



# Chinese and British consumers' evaluation of Chinese and international brands and factors affecting their choice

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## ABSTRACT

This paper examines Chinese and British consumers' evaluations of Chinese, and international brands, and factors affecting their brand choice. The results support recent findings of a decline in Western brands' preference in China. But, these are attributed to several factors. The findings show country of origin does not affect Chinese brand choice, has a great effect on British choice between Chinese and other brands; brand value, and brand familiarity influence Chinese choice whereas brand reputation, and brand trust determine British choice. Implications for Chinese domestic and international expansion strategies, demographics' influence, and cultural differences are discussed.

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## 1. Introduction

Following the success of Chinese personal computer and white good firms Lenovo, Huawei, and Haier in international markets, and China's recent economic development, many Chinese companies are making their own brands and in some instances, have taken the market from rivals in Asia, Europe, and USA (Swarup, 2008). This raises interests for studying branding in China, from two perspectives: from the firm's perspective, how Chinese companies acquire branding capabilities in research led by Navas-Aleman (2008); from the consumers' perspective, how Chinese brands currently perform in domestic and international markets (Fan, 2006), which is the main focus of this study.

Traditionally, Chinese consumers have strong preference for brands mainly from the West and Japan due to the quality, status or symbolic value that these brands represent. Yet, there is growing contrary evidence to suggest that foreign brands are not preferred (e.g. Cui & Liu, 2001). Western products have declined in terms of their symbolic value (Zhou & Hui, 2003). Chinese goods have improved in quality, used more sophisticated advertising techniques (Thorelli, 1998), and are afforded government protection (Cui, Wang, & Zhou, 2004). The Chinese market is still considered as brand illiterate, and diverse (Frumkin, Thapa, & Gencalioglu, 2006). Few studies have

examined Chinese consumers' evaluation of local and nonlocal brands, except for Fombrun and Pan (2006) studying brand reputation of domestic and international brands, and Cheng, Chen, Lin, and Wang (2007) Chinese perceptions of product quality, price, brand leadership, and brand personality; among national brands, international and local private labels. The nature and extent of the country-of-origin effect (COO) on Chinese consumer choices between local and foreign brands has been raised as an issue for further research (Kwok, Uncles, & Huang, 2005). Research on Western consumers' evaluation of Chinese multinational (MNCs) brands is scarce, and tends to be treated as part of studies on country of origin (COO) effects. Few studies have examined attitude difference between Chinese consumers and Western consumers at the brand level. This paper aims to fill the gap in the literature. It examines Chinese and British consumers' evaluations of Chinese brands and brands from the West, Japan, and South Korea, and factors determining their choice were undertaken. Britain was chosen as a representative of Western countries for economic and cultural reasons. Britain is now the third largest trade partner for China in European Union. The imported goods from China into Britain accounts for 5.5% of British overall import in 2009. Compared with China, Britain is perceived as a typical individualist culture (Sun, Horn, & Merritt, 2004). The cultural contrast and its impact on consumers' brand attitude therefore formulate a good cross-cultural issue. The paper primarily focuses on the comparison between Chinese and British consumers regarding their brand preferences, the attributes they attach to brands, and issues affecting their choice. The study has practical implications for marketing managers.

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## 2. Theoretical background and hypotheses

### 2.1. Consumer perceptions of brands from MDCs and LDCs

Past authors find Chinese consumers have strong preference for brands from the West and Japan (e.g. Sin, Suk-ching Ho, & So, 2000) and Zhang (1996). These researchers found products from USA and Japan receiving more favourable ratings than those from South Korea. This was attributed to the quality, status or symbolic value which equates with modernity and sophistication, and marketing. Despite recent reports suggesting that Chinese brands are becoming a global phenomenon (Vence, 2005) the figures show, that local brands are less preferred than nonlocal brands. For example, Haier only achieved 10% of Sony's total sales in China in 2002. Similarly, China's big-four TV manufacturers, Changhong, TCL, Konka, and Skyworth, combined profits were less than that of Sony. Chinese brands have been reported to struggle in building home-grown brands, facing intense competition, and overcapacity in their domestic market (Fan, 2006).

No studies have compared Chinese perception of South Korean and Chinese brands. Kwok et al. (2005) argue that increasing Westernization in China has created a preference for modern goods, which may be local or foreign. Some South Korean brands are considered as part of this modernization. For example, Hyundai cars, Samsung mobiles, LG TVs and washing machines are world-wide brands. Furthermore, past studies show a positive correlation between the evaluation of domestic products and a country's level of economic development (e.g. Gaedeke, 1973; Toyne & Walters, 1989). In this respect, South Korea is seen more economically developed than China. Therefore, it can be assumed that the preference for South Korean brands over Chinese brands is affected by the notion of modern living, as well as by South Korea's higher level of economic development compared to China.

Pappu, Quester, and Cooksey (2007) report of a hierarchy observed among three countries in terms of respondents' product-category country associations. Japan, Germany, USA, Australia, and Italy are top five countries respondents associate with cars. Respondents perceive quality of brands made in Japan significantly higher than that of Chinese and Malaysian brands. Respondents' quality perception between brands made in China, and those made in Malaysia are similar. Verlegh and Steenkamp's (1999) study showing country of origin (COO) effects significantly larger when products from more developed countries (MDCs) – to include all Western countries, the USA and Japan are compared with products from less developed countries (LDCs). These findings support the notion that consumers believe that products from LDCs are lower in quality, higher risk of poor performance, and higher rate of dissatisfaction (Cordell, 1991). Furthermore, in MDCs consumers tend to have a higher quality perception of domestic than foreign products (e.g. Ahmed & d'Astous, 2001). This favourable perception would tend to enhance the influence of ethnocentrism on both the purchase of domestic, and the rejection of foreign products. Also, traditionally, products from China are often perceived by consumers as being cheap and low quality (Chen & Pereira, 1999; Usunier, 2000). The country image of China thus possesses a low level of image crystallisation and is even seen by Western consumers as "copies of products from developed countries" (Doole & Lowe, 2004, p. 268). In an early study conducted in the UK, Bannister and Saunders (1978) revealed stereotypical and positive attitudes of British consumers towards domestic brands compared with those from a selection of foreign countries (including LDCs) highly active in the UK domestic market. If Bannister and Saunders' study still applies to today's British consumers, and the above arguments regarding MDCs and products from MDCs are correct, and past research on Western perception of China's country image is accurate; this implies that British consumers like other Western

and MDCs consumers would tend to prefer brands from Western countries, the USA, Japan, and their domestic brands to brands from China. In a recent study, Leonidou, Paliawadana, and Talias (2007) examined the evaluation of US goods versus Chinese goods in British consumers. They found that British consumers systematically evaluated Chinese goods higher on "pricing considerations", but lower on "external product/features", "internal product/technology", "product quality aspects", "distribution service" and "promotional issues". In contrast, consumers from LDCs perceive foreign products particularly those made in MDCs as being of higher in quality than domestic products (e.g. Batra, Ramaswamy, Alden, Steenkamp, & Ramachander, 2000). Additionally, products that have a positive COO image receive more positive ratings from Chinese consumers (e.g. Samiee, 1994).

DeLong, Bao, Wu, Chao, and Li (2004) suggest that Asians are image-conscious consumers. They expect Western brand image to reflect Western culture, and luxury value. Brand trust tends to be associated with a technical product or when there is a high risk associated with the purchase (e.g. Jacoby & Kaplan, 1972) i.e., when the consumer can expect 'reliability' from the product sold. Brand trust is influenced by the consumer's evaluation of any direct (e.g. trial, usage), and indirect contact (e.g. advertising, word of mouth) with the brand (Krishnan, 1996). Due to extensive advertising and positive word of mouth, Western brands, Japanese, and certain South Korean brands are associated with brand trust when compared to Chinese brands. It is believed that most Chinese brands are perceived untrustworthy especially, in technical products.

**H<sub>1</sub>.** Chinese and British consumers prefer brands originated from the West, Japan, and South Korea to brands from China.

**H<sub>2</sub>.** Chinese and British consumers' evaluation of Chinese brands is influenced by the unfavourable China's country image (CI) as a developing nation.

**H<sub>3</sub>.** Most of Chinese brands are perceived less superior than Western, Japanese, and South Korean brands on the brand image (BI), brand value (BV), brand reputation (BR), and brand trust (BT) dimensions.

### 2.2. Factors affecting brand choice

#### 2.2.1. Conspicuous and inconspicuous products

Wang and Chen (2004) suggest that for products such as apparel, cosmetics, and automobiles, consumers in LDCs prefer imports due to their BI, which is associated with high quality, and conspicuous consumption. However, in support of other studies such as Ger and Belk (1996), Friedman (1990), and Batra et al. (2000) which reveal that consumers from LDCs perceive nonlocal brands as symbols for status enhancement including privately consumed, and inconspicuous products, such as Coke. Their study demonstrates that symbolic benefits such as modernity, prestige and associations with foreign lifestyles, are main motivational factors of Chinese consumers' indiscriminate purchase of foreign products. However, their study cannot be generalized as it was based on one product and an experimental approach, which has some limitations compared with surveys.

Publicly and privately consumed products are further grouped in terms of luxury, and necessity (Mason, 1981). Publicly consumed luxury (PclyCL), are products consumed in public view, and not commonly owned or used (e.g. convertible sports car). Publicly consumed necessity (PclyCN), are products consumed in public view that virtually everyone owns or uses (e.g. shoes). Privately consumed luxury (PtlyCL), are products consumed out of public view, and not commonly owned or used (e.g. home theatre). Privately consumed

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