Does “Made in …” Matter to Chinese Consumers?

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ABSTRACT

This phenomenological qualitative study explored Chinese consumer perception of luxury products based on country-of-origin effects (COOE). Country image, which affected consumer attitudes or preferences, was measured by several product constructs: quality, trustworthiness, prestige, design, and brands. Chinese consumers preferred foreign over local brands for luxury products. As previous research, there were significant consumer preferences and positive image perceptions for products originating from developed nations like Western European countries, the United States, and Japan. Based on the findings of this study, stakeholders were provided with recommendations for utilizing COOE as a strategic tool to position and market for both locally made and imported goods.

Keywords: Country of Origin (COO), Country-of-Origin Effect (COOE), global brands, luxury fashion goods

INTRODUCTION

Due to the rapid economic growth in China over the past 25 years, Chinese consumer consumption values and behavior tend to vary significantly based on regions, cohorts, and social class (Xiao, 2005), and also they have very different consumption values compared to their Western counterparts (Keegan & Green, 2013). This study explored and analyzed the assumption that there were significant differences in product perceived values and product quality between Chinese and Western consumer consumption values.

Considering that about 30 percent of the Chinese population are upper and middle-class (or 390 million people) out of 1.3 billion Chinese consumers (Xiao, 2005), those young professionals and those who are new middle-class consumers wish to exhibit quickly their achievements and social status to their circles through buying and using foreign luxury fashion goods. By doing so, those Chinese consumers will receive immediate social acceptance and face (or mianzi) up to the level of the social status they wish to achieve (Jap, 2010). Unfortunately, such consumer behavior for those who are new middle-class consumers may reach almost pathological levels of consumption in foreign luxury fashion goods (Peter & Olson, 2008). Consequently, they desperately purchase global-branded luxury-fashion goods seeking to acquire cultural meanings to construct a satisfactory self-concept (or mianzi). In other words, many Chinese consumers purchase imported products to enhance and symbolize their higher social status, prestige, fashion, and product reliability compared to the local brand product counterparts (Wang & Chen, 2004). Yet, counterfeit global branded luxury fashion goods are pervasive in many parts of Chinese market that leads to those Chinese consumers being confused and vulnerable.

Despite its apparent importance, a review of previous research on country-of-origin effect [COOE which refers to “the extent to which the place of manufacturing influences product evaluations” Hill & McKaig (2012, p.462)] in China market identified several deficiencies. Therefore, it seems clear that additional research in these areas is needed. This study provided further insights to multinational
corporations (MNCs), Chinese domestic firms, and Chinese consumers themselves. Furthermore, this study developed a better understanding of the spectrum of COOE that may affect Chinese consumers’ consumption values, perception, behaviors, and attitude towards global or local brands when purchasing luxury fashion products.

The purpose of this study was to explore Chinese consumer consumption values on country-of-origin (COO) and global-brands’ fashion luxury products. Specifically, this phenomenological qualitative research study was to investigate the consensus of opinion from a diverse group of Chinese consumers who regularly purchased global-branded and imported luxury fashion goods in Beijing, Shanghai, and Tianjin cities. Meanwhile, this study was to explore how COOE influenced Chinese consumer consumption values, perceptions, perspectives, experiences, behavior, attitudes, and decisions on COO’s global brands in the Chinese market when purchasing fashion luxury goods.

**LITERATURE REVIEW**

In this study, the domains and frameworks of COOE and Zhang’s previous study in COOE were explored and discussed in detail to characterize further the cultural differences in Chinese consumer consumption values and behaviors towards COOE compared to their Western counterparts.

**Zhang’s Study on Country of Origin (COO)**

Zhang’s study (1996) focused on how COOE affected Chinese consumer evaluation, attitudes, and product choices on foreign products. He used the mechanisms of culture, product type (e.g., durable and non-durable products), and product presentation format to examine his quantitative research. The research was conducted in a north-eastern suburb of Beijing with 300 shoppers as the sample size. He also used three different countries (namely, the United States, Japan, and South Korea) to examine how those Chinese consumers reacted and evaluated the foreign products such as shirts and color televisions.

In Zhang’s research, he discovered that COOE did influence Chinese consumer reactions to foreign products. Countries that had positive country image received more positive ratings from the Chinese consumers. For example, Chinese consumers preferred to select products from the United States and Japan rather than from South Korea. In addition, the impact of COOE was more salient when Chinese consumers must evaluate more sophisticated electronic products. This evidence conformed to Papadopoulos and Heslop’s proposition (2002).

Zhang’s study was limited because he used only two different product types (i.e., shirts and television sets), and also he only selected three different countries (i.e., the United States, Japan, and South Korea) for COOE comparison. In addition, his quantitative research was conducted in one city (i.e., Beijing) in 1995. Therefore, this study attempted to explore how significant Chinese consumer consumption values and behaviors had changed after more than 1.5 decades since his study was conducted. In the meantime, this study used a phenomenological qualitative study (instead of a quantitative study) and used global brands’ luxury fashion goods in three China major cities (i.e., Beijing, Tianjin, and Shanghai) to make a comparison study with Zhang’s (1996) and to explore further the changes and reasons how Chinese consumer values and behaviors have changed since 1996.

**Country of Origin (COO)**

A number of researchers suggested that COO is frequently used as a cue when evaluating a product (i.e., goods and services) that may affect consumers’ perceptions about imported products and the
product attributes (Chao, 2005; Chryssochoidis, Krystallis, & Perreas, 2007). For example, France is synonymous with wine and cosmetics, Japan is with cars and electronics, Switzerland is with watches, China is with silk, Germany is with engineering, the United States is with aerospace technological science, Italy is with fashion design, and so forth. Given the fact, it is especially valid when the consumer has inadequate, or lacks more detailed, knowledge and understanding of the product (Cateora, Graham, & Papadopoulos, 2008; Chao, 2005; Chryssochoidis et al., 2007; Hill, 2013; Hill & McKaig, 2012; Papadopoulos & Heslop, 2002; Zhang, 1996). This situation is particularly valid when consumers are dealing with more expensive and complicated products (Hill & McKaig, 2012; Zhang, 1996).

According to Gurhan-Canli and Maheswaran’s study (as cited in Chryssochoidis et al., 2007), the less motivated consumers who are actively involved in the purchasing process, the greater the possibility the consumers used COO to interpret and evaluate the product attributes and quality; whereas the highly motivated consumers tend to emphasize product attributes because COO is perceived as an informational cue not as an overall product quality criteria. These are because (a) the more important the product is to consumers, the stronger impact the COO is; and (b) the more information available that can be referenced for consumer product evaluation, the less influential the COOE will be on consumer brand selection (Lin & Kao, 2004).

Country-of-Origin Effect (COOE)

Country of origin effect (COOE) refers to “perceptions about and attitudes towards particular countries often extend to products and brands known to originate in those countries” (Keegan & Green, 2013, p.300). Chryssochoidis et al. (2007, p.1521) referred to COOE as “the phenomenon of evaluating products based on judging the country of origin, as an information cue, activates various ethnocentric or not beliefs and the antecedent knowledge of consumers which subsequently affect the interpretation and evaluation of product attributes.”

Studies on the COOE literature had recognized and identified different processes to explain how COOE influenced consumer product evaluation and purchase decision. According to this view, the country, the type of product, the image and brands of the company will influence whether or not COO will generate a positive or negative reaction to the consumer product evaluation and purchase decision (Cateora et al., 2008; Hill, 2013; Lin & Kao, 2004; Papadopoulos & Heslop, 2002; Zhang, 1996). Researchers indicated that consumers’ perception and attitudes towards foreign products and brands varied significantly from nation to nation (Chryssochoidis et al., 2007; Lin & Kao, 2004; Zhang, 1996). Therefore, positive consumer perception on COO leads to actual purchase action, and vice versa (Chao, 2005; Lin & Kao, 2004).

Source effects and COOE thus can be positive or negative in the consumer mind while assessing brand selection and product quality and performance (Keegan & Green, 2013; Hill & McKaig, 2012). This may be particularly common in less developed nations where the majority of consumers have relatively limited product knowledge and purchasing experiences in complex, sophisticated, and expensive products (Chryssochoidis et al., 2007; Zhang, 1996). Therefore, COO information becomes imperative for these consumers’ product evaluation and interpretation as well as purchasing decisions (Chao, 2005; Chryssochoidis et al., 2007; Zhang, 1996). Such cognitive connotations are derived from the tendency of broad generalization and simplification of complicated phenomena (Parts, 2007). Therefore, COOE information can be more critical than product quality and performance when the consumers have limited knowledge of a specific product’s attributes (Chao, 2005; Chryssochoidis et al., 2007; Zhang, 1996).
THE METHODOLOGY AND MODEL

Methodology

The primary method of data collection in this study consisted of semi-structured interviews, one- on-one in-depth interviews and focus group interviews (Moustakas, 1994), and anonymous demographic and behavioral consumption questionnaires. This study was conducted in three major China cities, namely, Beijing, Shanghai, and Tianjin. Approximately, 20 participants were interviewed in each city with a total sample population of 61 participants in this entire study. The primary objective of qualitative study is not the size of the sample, rather the detailed and richness of the description (Tuckett, 2004). The sample size of this study was driven by the desire to learn in detail and in depth about the experience of Chinese consumer consumption values towards COOE on global brands’ fashion goods luxuries.

To provide balanced representation and research findings for this study, the participants’ gender proportion were recruited 46:54 between female and male, respectively. In addition, every participant must have buying experiences of global-brand luxury fashion goods with a minimum twice a year within the past year to provide accurate and more current Chinese consumers’ consumption values, experiences, perceptions, attitudes, and behavior towards COO’s global brands in this qualitative study. As this study employed purposive sampling, the selection of the participants’ gender, income level, psychographics, and consumption behaviors would be based on the given data.

The following is the research question of this study, as follows:

_How does COOE influence the Chinese consumer consumption behavior, evaluation, and decision-making on global brands’ fashion luxury goods?_

This research question was intended to gain an understanding of the level of consumer satisfaction in foreign made fashion luxury products compared to the products that were produced from non-COO countries based on different groups of participants.

Assumption / Model

This study assumed that not only the COOE would affect Chinese consumer consumption values and evaluation towards COO’s global brand fashion luxury goods, but also it would become one of the most critical marketing variables in Chinese consumer purchase decisions as illustrated below in Figure 1.

![Figure 1: The conceptual framework of the study.](image-url)
THE FINDINGS

According to the interview findings, most of the participants preferred to purchase their fashion luxury products that were produced from COO instead of assembled and or produced in China or outside COO. The study discovered two major reasons why the participants would rather spend higher prices to buy products made from COO than locally produced or assembled goods. First is because of the trustworthiness, and second is because of the high quality offered by COO (please see Table 1 & 2 and Figure 2).

Trustworthiness

Participants selected trustworthiness as the first and foremost reason by the participants why they preferred to purchase their fashion luxury products made from COO mainly for assuring product quality and reducing perceived risks. In spite of higher prices in COO’s global-brand products, participants felt assured (or fang xin) in products made from COO that would give them satisfactory quality assurance (B1; B3; B5; B21; S2; S14; S17; S18; S20; T19). The followings are the justifications from the participants’ inputs, as follows:

Participant B21: Yes, it [COOE] will definitely influence Chinese consumer consumption values and purchasing decision to make them feel assured (or fang xin). They want to have brand and product reliability from COO, so they prefer to buy COO [although it costs them more money], rather than the ones assembled in China. It is mainly because they feel assured (or fang xin) by the credibility and reliability of the COO production process (e.g., Audi imported from Germany vs. Audi assembled in China).

Participant S20: It [COOE] does make some influences on my consumption values. I prefer to buy the products produced from COO, because of their high quality assurance. Otherwise, I would rather not purchase the products if the products are not made in COO.

Some participants revealed that they purchased COO mainly because they had a high level of trust in COO products that made them feel worthwhile in their higher price consumption than non-COO made products (B17; B21; S12; S19; S21; T15; T16; T8). On the other hand, participants selected COO products was to reduce their perceived and or potential risks from buying counterfeit products (B1; S15; S17; S19; S20; S21; T18).

Participant T18: When comparing with unfamiliar brands, then I will buy the foreign products [COO products] than to buy the ones that are made in China. It is because there are so many counterfeit products in China . . . . It seems that global brands that are produced from COO tend to be more honest when they produce and sell their products compared to the non-COO products.

Participant B21: Original versus counterfeit products is in crisis in Chinese market: For example, Chinese consumers might feel a bit better to buy Chinese goods in high-end shopping plazas or 5-star hotels to make them believe that they are buying authentic products. However, they will completely feel trustworthy when they buy global brands in Hong Kong . . . . There is a trust issue in local brands. Namely, local brands produce counterfeit or half counterfeit, poor quality, and shoddy/defective products…. So, Chinese consumers prefer to buy those Chinese genuine products in Hong Kong, not in China. It is mainly because Hong Kong business people do not cheat their consumers; rather they want to make their consumer feel assured (or fang xin).
**Participant B21:** In fact, Chinese high-end consumers are not price sensitive. Rather, they are highly concerned with good/satisfied brands, high quality, good material, good design, and comfortable products. Additionally, we [Chinese high-end consumers] will go to the stores which offer good brand reputation and high quality products with comparable prices.

**Quality**

Quality was selected as the second major reason to purchase COO products. Participants felt and perceived that COO products provided far better quality products compared to the non-COO products (B1; B6; B20; B21; S7; S14; S17; S20; S21; T1; T11; T13; T16; T18). The followings are their views for justifications, as follows:

**Participant T13:** Even though the global brands are produced in other countries, the quality of the products is different from the COO’s. I’m not looking down on Chinese produced products with lower quality, but it is true that global brand products are made from COO to have better quality products since they have seriously invested in their R&D than the local brands.

**Participant T18:** When comparing products with the same brand that are made in the COO to the ones are produced outside COO, then I would prefer to buy the one that is produced in COO for better quality.

Participants B21, S9, T14, and T19 believed when comparing products with the same global brand names, the product quality between COO products and non-COO products should be closely the same due to global standardization. Whereas, some participants viewed that there were some discrepancies in the products quality that were produced from COO and non-COO, especially when the products were produced in developing nations (B20; S7; S18).

**Participant B20:** Multinational corporations will not transfer their core technology to the developing nations for their outsourcing productions. These made me to believe and conclude that products are produced in COO have better quality than the ones that are produced outside COO.

**Participant S7:** I work in a foreign company; they do use different materials and quality control standards to produce their products outside COO. Not surprisingly, they use lower quality and standards in developing nations for their production.
Findings from Demographic and Behavioral Consumption Questionnaires

Table 1: The Comparative Rank of Chinese Consumer Perceived Values and Product Quality on COO’s Global Brands in Beijing, Shanghai, and Tianjin

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Beijing %</th>
<th>Shanghai %</th>
<th>Tianjin %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality</td>
<td>21.1</td>
<td>17.6</td>
<td>15.7</td>
</tr>
<tr>
<td>2</td>
<td>Prestige</td>
<td>15.7</td>
<td>16.4</td>
<td>13.5</td>
</tr>
<tr>
<td>3</td>
<td>Design</td>
<td>14.4</td>
<td>12.7</td>
<td>12.4</td>
</tr>
<tr>
<td>4</td>
<td>Durability</td>
<td>13.4</td>
<td>8.9</td>
<td>10.1</td>
</tr>
<tr>
<td>5</td>
<td>Trustworthiness</td>
<td>10.0</td>
<td>3.8</td>
<td>2.5</td>
</tr>
<tr>
<td>6</td>
<td>Service</td>
<td>6.7</td>
<td>2.5</td>
<td>7.9</td>
</tr>
<tr>
<td>7</td>
<td>Convenience</td>
<td>4.4</td>
<td>1.3</td>
<td>6.7</td>
</tr>
<tr>
<td>8</td>
<td>Uniqueness; Variety; Well-Known Brands</td>
<td>3.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>9</td>
<td>Trendiness</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>10</td>
<td>Colorfulness; Expensiveness; “Westernized” Look (or yang qi)</td>
<td>1.1</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td>2.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Assumption

This study assumed that not only the COOE would affect Chinese consumer consumption values and evaluation towards COO’s global brand fashion luxury goods, but also it would become one of the most critical marketing variables in Chinese consumer purchase decisions (Lin & Kao, 2004) as...
illustrated in Figure 1. After conducting intensive and extensive nine interviews with 61 Chinese participants in three China major cities (i.e., Beijing, Shanghai, and Tianjin), the results of the study were closely similar with the original assumption of Figure 1, except discovering an additional construct in social value systems, namely, the trustworthiness toward COO; the mutual influence between product perceived values & product quality on COO’s global-brand/imported goods and trustworthiness toward COO; and the mutual influence between trustworthiness toward COO and Chinese consumer’s product evaluation and purchase decision as illustrated in Figure 2.

Figure 2: The conceptual framework of the research findings.

SUMMARY AND CONCLUSION

Summary

This study evolved from the researcher’s interest in Chinese consumer consumption values, perception, experiences, beliefs, and attitudes towards COO’s global brands considering the rise of globalization in the global marketplace. The purpose of this phenomenological qualitative study was then to expand the knowledge base by exploring Chinese consumer consumption values on COO’s global brands in Beijing, Shanghai, and Tianjin. By utilizing qualitative methodology, the study was able to shed some light on how COOE influenced Chinese consumer consumption values on global brands.

Limitations of the Study

Limitations of this study included issues related to: (a) regional limits, (b) time and financial limits, (c) purposive sample population, (d) possible researcher influence, and (e) participant level of honesty and accuracy. The study was limited to middle-class Chinese consumers in three different cities (i.e., Beijing, Shanghai, and Tianjin) from various industries. Additionally, considering the sample size of the study was 61 participants compared to 1.3 billion people in China population, the results may not be generalized to all Chinese consumers despite the fact that those middle-class Chinese consumers from Beijing, Shanghai, and Tianjin may insist that they share similar consumption values and perceptions on COO’s global brands with other Chinese consumers from other regions of China. Nevertheless, qualitative method was suitable and appropriate to this current study for its highly detailed data that allowed the study to gain preliminary insights into research problems (Creswell, 2005; Hair et al., 2006; Neuman, 2006; Proctor, 2005; Zikmund & Bodur, 2008) for developing ground theory purposes.
Conclusions

China is a vast and multifaceted country whose cultural heritage has more than five millennia (Lowe & Worsley, 2004). Its population has more than 1.3 billion people that accounts for about one quarter of the world population (Hill, 2013; Lowe & Worsley, 2004; Xiao, 2005) and still remains one of the last great untapped regions of the world for new marketing opportunities (Xu, 1990 as cited in Lowe & Worsley, 2004; Xiao, 2005). Over the past two decades, China has become the biggest market for luxury and prestige brands from the West (Keegan & Green, 2013). Luxury sales of global brands have rapidly increased in China (Keegan & Green, 2013). China’s imports of luxury foreign products reached about US$ 969.09 billion in 2006 (Xinghua, 2007) an increase of 27.2 percent compared to 2005, and an increase of 870 percent since 1995. China has become the world third largest consumer of luxury goods with 12 percent of world total market share in 2006 (Xinghua, 2007). It is expected that China will become the world’s largest consumer of luxury goods in 10 years (Datamonitor, 2007; Xinghua, 2007).

According to the interview findings, it was notable that middle-class Chinese consumers economically were much more able to afford and consume fashion luxuries than years ago, and also they stressed high quality products and brand reputation both from global brands and local brands to assure their consumption selection and decision on fashion luxuries. They had clearly voiced their concerns on global brand high prices, whereas low quality and counterfeit products on Chinese local brands. On the other hand, they highly appreciated global brand commitment to long-term technological and product innovation to continuously meet Chinese consumer expectation. On the contrary, they perceived Chinese local brands tended to be short-sighted and less consumer-oriented in product quality and innovation as well as brand reputation compared to global brand counterparts.

Given these foregoing opportunities and challenges, in spite of global brand high prices, those middle-class Chinese consumers would prefer to purchase global brands compared to Chinese local brands. It was mainly because of their favorable perception and impression on global brand offerings with higher product quality, higher brand reputation and trustworthiness, better customer services, higher perceived values, and higher perceived social prestige when using global brands. Therefore, by consuming global brands, not only it would further justify Chinese consumer consumption perceived values and purchase decisions, but also it would enhance further their social prestige (or mianzi) (Jap, 2010).

Furthermore, China is facing a major social and cultural transformation from a more collectivistic country to a more individualistic country (Xiao, 2005) resulting in dramatic changes in Chinese consumption values, perception, preference, behavior, and attitudes towards fashion luxuries. It is believed that this study will provide further insights of changing Chinese consumer behavior in recent years. Eventually, this study will benefit multinational and local leaders and marketers to develop marketing and business strategies to cater for China’s vast market effectively, efficiently, ethically, and profitably. Meanwhile, this study will also benefit Chinese consumer living standards through the increased availability of a wider choice of products and or service assortments to meet Chinese consumer consumption values, preferences, and expectations accordingly.
REFERENCES


