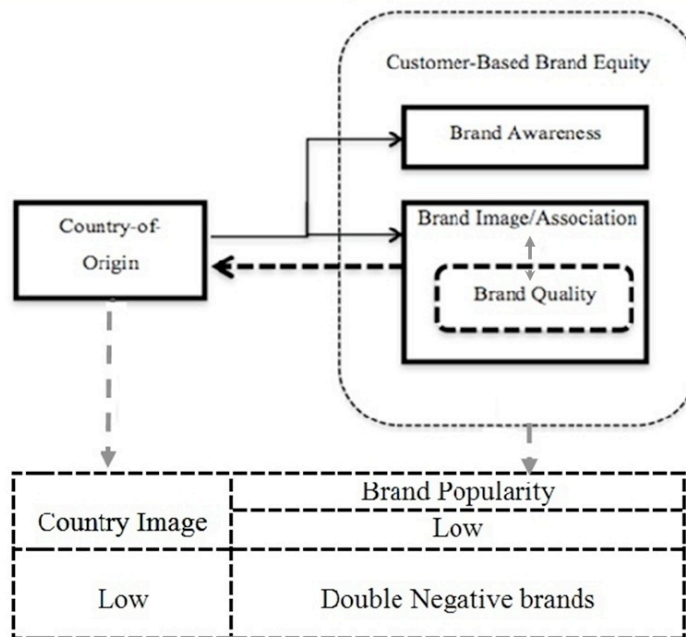


Figure 32: Revised framework

To sum up the revised framework, the relationship between COO effects and Brand image/association were demonstrated to be bi-directional. Brand image/association is no longer only affected by brands' COO. It also lays its influences on the image of its COO. This is to inform a reality that consumers are easily to extend their image of brands from the same country to a new brand of that country that they rarely have experiences with. For Chinese brands in particular, this is consistently hindering Chinese car brands from reaching high brand equity in the international market. Moreover, it is discovered that the consumer perceptions towards Chinese brands are rather unified than being product category specific. "Quality", "reliability" and "overall value" of Chinese brands are demonstrated to be the major concerns that across all Chinese products. Additionally, relationship between brand image and brand quality was altered into an inter-related association that re-positions brand quality into the realm of brand image as to underlie the reciprocity of the relation and the role of brand quality as a dominant element that is of importance on the formation of brand image. Brand loyalty, as the fourth construct of CBBE, is omitted from the revised framework. Justification can be found in section 5.1.3. Last but not least, Chinese brands are categorized into "Double negative brands" according to Kim's table (Table 1) as well as in conformity with the survey findings.

In next Chapter, the corresponding branding strategies that can be applied to counter "Double negative" effects are presented. It is worth noting that all the strategies are accordant with Chinese brands and are case related.

## 5.2 Strategic and managerial implications

This chapter is mainly designed to provide strategic suggestions in an effort to assist Chinese brands to effectually counter the negative effects triggered by brands' COO. Strategies introduced in this chapter derive from ideas raised by branding academics, consumers and experiences from brands that used to encounter similar challenges.

According to principal components provided by factor analysis (Table 19) in section 4.3.2, the following implications are presented in an order of the three resulted principal components from Table 21, which are product specific value added attributes, external associations and brand differentiation.

#### 5.2.1 Product specific value-added attributes

As one of the principal components cultivated by factor analysis in section 4.3.2, product specific value-added attributes are seen as of primary importance on improving brand equity for Chinese car brands. The significance at this point is to distinguish essential aspects among all product-related attributes for Chinese brands in a way that the companies are able to detect factors that are in need of greatest attentions and improvements.

##### 5.2.1.1 Quest on quality improvement

Quality concerns seem to be the major challenge faced by Chinese brands of all time. Chinese car brands are by no means exceptions. Survey results indicate that Chinese car brands scored low on all quality-related criteria, underlying a critical situation that calls for immediate quality improvements. At this point, brand's product lies in the center of the quality improvements, as is suggested by Ying (2006, p. 12) that branding would not work without a good product while Keller (2008, p. 72) indicates the quality of a product is a particularly important brand association that often drives consumer decisions. Therefore, as the key to enhance brand equity in the market for Chinese car brands, serious quality control ought to be employed to boost the overall reliability and credibility of Chinese cars.

To succeed, there are a few approaches that the Chinese automobile brands could consider. As a start, top management of the brand is of responsibility to enforce and later reinforce its commitment to quality to their employees. The so – called “constancy of purpose” implies an unconditional quality decisions, meaning the brand's long term benefit will not be

sacrificed to hit quarterly targets. Notion of doing this here is to display a determined pursuit of quality to the employees and let them know that the company emphasizes quality as its single and non – negotiable goal so that the employees do not make tradeoffs and let the quality slip.

After the goal is firmly set, it is essential for companies to deliver a self – defined concept of quality. This is a significant process for quality control because the defined concept of quality serves as a guideline, which helps companies on building specific quality standards and subsequently tracking down mistakes and deviations. Further, creating meaningful benchmarks, such as ISO 9001, is also an effective approach to prevent the quality from trending in the wrong direction. Additionally, customer satisfaction is, by extension, one way to gauge brand quality. Developed by a Bain consultant named Fred Reichheld, a net promoter score tracks the numbers of customers who would recommend a brand to their friends. This is particularly important to Chinese car brands in light of the survey findings, which will be explicitly stated in one of the following sections. Introduction of a net promoter score is stated in the appendices attached to this thesis.

If setting an uncompromising goal and standard are only preliminary phases of quality improvement, investing in training leads the process to a practical level. To Chinese car companies, this is particularly significant as they ought to understand a fact that quality improvement is not only the task dedicated to quality control department. Rather, training concerning quality issues should be realized at all levels of the company. Especially for new employees, a new-employee initiation program could help them to focus on quality issues from day one at the job as well as to provide them a history of the company with respect to its quality and its goals today. Last but not least, employees at all levels should be well educated to understand the significance of individual behavior towards overall performances of the company. This is because ties as such would not only take the train duties to a personal level, but also guarantee the actual effects to be reached to the greatest extent.

In addition to simply setting up standards and asking employees to follow, feedbacks and suggestions are as equally important. Just like Toyota's motto, we do not just build cars, we build people, listening to the employees and taking feedback seriously are the other way to promote quality and it could be properly realized through a quality circle, where employees are encouraged to assess process and recommend improvements with respects to the enhancement of quality. Yet, as Chinese business culture has its own special characteristics that involve high hierarchy and high context, participation of quality circle has to be voluntary and its agenda should be accordant with the members, not the company owner. Granted, companies' act on the recommendation gathered from the circle is a must and reactions from customers should be followed up to examine if it is the desired result.

#### 5.2.1.2 Channels of marketing

To simply success in rebuilding Chinese brands globally, finding the right channels to promote and communicate with consumers is one priority and as well another weakness embodied in the Chinese business culture. A brand with good quality cannot flourish without right marketing channels. However, given the limited knowledge and know-how on branding, Chinese car brands have inevitably failed at creating brand equity in the market. Thus, it is of importance to change the status quo for the brand by figuring out the most preferred channels for marketing. Results in this study are based only on the feedback from the international respondents. In this way, results could be market-based and more effective. By conducting a factor analysis shown in Table 24, the resulted two principal components, word of mouth and mass media, are seen as the major aspects that Chinese car brands should focus on.

##### *Word of mouth*

As is indicated in the section 4.3.3, friends and colleagues are the most preferred channel with a score of 3.95 out of 5. Here, this result gives a significant sign that consumers would



think highly of information and recommendation given by people who have prior experiences with the brands and, more importantly, people who they believe. Therefore, to Chinese car brands, at this stage, it is essential to please and impress new customers in the very beginning and develop a corresponding mechanism in an effort to encourage the occurrence of word of mouth. Initiatives, such as getting discounts on your purchase through a friend's reference or getting prolonged warranty with friends who bought same brand, could help enforcing this strategy. The second most preferred channel is online forums and professional websites. In the era of information technology, digital marketing is no doubt an efficient approach to spread the word and create a marketing hype. These websites and forums are also the places to track car enthusiasts, who are very likely to test out new products and become the early adopters of Chinese cars. In order to truly achieve the success of word of mouth, these early adopters are inevitably essential as this group of people, who possess excessive knowledge on cars, would be the one others go to when suggestions are needed, therefore making them the brands' ambassadors who could spread the word for the brands at very beginning of the process. Using online forums and websites as marketing channel could, however, be risky at the same time, especially to Chinese car brands whose products are still in a very preliminary level, which is very likely to cause negative feedbacks. Therefore, before fully taking advantage of these website and online forums, Chinese car brands ought to come up with an offer that embodies good value that can offset the disadvantages caused by immaturity of the Chinese cars. The other two channels, car dealers and automobile exhibitions, are not perceived as the most preferred approaches due to the evident commercial intention behind. At the moment, international automobile exhibitions are still the major approach for Chinese car brands to win worldwide recognition. Now, it was approved that most consumers do not prefer this platform. This might explain why the marketing efforts have not reached its best for Chinese car brands.

### *Mass Media*

Despite the emerging marketing channels that enable word of mouth, traditional mass media still have its own privileges. To Chinese car brands, while its products' immaturities are hard to cause word of mouth, mass media would be the perfect complementary approaches that could reach large audience with a fast pace. As is stated in the findings, Newspapers and magazines are the more preferred channel than TV commercials.

Feedback from the respondents indicates that exposures of Chinese car brands on TV or other traditional media are still very rare in the major markets, which might explain why Chinese cars do not have adequate brand awareness as expected. At this point, commercials and news reports about Chinese cars are strongly recommended on the account of building brand recognitions and, subsequently, brand recall.

#### 5.2.1.3 Service and high innovativeness

Besides the quest of quality improvements and establishment of the right marketing channels, there are a few other factors that are taken into account by the consumers on improving the overall brand value.

Customer services seem to be extremely important in car business. A well-designed service package may compensate some disadvantages carried by a brand's product. For example, in regard of the quality concern, Chinese car companies can promote a 7-year warranty just like the one Hyundai promotes in its oversea market. In comparison with the common period of warranty, which is 2-3 years, a prolonged warranty may help Chinese brands to attract more working-class consumers together with its distinct advantage of price.

High innovativeness is another element that could totally reverse the image of Chinese car brands. In order to achieve this, heavy investment on R&D and cooperation with foreign expertise cannot be absent from company's strategic portfolio. Certainly, competing with

other brands on core technologies is not yet a possibility for Chinese car brands. Nevertheless, it is possible for Chinese companies to compete on some other elements and focus on some other factors, such as exterior and interior design, safety issue, green technology, etc. From being traditional OEMs of low end products to become high innovative and international brands, it is an achievement that cannot be reached over a short period of time. Adequate financial and human resources are must, in addition to extensive research period.

### 5.2.2 External association

Other than brands' product attributes, brands' external tie is also an element as well as another approach that could supplement the brands' overall value.

In an attempt to dilute the negativity triggered by brands' COO, Tse and Lee (1993) stated the way of decomposing COO cues by co-operating with external expertise and relocating manufacturing base. In other words, a Chinese car could be designed by German expertise and manufactured in the US or Europe. In this way, a Chinese car brand could be labeled as "Design by Germany" and "Manufactured in the US".

Expanding to the international market by taking over existing car brands is another option for Chinese brands. Geely's acquisition of Volvo has been a pioneering case in the field. Although future of the acquisition is still undecided, this strategic move has greatly earned worldwide recognitions for Chinese cars.

### 5.2.3 Brand differentiation

As the third principal component that could help Chinese car brands counter negative effects of COO, brand differentiation here entails two aspects, niche market that specialized

in green technologies and target market that has less competition and more acceptances of products from emerging market.

#### 5.2.3.1 Niche market – go green

Despite the fact that the majority of cars these days are still petrol vehicles, green cars that produce much less CO2 emissions and consume less gasoline will be taking over the international markets in the near future. To Chinese car companies, this is a terrific opportunity to differentiate the brand from the others and to endow the Chinese car brand with a brand new meaning.

With green technology gradually getting mature on daily bases, no specific car brand or country has completely become significant yet in the field. This means that any brand of any country origin could become a market leader. This niche market at the moment would become the dominant market for the future car business. And to most Chinese car brands, this is a field where they can start from scratch and build up its exclusive name. By building up green cars as well as market the brand with low price accompanied by good service package, Chinese car brands could profoundly strengthen their brand equities.

#### 5.2.3.2 Targeting the developing markets

On top of the niche market, targeting less developed markets could be another approach for Chinese car brands. For brands from emerging economy, especially brands that involve high technology and requires advanced mechanical know – how, competing in major markets does not bring many edges to the brands and instead might cause comparison and rise attentions on brands' disadvantages while other more prestigious brands are present.

Hence, for the status quo of Chinese car brands, focusing on emerging market or the third world countries is a strategy that could be successful. Firstly, due to the relatively lower

income level, consumers in those countries would prioritize price of a car over some other elements. The low price tag that is always accompanies Chinese brands could hence become a competitive advantage that drives sales. Consumers in the emerging markets may also demand less from what a car brand can offer on innovation and high technologies and simply expect a car brand with good quality and basic configuration. Last but not least, emerging markets are seen as good platforms for the brands to test products and gather branding experiences in the preparation for entering more competitive markets with more demanding customers in the future. With these being stated, several emerging markets, such as Brazil, Mexico and India, could be considered. On top of those emerging markets, countries in Arica could be another target market for Chinese car brands.

### 5.3 Limitations and further research

This study is contributed to explore consumers' perceptions on Chinese brands with respects to customer – based brand equity amid the phenomenon of Chinese cars going global as well as to receive knowledge on countering negative effects of COO. Due to resources and time constraints, limitations of this study exist. In this section, limitations are stated in brief and future research is as well discussed.

First, this study and its research approach were realized on a basis that is very industry related, meaning only analytical generalization can be applied in accordance with the result of this study. In order to utilize the findings on a broader spectrum, framework and research findings should be tested with care in industries of other kinds. As complicated as different industries are, relationship among factors could vary and the results could consequently differ.

Further, downside of the method cannot be neglected. The fact that the main empirical data was collected in the form of consumer questionnaire could possibly generate bias, which has to be taken into consideration. In this study, the major groups of respondents are from

developed markets, such as Europe and North America. Due to this, findings as misrepresentations of the overall international market could be a possibility since perceptions from European and American consumers may not represent the entire international consumers. Similarly, the large portion of 20 – 29 year old respondents in this study may as well cause a misleading result. Last but not least, as this study was approached using snowball sampling, controlling over the sampling process is little. Consequently, the representativeness of the sample cannot be guaranteed and the fact that initial respondents tend to nominate people then know well will lead to sampling bias since it is highly possible that the respondents nominated shared the same traits and characteristics. Thus, it is possible that the sample obtained in this study is only a small sub-group of the entire population.

Additionally, factor analysis applied in this study in an effort to examine the possible strategies and marketing channels for Chinese brands may not be as comprehensive as expected, constrained by form of the survey questions. Due to time and budget limit, interviews with experts in the field were not realized. Professional insights are, thus, missing. As solutions provided in this study were solely based on consumers' opinion without taking into account of experts' suggestions, strategies stated here could be rather one-sided. Implications provided may not be suitable for all Chinese brands cross industries of all kinds and resources needed to realize the strategies may vary among different companies.

As much as this study is dedicated to study on “made in China” effects, it is of interest to examine further, at the same time, on foreign brands that are also “made in China” and see how China as a manufacturing origin and a brand origin entails different effects on the brands' CBBE and how those internationally prestigious brands that are “made in China” overcome the negative influences caused by the bias existed in the international market. Further, due to the strategic alliances or merger and acquisition are treated currently as the most common approaches to help Chinese brands internationalize, it would be appropriate

to investigate the actual outcomes, what challenges could be possibly emerge and then to look for strategies to assist Chinese companies with post-merger branding management.

#### 5.4 Conclusions

This study is dedicated to explore the consumer perceptions towards brands originated from China, Chinese car brands in particular, in order to assess the effects of brands' COO on CBBE and, accordingly, design the corresponding strategies that could assist the Chinese car brands to better manage brand equities in the international market. The study was approached by a quantitative consumer survey, consisting of three aspects that evaluate first the status quo of Chinese brands in the international market, then the COO effects on Chinese car brands in particular followed by suggestions and strategies as the last part of the survey.

Results of this study indicate that COO did have negative effects on Chinese brands' CBBE with strong concern on Chinese brands' image and quality. In addition, the relationship between the COO effects and CBBE was revised to a two-direction relationship, meaning CBBE is no longer simply affected by brands' Country origin. Instead, the brand equity embodied by brands of the same country identity is consistently influencing and modifying the significance of COO associated with those brands. Thus, reciprocal effects are detected between these two constructs. At the same time, in terms of the dimensions of CBBE, relationship between brand image and brand quality was as well found to be different compared to the theoretical framework. To Chinese brands in particular, brands' quality is seen as one of the most important elements that consist of the image and, at the same time, affects the image to a great extent. This is to say, in the department of Chinese brands, quality should not be assessed apart from the brand's image as it constantly determines Chinese brand image while itself is reversely affected by the brand image. Thus, in this study, brand quality is evolved from a primary dimension of CBBE, which is of the same level as brand image, to a significant component of the brand image, with which an

interrelation was observed through the research. Last but not least, it is anticipated but also surprised to learn that consumer perceptions towards Chinese brands are universally similar regardless brands' product category. The generalization of Chinese brands in the global market has a significant effect on the Chinese car brands according to the research in this study and the same quality concern is no doubt becoming the major factor that hinders the internalization process of Chinese car industry.

Therefore, implications accompanied by potential branding strategies are discussed with determination of Chinese brands being categorized into double – negative in the global market. Perspectives on product related attributes, including quality improvement and effective marketing channels, external associations, such as strategic alliances, and brand differentiations on targeting niche and emerging markets are presented in an attempt to assist the Chinese brands to successfully tackle the problems that weaken their brand equities and, at the same time, to speed up brands' internationalization process by strengthening the CBBE. By doing so, it is believed that Chinese brands, car brands in particular, would be better off at understanding consumers' perceptions and be well prepared in the international market for the days to come.



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## APPENDICES

### Appendix 1: Quantitative survey on consumer perceptions towards Chinese brands

1. What is your nationality?
2. What is your gender? (1= female, 2= male)
3. What is your age? (1= below 20, 2= 20-29, 3= 30-39, 4= 40-49, 5= above 50)
4. Please see Chinese brands below and choose the brands you are familiar with. (1= not at all familiar, 2= slightly familiar, 3= moderately familiar, 4= Very familiar, 5= extremely familiar)

a. Lenovo	f. TCL	k. DFAC
b. Geely	g. Huawei	l. JAC
c. Haier	h. ZTE	m. Changan
d. Tstingdao	i. Chery	n. Hafei
e. BYD	j. Wahaha	o. Hongqi
5. Do you believe “Made in China” helps or hurts the Chinese brand? (1= It definitely hurts, 2= It slightly hurts, 3= Neutral, 4= It slightly helps, 5= It definitely helps)
6. What are the stereotypes of Chinese brands in your mind (choose 3 words)?
7. What is (was) the brand of your car and which country is the brand originated from? (If you have or had more than one car, please list all the brands; (if you have never had a car, please skip this question).
8. How likely are you to buy a car in the future? (1= not at all likely, 2= slightly likely, 3= moderately likely, 4= very likely, 5= completely likely)
9. How likely are you to buy a Chinese car in the future? (1= not at all likely, 2= slightly likely, 3= moderately likely, 4= very likely, 5= completely likely)
10. Do you consider a brand’s Country of Origin (COO) as important when it comes to car purchase? (1= not at all important, 2= slightly important, 3= moderately important, 4= very important, 5= extremely important)
11. Do you agree that the acquisition of Volvo helps Geely improve its image as a Chinese automobile brand in the international market? (1= strongly disagree, 2= disagree, 3= Undecided, 4= agree, 5= strongly agree)

12. Do you agree the Volvo brand will still maintain the same level of quality for which it was known prior to its acquisition by Chinese automaker Geely? (1= strongly disagree, 2= disagree, 3= Undecided, 4= agree, 5= strongly agree)
13. Based upon your own knowledge, please rank the Chinese automobile industry on a scale of 1-5 against criteria listed below (1= lowest, 5= highest)
- |          |             |                |                  |
|----------|-------------|----------------|------------------|
| a. price | b. prestige | c. service     | d. innovation    |
| e. trust | f. safety   | g. reliability | h. overall value |
14. Which following factors do you think are important to help Chinese car brands counter negative Country of Origin effects? (1= not at all important, 2= slightly important, 3= moderately important, 4= very important, 5= extremely important)
- |                        |                                      |  |
|------------------------|--------------------------------------|--|
| a. competitive price   | e. cultural myth behind the brand    | i. partnership with foreign expertise  |
| b. reliable quality    | f. pleasant test drive experience    | j. corporate social responsibility   |
| c. high innovativeness | g. effective marketing communication | k. car manufactured in other countries with favorable Country of Origin Image? |
| d. niche market        | h. good customer service             |  |
15. Would you like to know more about Chinese car brands and their products? (1= definitely would not, 2= probably would not, 3= might or might not, 4= probably would, 5= definitely would)
16. Through which way you would prefer to receive information about a car? (1= not at all preferred, 2= not very preferred, 3= neutral, 4= somewhat preferred, 5= very preferred)
- |                                |                                    |
|--------------------------------|------------------------------------|
| a. TV commercial               | b. professional magazine/newspaper |
| c. professional webstie/forums | d. car dealers                     |
| e. automobile exhibition       | f. friends and colleagues          |
17. Provide any comments on Chinese car brands and their future for competing internationally.

## Appendix 2: Codebook

Questionnaire codebook					
Questions:	Coding Instruction:		Number of respondents		Additional Information
<b>Nationality:</b>	1= the United States 2= Canda 3= Mexico 4= Dominican Republic 5= Brazil 6= Chile 7= Finland 8=Sweden 9= Denmark 10= Belgian 11= Britain 12= France 13= Netherlands 14= Germany 15= Switzerland 16= Austria 17= Hungary 18= Italy 19= Greek 20= Spain 21= Portugal	22= Slovenia 23= Montenegro 24= Bulgaria 25= Estonia 26= Latvia 27= Russia 28= Vietnam 29= Malaysia 30= Burma 31= Japan 32= South Korea 33= Taiwan 34= Hongkong 35= Pakistan 36= India 37= Turkey 38= Palestine 39= South Africa 40= Togo	(Country code=No.Respondents) 1= 16 2= 5 3= 1 4= 1 5= 4 6= 1 7= 61 8= 4 9= 7 10= 7 11= 2 12= 8 13= 2 14= 21 15= 2 16= 2 17= 1 18= 2 19= 5 20= 5	21= 2 22= 1 23= 1 24= 1 25= 1 26= 1 27= 2 28= 4 29= 1 30= 1 31= 6 32= 9 33= 1 34= 1 35= 4 36= 10 37= 1 38= 2 39= 1 40= 1	Number of Nationalities= 40  Number of respondents =204
<b>National Regions</b>	1>= North Amercia (1-3) 2>= Central America (4) 3>= South America (5-6) 4>= Northern Europe (7-9) 5>=Western Europe (10-13) 6>= Central Europe (14-17) 7> =Southern Europe (18-24)	8>= Eastern Europe (25-27) 9>= South east Asia (28-30) 10>= East Asia (31-34) 11>= South Asia (35-36) 12>= Middle East(37-38) 13>= Africa (39-41)	1>= 22 2>= 1 3>= 5 4>= 71 5>= 19 6>= 25 7>= 17	8>= 4 9>= 6 10>= 17 11>= 13 12>= 2 13>= 3	Regions were divided according to geographical position.
<b>Gender</b>	1= Female 2= Male		1=115 2= 89		
<b>Age Groups</b>	1= below 20 2= 20-29 3= 30-39 4= 40-49 5= above 50		1= 1 2= 158 3= 37 4= 4 5= 4		
<b>Familiarity of Chinese brands</b>	1 = Not at all familiar 2 = Slightly familiar 3 = Moderately familiar 4 = Very familiar 5 = Extremely familiar				As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.
<b>"Made in China" effect</b>	1 = It definitely hurts 2 = It slightly hurts 3 = Neutral 4 = It slightly helps 5 = It definitely helps				As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.
<b>Chinese brands stereotypes</b>	1 = Aggressive 2 = Largely unknown 3 = Unsophisticated 4 = Unreliable 5 = Innovative 6 = Lack of track record 7 = Cheap 8 = Poor Value 9 = Dated / Old 10 = Poor quality				

<b>Car Brands owned</b>	1= Audi 2= BMW 3= Buick 4= Chevrolet 5= Chrysler 6= Citroen 7= Daewoo 8= Dodge 9= Fiat 10= Ford 11= VW 12= Honda 13= Hyundai 14= Acura 15= Alfa Romeo 16= Cadillac 17= Kia	18= Mazda 19= Mercedes 20= Mitsubishi 21= Nissan 22= Opel 23= Peugeot 24= Pontiac 25= Saab 26= Seat 27= Suzuki 28= Renault 29= Skoda 30= Smart 31= Subaru 32= Scion 33= MG 34= Calibra 35= Toyota			<p>Respondents were asked to list the brands of their car. One respondent may list over one brand due to the amount of cars they own.</p>
<b>Car Brands' Nationality</b>		1= The United States 2= Germany 3= Japan 4= France 5= South Korea 6= Italy 7= Czech Republic 8= Britain 9= Spain 10= Sweden			
<b>Likelihood of car purchase</b>		1 = Not at all likely 2 = Slightly likely 3 = Moderately likely 4 = Very likely 5 = Completely likely			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>
<b>Likelihood of buying a Chinese car</b>		1 = Not at all likely 2 = Slightly likely 3 = Moderately likely 4 = Very likely 5 = Completely likely			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>
<b>Brand's COO importance to car purchase</b>		1 = Not at all important 2 = Slightly important 3 = Moderately important 4 = Very important 5 = Extremely important			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>
<b>Acquistion of Volvo improves image</b>		1 = Strongly disagree 2 = Disagree 3 = Undecided 4 = Agree 5 = Strongly agree			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>
<b>Volvo mains its quality image after acquisition</b>		1 = Strongly disagree 2 = Disagree 3 = Undecided 4 = Agree 5 = Strongly agree			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>
<b>Perspectives on Chinese automobile industry</b>		1 = 1 2 = 2 3 = 3 4 = 4 5 = 5			<p>1 is the lowest score whereas 5 is the highest score</p>
<b>Factors to counter negative COO</b>		1 = Not at all important 2 = Slightly important 3 = Moderately important 4 = Very important 5 = Extremely important			<p>As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.</p>

<b>Desire to know about Chinese car</b>	1 = Definitely would not 2 = Probably would not 3 = Might or might not 4 = Probably would 5 = Definitely would		As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.
<b>Channels to know about Chinese car</b>	1 = Not at all preferred 2 = Not very preferred 3 = Neutral 4 = Somewhat preferred 5 = Very preferred		As in line with De Vaus (2002), it is important to score consistently so that a "favorable response to the attitude always get a high score.
<b>Comments on factors needed for future competition</b>	1= Quality needs extensive improvement 2= Go green, be eco-efficient 3= Compete in luxury car market 4= Car test to obtain international approval 5= Benchmark Japanese/Korean car brands 6= Agressive marketing campaign to enhance brand awarness 7= Need to improve brand image to establish trust 8= Good customer services with prolong warranty 9= Competitive pricing strategy 10= Cooperation with foreign brands 11= Establish own brand identity		Open questions were coded based on the multiple response method presented by De Vaus (2002, p. 239), which involves finding the largest number of factors listed and creating that many variables.