Advances in Chinese Brand Management

Edited by

JOHN M.T. BALMER
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JOURNAL OF BRAND MANAGEMENT: ADVANCED COLLECTIONS

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Foreword

The Journal of Brand Management (JBM) has been at the forefront of support for publications in the area of Chinese Brand Management over the past two decades. As co-editors-in-chief of the JBM and series editors for the 'Advanced Collection' we are aware of the research and contributions of Professor Balmer and Dr Chen on this territory, based at Brunel University London, UK.

'Advances in Chinese Brand Management' is the second book in the JBM advanced collection series and presents an insightful introductory chapter along with a fascinating range of past and recent articles that marshal research and scholarship from the Journal. The research is undertaken by Chinese scholars along with scholars from the UK, Continental Europe and the United States. Focusing on the development and management of brands in China, key topics include brand building, corporate brand communications, corporate heritage brands, luxury brands, brand name and logo and brand buying behaviour.

This book (and the JBM advanced collection series generally) will be ideal for postgraduates pursuing research degrees; postgraduates on taught degree programmes in brand management, corporate marketing, public relations, corporate communication etc.; master's students in marketing taking electives in corporate brand/brand management; and final-year undergraduates reading marketing/management/public relations/corporate communication for their bachelor's degree. Importantly, too, this book will be of interest for discerning managers, consultants seeking an 'advanced introduction' to the Chinese brand management territory.

We hope readers enjoy this book as much as we as series editors have enjoyed supporting Professor Balmer and Dr Chen in bringing this anthology to fruition.

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Section 1
Introduction

1
Introduction

John M.T. Balmer and Weifeng Chen

At the turn of the millennium, the People's Republic of China (PRC), after enduring a century of internal travails and centuries of relative commercial decline, sphinx-like, emerged as a pre-eminent economic, mercantile and military, power on the world stage. If the nineteenth and twentieth centuries were the age of the Anglosphere (with nineteenth British hegemony passing to the US in the twentieth century), arguably, the twenty-first century will, in part, be an epoch increasingly informed by the Sinosphere.

Tellingly, in the early twenty-first century, China had also metamorphosed into a world-class brand power. Increasingly, China is a country which is active in the brand realm apropos home-grown as well as in the acquisition of well-known foreign brands.

Moreover, whereas during the later part of the twentieth century and early twenty-first century, the world became used to reading the *Made in China* label on every conceivable type of product, mankind is increasingly getting used to a ubiquitous *Branded in China* tag. What is clear is that China has fallen in love with brands.

As such, the publication of this book is propitious in terms of its focus (China's brands) and auspicious in terms of its substance (the content has been selected from the annals of the *Journal of Brand Management* (JBM). Significantly, the majority of articles in this anthology report the insights of empirical research. This anthology includes a variety of salient perspectives on China's brands and this book aims to be of value to scholars, students and managers alike.

1.1 The importance of China

Recently, marketing scholars have accorded increased attention to the People's Republic of China (PRC) and there are some compelling reasons for this interest.

The Middle Kingdom – being the literal translation of China "Zhongguo" (中國/中国) – contains approximately 20–25% of the world's population; it enjoys a status as the world's second largest economy and is set to become the first. Not surprisingly, the recent, and moreover rapid, social, economic and technological transformation of China has caused this country to be reappraised.

1.1.1 When and why was China's bamboo curtain drawn?

Today, the PRC enjoys the appellation "the workshop of the world", a moniker last held by Great Britain in the nineteenth century. Moreover, from the 1980s onwards, China underwent a political and economic revolution. Initiated by Premier Deng Xiaoping, China began to follow a new path which was described as "Socialism with Chinese characteristics." This caused PRC's "bamboo curtain" to be drawn open which entailed both a disavowal of China xenophobic mentalité and an avowal of a pronounced capitalist and market-focussed philosophy. As noted by Balmer and Chen (2015a), the aforementioned signalled a renaissance of China's hegemonic status.

1.1.2 What is distinctive/extraordinary about the Chinese ethos?

Within China, Taiwan, Hong Kong, Macau and the wider Chinese diaspora, there remains a strong attachment to Confucianist and Daoist principles. Confucianism accords emphasis to an ordered society based on old-age Chinese precepts including respect for family and for those in authority. Furthermore, Daoist religious beliefs stress the need to live in harmony both with nature and humanity and with an individual's mental and physical states. In scrutinising China's brands, it is imperative to take account of the above. Sometimes, the precepts of Confucianism and Daoism meaningfully inform certain Chinese brands (see the article on Tong Ren Tang in this regard).

Interestingly, the PRC has also, since the proclamation of the PRC in 1949, embraced the Western philosophical precepts of Communism and from the 1980s onwards Capitalism too. As such, China is a curious amalgam of powerful and seemingly irreconcilable philosophical, political and religious practices namely: Capitalism, Communism, Confucianism and Daosim.

1.2 What is the contextual explanation and why there has been an upsurge of interest in brands in China?

In ascertaining why branding has in many regards occupied a centre stage within China, a number of explanations have been proffered (Balmer and Chen, 2015a):

1. *Reforms of Deng Xiaoping:* Gave a state imprimatur to a more capitalist style economy which provided a fillip for entrepreneurs and for brands.
2. *Capitalist Ethos:* China is a leading exemplar of state capitalism (including state support for home-grown brands and apropos the acquisition of overseas brands).
3. *Population and Urbanisation:* Today, most Chinese live in urban rather than in agrarian communities and city living has fuelled the interest in and reliance on brands.
4. *Rapid Industrialisation:* Linked to the above, manufacturing now occupies a prominent position in the economy (this has provided a fillip for B2B brands and has led to manufacturers' increased interest in their brand-building activities).
5. *Manufacturing Competency:* China has now taken over the mantle from Japan as the country where many products – especially, but not only, cheap products – are manufactured and this inexorable increase in manufacturing has accentuated the importance of brands and of brand management.
6. *Beneficiary of Labour Arbitrage:* China has benefitted from labour arbitrage – the outsourcing of production to China (again a fillip for B2B brands).
7. *State Support:* Eighty percent of the market capitalisation of China's stock market is taken up by state-controlled companies. As such, state support has, in many instances, been a key factor vis-à-vis the development of certain Chinese brands.

1.3 What are the ownership structures of China's companies and corporate brands?

An analysis of corporate brands in China by Balmer and Chen (2015a) identified seven categories of brands based on their ownership structure.

(To the editors, it is important to take account of ownership structure in relation to China's corporate brands). Ownership structure, for instance, has a bearing on corporate brand management and in terms of stakeholder prioritisation apropos stakeholder theory. The seven categories are as follows:

- State-owned Chinese brands (*China Mobile, China Telecom, Chery*)
- Private-owned Chinese brands (*Huawei, Geely*)
- Hybrid/mix owned Chinese brands (*Lenovo, Haier, SAIC, Dongfeng*)
- Foreign brands in China (*M&S, Tesco, Volkswagen, Ford*)
- Foreign brands franchised in China (*KFC, McDonald, Starbucks*)
- Joint venture brands (*Kaili, Tantos, Wuling*)
- Foreign brands acquired by Chinese companies through acquisition (*MG Rover, Volvo, London Taxis*)

1.4 Corporate brands

1.4.1 *Why accord particular focus to corporate brand apropos China?*

Arguably, it has been the corporate brand category which is of primary significance in China's brands. As such, a short overview of the broad characteristics of corporate brand notion will likely be efficacious.

Making highly prescient observation Balmer (1995, 1998) argued that corporate brands would emerge as a critically important management and marketing concern and his forecast has been provided by accurate diagnosis. This is of true in China as it is in other parts of the world.

1.4.2 What are the core features of corporate brands and core precepts of corporate brand management?

A corporate brand has its roots in an organisation's corporate identity (Balmer, 1995). In effect, a corporate brand represents a distillation of an organisation's identity traits (thus a corporate brand name or logo becomes associated with these specific traits). At its heart, a corporate brand can be viewed as a covenant (akin to an informal contract) between a firm and its customers and other stakeholders (Balmer, 2001a; Balmer and Gray, 2003). While a corporate brand represents a promise, it is a corporate identity which delivers this promise: thus it is imperative to note not only this distinction but also the nature of the corporate identity–corporate brand relationship (Balmer, 2012).

However, this informal contract (or what is sometimes called a promise) should not be viewed as solely a top down/management approach. This is because the real value of a corporate brand is derived from its *emotional ownership* on the part of customers and other stakeholders, in contrast to *legal ownership* which is vested in the corporation (Balmer and Gray, 2003; Balmer, 2012).

1.4.3 Who are the foundational scholars on the corporate brand area?

It was in 1995 that Balmer in this cornerstone *Journal of General Management* (JGM) article, "Corporate Branding and Connoisseruship", formally introduced and particularised the corporate brand notion. His subsequent work significantly developed his early scholarship on the area (Balmer, 1998, 2001a, 2001b). His article "The three virtues and seven deadly sins of corporate brand management" – also published in JGM – was noteworthy in this regard (Balmer, 2001b).

Of course, Balmer was not alone in advancing the field and the works of other marketing scholars (Ind, 1998; Harris and de Chernatony, 2001; Burt and Sparks, 2002; Kapferer 2002) are also noteworthy. Surprisingly, perhaps, the contribution of organisational behaviourists is also highly regarded (Hatch and Schultz 2002). Curiously, however, they did not conceptualise the corporate brand in terms of a covenant or promise and did not always cite the foundational marketing literature on the area. Unfortunately, this has led to different historiographies on the area and represents a distorted mirror on this highly important territory.

1.4.4 What is distinct about corporate brands?

From its inception (Balmer, 1995, 2001a), a corporate brand was conceptualised as a distinct branding category. Balmer (1995) argued that a corporate brand is derived from an organisation's corporate identity; has an explicit stakeholder focus; requires institution-wide faithfulness; is multidisciplinary in scope and is a CEO and senior management responsibility.

1.4.5 What are the differences between corporate and product brands?

Balmer (2001a) initially detailed these differences and expanded on them in Balmer and Gray (2003). These differences can be detailed as follows:

- While a brand manager has responsibility for a product brand, a corporate brand manager is the Chief Executive
- While the functional responsibility for a product brand falls within the remit of the marketing directorate, the functional responsibility for a corporate brand covers most/all departments

- While general responsibility for a product brand resides among marketing personnel, general responsibility for a corporate brand resides with all personnel
- While the disciplinary roots for a product brand is marketing, a corporate brand has multidisciplinary roots
- While a product brand can be formed over a short period (short gestation), a corporate brand is formed over a medium/long timeframe (long gestation)
- While a product brand has primarily a customer focus, a corporate brand has a customer/stakeholder foci
- While a product brand's values are mainly contrived, a corporate brand values must be real ("authentic")
- While a product brand is primarily recognised via the marketing communications mix, the corporate brand is recognised via the total corporate communications mix (primary communications – performance of products and services and organisational policies; secondary communications – controlled communications such as corporate brand advertising and corporate brand PR; tertiary communications – the effect of word of mouth, media commentary, and, today, discourses on the web and associated Internet and digital channels).

1.4.6 What is corporate brand orientation?

The formal introduction of the corporate brand orientation notion was given by Balmer (2013). Traditionally, Urde's (1994, 1999) work has focus on brand orientation at the product level rather than at the corporate level. Arguably, therefore, the corporate brand orientation approach represents the natural dénouement of Urde's (1994, 1999) brand orientation notion which, for the main, does not have an explicit corporate brand focus. Building on the brand orientation literature (Hankinson, 2001; Simoes and Dibb, 2001; Yin Wong and Merrilees, 2005, 2008; Baumgarth, Merrilees and Urde, 2013; Urde, Baumgarth, and Merrilees, 2013), a corporate brand orientation emphasises the centrality of the corporate brand for institutions; stresses the need for the corporate brand to be at the centre of corporate strategy and organisational life and requires senior managers to accept the theory and practice of corporate brand management (Balmer, 2013).

1.5 Internationalisation of Chinese brands and internationalisation theory

Many Western brands have been successful (and some unsuccessful) in entering the Chinese market and, to a lesser degree, the same can be said for Chinese brands. As such, internationalisation theory (apropos international business/international marketing) represents a useful – if not necessary – theoretical perspective via which brand management to and from China can be understood.

1.5.1 What is internationalisation theory?

The internationalisation of companies, corporate brands and brands is a feature of the global business environment. Traditionally, internationalisation refers to the process of investing (Hymer, 1976) or expanding business activities in international markets to reduce costs (Smith, 1776; Dunning, 1979); seek resource assets such as technology know-how (Rogers, 1962), branding (Balmer and Chen, 2015a) and strategic alliances (Dunning, 1993); in order to achieve comparative (Ricardo, 1817) and competitive (Porter, 1990) advantages.

Internationalisation theory notes that the growth and expansion of organisations are often coupled with international markets knowledge growth. Market entry is a complicated process and can be fraught with huge opportunities as well as risks.

According to internationalisation theory, certain organisations have an ability to transfer their institutional/ownership (and, arguably branding) advantages efficiently across national borders (for example, by extending their institution's geographic scope). As such senior managers (including brand managers) need to appraise when, how and which market to enter. Companies (and corporate brands and brands per se) can enter foreign markets through licensing, Greenfield project, franchising, business alliance, Turnkey project, joint ventures, outsourcing or exporting initiatives/strategies (Buckley and Casson, 1998; Meyer, Estrin, Bhaumik and Peng, 2009).

The internationalisation strategy of Chinese firms has attracted the attention of many scholars (i.e. Mathews, 2006; Rui and Yip, 2008; Deng, 2009; Peng, 2012). Peng (2012) noted how acquisitions are the primary market entry mode of Chinese companies and Chinese companies especially covet established world-class brands and often corporate heritage brands (of which China is largely bereft.) Examples include the acquisition of Hong Kong's Trinity Group of London-based *Gieves & Hawkes* men's tailors (established in 1771); Geeley's acquisition of *London Taxis* in 2013; *House of Fraser* UK high street department stores, purchased by the Sanpower Group in 2014.

1.5.2 How has China benefitted from internationalisation?

When the bamboo curtain was drawn in China post-1978, the People's Republic was able to benefit from foreign investment/knowledge transfer.

By the same taken, China has also expanded its global reach overseas. Often this has been in response to state dictates where Chinese companies and brands have, in particular, sought to access natural resources (in particular, in Africa, Australia, South America) and other strategic assets. In particular the competencies of foreign brands, including their reputations, and R&D capabilities have been significant spurs for the internationalisation of Chinese firms (Barney, 1991).

1.5.3 What was the nature of Chinese internationalisation in the late 1970s to 1990s?

During the early stage of Chinese internationalisation (1978–1991), most activity was undertaken by large, state-owned enterprises operating in the financial services, shipping, international trading and natural resources sectors (i.e. CITIC, COSCO, CNPC, Sinochem, CNOOC, China Minmetals and COFCO).

At this time Hong Kong (a British Crown Colony), as part of the Anglosphere and underpinned by its much-respected British legal, banking, stock market and governance systems, meant that many Chinese companies ran their international operations from this British Overseas Territory. Not surprisingly, perhaps, this explains why early academic work on branding in China has been undertaken by marketing scholars from Hong Kong. Post-1997, with the ending of British rule and the return of China's sovereignty over Hong Kong, this former British Crown Colony still remains a highly significant location for Chinese international business operations.

1.5.4 Why did the internationalisation of Chinese companies/ brands intensify from 1990s onwards?

Deng Xiaoping's (a prominent Chinese political figure) legendary southern tour of 1992 led to major economic reforms within China including a liberalised economic policy and this spurred on the country's internationalisation efforts. Significant, too, was 1999 "go global" strategy of the government initiated in 1999 and the country's entry into the World Trade Organisation (WTO) in 2001. As such, major Chinese corporate brands have internationalised: prominent brands including *Haier* (a prominent brand in the US consumer electronics sector); *Lenovo* (one of the world's largest personal computers manufactures); Huawei (a giant in the global telecom equipment market); *Geely* (acquiring the Swedish *Volvo* car marque in 2010).

1.6 Taiwan

Importantly, while the primary focus has understandably cantered on the PRC sight should not be lost of the significance of Taiwan (the Republic of China) in brand management terms and this compendium includes a number of articles relating to the aforementioned.

1.7 Themes covered and structure of this anthology

This compendium comprises seven distinct sections (including this section). In identifying these themes, the editors aim to reflect something of the breadth and depth of China's brands and its management.

Section 1. Introduction

Provides an overview of the anthology, details some key theories and scholarly insights on the domain and explains the rationale for this book along with key insights.

Section 2. China's brands and corporate brand communications in China in context

Consisting of one chapter, the JBM article entitled "China's brands, China's brand development strategies and corporate brand communications in China" by Balmer and Chen (2015a) provides a historical overview of branding in China; identifies different modes of brand development within the Middle Kingdom; introduces a distinct Chinese total corporate communications framework and, finally, provides an overview of the extant literature on China's brands.

Section 3. Corporate heritage brands in China

Comprising two chapters, this section focusses on the corporate heritage brands in China. In the opening article "Corporate heritage brands in China. Consumer engagement with China's most celebrated corporate heritage brand – Tong Ren Tang: 同仁堂" by Balmer and Chen (2015b) on the centuries old (established in 1669) Chinese pharmaceutical company Tong Ren Tang (TRT), the authors explain why this brand has endured and has remained meaningful. It applies the first four of Balmer's (2011) criteria of corporate heritage identities and Balmer's (2013) augmented role identity notion to show why this is the case. This case study is significant in that it has an explicit consumer perspective. The case is also notable since TRT has long been associated with successive Emperors of China.

The second article, "A brand culture approach to Chinese cultural heritage brands" by Schroeder, Borgerson and Wu (2015) adopts a brand culture approach to examine how consumers co-create meaning for two Chinese cultural heritage brands: Shanghai Tang and Shang Xia. The authors explain how brand actors co-create, circulate and refigure existing meanings of brands and cultures, mindful of the meanings which can be tapped into from China's rich cultural heritage.

Section 4. Luxury brands in China

This section has two chapters.

Written by Heine, Klaus and Gutatz (2015), "Luxury brand building in China: Eight case studies and eight lessons learned" focusses on a particular Chinese fascination with, and love for, luxury brands. In particular, the research focusses on the challenges in developing luxury brands in China and focusses on Chinese, Chinese-owned and Western luxury brands. The study also explores the market entry strategies of different luxury brands such as Gieves and Hawkes, NE Tiger, Sheme, Charles Philip Shanghai and so on. Comprising eight mini case studies, the research identifies the success factors for luxury brand management in China.

The second article "Consumer perspectives of cultural branding: The case of Burberry in Taiwan" by Peng and Chen (2012) focusses on luxury brand management in Taiwan by examining the case of Burberry and differentiates two sources of Burberry's brand meaning based on the company's history, designs and marketing campaigns and Britain's cultural attractiveness to luxury consumers in Taiwan.

Section 5. Managing the brand name and logo

Three articles have been selected for this section.

In the opening article of this section by Dong and Helms (2001) "Brand name translation: a case analysis of US brands in China", the authors scrutinise the relationship between brand names brand equity. The study details how Chinese culture needs to be taken into account when translating brand names. Focussing on US brands, the authors propose a theory-building initiative for international branding.

The second article by Schmitt and Zhang (2012) "Selecting the right brand name: an examination of tacit and explicit linguistic knowledge in name translations", also focusses on the translation of English brand names into Chinese (Mandarin). The research found that managers intuitively use both sound and meaning characteristics which "best fit" the translation of brand names. The authors conclude that brand naming is a process which requires access to deep-rooted linguistic structures.

The final article "The effects of sub-brands and brand name structure on extension evaluation: An empirical study based on Chinese culture" by Chen, Ma, Zheng and Wang (2015) explores the relationship between different understandings of meanings for sub-brand names (based on Chinese culture) on consumer evaluations. By comparing the respective effects of different sub-brand name meanings on evaluations of extensions, it reveals that symbolic brands are more appropriate for sub-brands with symbolic semantic names and functional brands are more suitable for sub-brands with functional semantic names in China.

Section 6. Brand building in China

This section has two articles.

In "Country branding through the Olympic Games", Qin and Paswan (2012) with their focus on the Beijing 2008 Olympic illustrate the transformative power of the Olympics on China's brands. Having an explicit focus on country brand image, the researchers found that hosting the Olympic Games had indirect and direct effects on purchase intention as a direct result of a perceived change in country image in the aftermath of the Olympic Games.

Tang, Liou and Peng (2008) in the second article of this section "B2B brand extension to the B2C market – The case of the ICT industry in Taiwan" reveal that the consistency of brand concepts between the parent B2B brand and the B2C extension product is the dominant factor influencing consumer evaluations in the ICT manufacturing sector in Taiwan. Consumers tend to have high evaluations of extended products when the parent brands have high-quality perceptions, high perceived innovativeness and high capability in transferring skills or assets.

Section 7. Brand buying behaviour in China

Three articles have been selected for this section.

Based on a sample 338 department store customers in Beijing, the first article "The images of foreign versus domestic retailer brands in China: A model of corporate brand image and store image" by Lin and He (2015) shows that both corporate brand image and store image have a positive effect on patronage intention. Brands of foreign origin have a more positive corporate brand image than their local counterparts.

The second article "Hedonic shopping value and impulse buying behavior in transitional economies: A symbiosis in the Mainland China marketplace" by Yu and Basin (2010) provides an insight into Chinese consumers' impulse buying behaviour and practical guidance for how retailing firms can build strong brands by creating and managing emotional brand experiences in China.

In the final article "Consumers' attitudes regarding non-deceptive counterfeit brands in the UK and China", Bian and Veloutou (2007) studied consumer behaviour and attitudes regarding counterfeit products in the United Kingdom and China and suggest that not all respondents have a very high opinion regarding counterfeit brands, while Chinese value them even less. Consumers find it difficult to distinguish between the genuine and the counterfeit brands, and when they are compared with the genuine, the British believe that counterfeits are even less trustworthy.

1.7 The editors

The editors of this book have a long-standing scholarly interest in China and have served as guest editors of a JBM special edition devoted to China's brands (Balmer and Chen, 2015c). Furthermore, the first editor – commonly regarded as the "father" of the corporate brand notion – has a matchless pedigree in the annals of corporate brand management. He is also the Chairman of the Board of Senior Consultant Editors of the JBM.

It is the editors' hope that this compendium will provide an insightful and meaningfully overview of the importance of brands in China and perhaps will instil a passion for this subject. *Read on and enjoy!*

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Section 2
China's Brands and Corporate Brand Communications in China: in Context

2
China's Brands, China's Brand Development Strategies and Corporate Brand Communications in China

John M. T. Balmer and Weifeng Chen

Introduction

In the 1980s, when China's so-called bamboo curtain was drawn after the reforms of the country's Premier Deng Xiamping, not only did the western capitalist notion receive the *imprimatur* of the Chinese State, but, tellingly, capitalism was enthusiastically embraced by many Chinese individuals.

Significantly, these reformations in thought exposed – and exposed very quickly – the Chinese to a fascinating world of brands. In many meaningful ways, Chinese citizens' primary exposure to the west and to western capitalism mainly came in the form of brands.

China's new mercantile and entrepreneurial class developed new, home-grown, brands while managers of established brands such as Air China and Haier increasingly viewed these organisations in branding and, moreover, in corporate branding terms. As such, they appear to have adopted the fundamentals of corporate brand management (Balmer, 1995, 2001, 2010, 2012) along with a corporate brand orientation/logic (Balmer, 2013). There was also an appreciation that China had more established heritage and corporate heritage brands. Tellingly, these heritage brands were given an official status by the Chinese state as *Laizhous*. Many of these corporate heritage brands have remained true to their core purposes and which, today, remain meaningful: TongRenTang– the traditional Chinese Medicine corporate brand dating

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back to the seventeenth century – is an exemplar Chinese corporate heritage brand/Laizhou (Balmer and Chen, 2015).

Brand China in context

In both contemporary and historical contexts, China (both the term and the brand) was – and is – redolent with multiple connotations in branding terms. Arguably, China-as a country brand- has long been one of the most famous, celebrated and ubiquitous brands on the world stage: it is a country and place brand that is without parallel.

The above being said, China means many different things to different people and in different contexts. While some of China's brand associations are complementary, some are controversial, – even counterintuitive.

For instance, the very notion of China arouses powerful emotions among the Chinese. For some, China is not one country but two: the Republic of China (Formosa) and the People's Republic of China. The Chinese characters denoting China (中国) literally translate as 'The Middle Kingdom'. As such, for those in the west it seems incongruous that two republican Chinese states have a nomenclature that categorises them as a kingdom.

Moreover, China the brand is not so much a country but, for some, a peerless and millennia-old civilisation. However, it is a civilisation that is informed by numerous ethnicities, and in terms of contemporary China as a communist State is, paradoxically, a country informed by a capitalist ethos. This being said, sight should not be lost of what is arguably China's most powerful brand: the Communist Party of China. It is still not uncommon to see posters extoling thrift, filial devotion, Chinese Civilisation and the Communist Party, the latter epitomised by the mantra 'The Communist Party is good, the people are happy' (*The Economist,* 2014b).

It has long been recognised that understanding China – as well as reading the Chinese mind – can be highly problematic. This has given rise to a category of scholar/official *–the sinologist* – who is a connoisseur of all things Chinese and is highly adroit in their dealings and communication with the Chinese. At one time many sinologists were to be found within the UK's Foreign and Commonwealth Office. Arguably the most celebrated of all sinologists was an Englishman, the celebrated Cambridge University Don Joseph Needham CH (李约瑟).

What is incontrovertible is the fact that the twenty-first century is destined to witness the renaissance of China hegemony in a number of fields, and one of these is sure to be the branding domain. This should come as no surprise considering the inexorable growth and strength of the Chinese economy; the country's rapid industrialisation; the rise of a wealthy and aspirational middle class; and, importantly, the size of the Chinese population – around a fifth of the world's population are Chinese.

Moreover, China's various appetites and needs are voracious and nowhere is this more evident than in the branding realm. As such, China is not only developing home grown brands; developing its own global brands but is also acquiring emblematic western brands including well-known coporate brands such as Volvo, Gieves and Hawkes, London Taxis, Q8 Pirelli, House of Fraser and Weetabix (the latter is the celebrated British breakfast cereal product brand).

Importantly, sight should not be lost that the People's Republic of China is in branding terms qualitatively different from the China of 20 years ago owing to its rise as a significant economic and military power. Today, China is the second largest economy and is probably destined to become the largest economy, a very different situation from 20 years ago (*The Economist,* 2014a). Its economic might is pervasive and can be seen in Asia, Australasia and, more especially, Africa. It manifests itself in Europe, and Italy is a case in point with a former Italian Prime Minister, Romano Prodi, wistfully noting that 'Italian industrial policy is now made in Beijing.' Certainly, Chinese companies are following a state diktat to acquire high-quality foreign brands. Chinese companies now own the Italian yacht builder brand Ferretti and the celebrated fashion house Ferragamo (*The Economist,* 2015).

However, its soft power is comparatively weak. Significantly, the Chinese state has also attempted to burnish the 'soft power' of the China brand *via* cultural activities in an attempt to complement – as well as ameliorate some of the contentious aspects of – China's 'hard' power. For the sake of balance, mention should be made of Taiwan (the Republic of China), which (in country of origin branding terms) is celebrated for its brands – several have a global presence.

Erroneously, China is sometimes characterised as being devoid of well-known brands. To us, this seems curious and reflects a somewhat narrow conceptualisation and comprehension of China's brands. For us, China *does* have iconic brands, and the fact that they are linked to the state, to parties or to religious philosophies and movements, or because of their status as place brands does not mean that their status is diminished. Consider the following:

- *The Communist Party of China*
- *Mao Tse Tung and Jung Gio Ping (personality brands)*

- *The Peoples' Liberation Army*
- *Confucianism*
- *Daoism*
- *Beijing*
- *Hong Kong*
- *Macao*
- *Shanghai*
- *Xi'an*
- *Shangri-La (a region in South West China)*
- *Cathay Pacific Airways*

Consider, too, China's domestic corporate brands, China Mobile being a case in point as one of the People's Republic's largest corporate brands. It is a corporate brand which has a customer base of around 600 million customers (*The Economist,* 2011d, e). It is still, for instance, difficult for foreigners to obtain a credit card in China and it was only quite recently – in February 2012 –that Citibank became the first Western bank to be allowed to offer credit cards under its own brand name. (*The Economist*, 2012c). In the international context, mention can be made of Triangle, which is a notable player in the global tyre market, as is Haier in the white goods sector. Also of note is the well-documented association between Lenovo and IBM, and China's acquisition of iconic automotive marques including Volvo (purchased by Geely), MG (purchased by SAIC) and London Taxis (purchased by Geely). Those of us who have visited China – or teach Chinese students – will also be acutely aware of the Chinese attachment to the Baidu and Alibaba online brands/search engines.

Overseas brands enjoy a high presence and respect in China. For instance, China is one of the fastest growing markets for the US-based Walmart supermarket chain: the brand has more than 350 stores in the People's Republic and employs almost 100 000 staff (The *Economist*, 2011b). Luxury brands also fare well, such as the iconic British corporate brand Burberry. Indeed, China is Burberry's prime market (*The Economist*, 2011a).

The Chinese diaspora 'diasporation'

No discussion of China's brands can neglect the importance of China's diaspora, which can be found in many parts of the world and which often make up a sizeable proportion of certain countries (Singapore, Malaysia), provinces (British Columbia in Canada) and cities (New York, London).

The effect of what we call diasporation can be considerable in terms of creating a global market for (in this case) Chinese brands for use by the Chinese community, but also in terms of creating awareness and interest in Chinese brands in overseas markets.

China town: A ubiquitous global place brand

Consider, for instance, in tourism contexts, the popularity and widespread occurrence of the 'China Town Generic Brand' in many cities including Bangkok, London, Manchester, New York, Sydney and Vancouver, to name but a few. China town is not so much a location but a brand in many places.

The ascendancy of China and its brands: Explanations

An understanding as to why China's economy has grown and interest in branding has developed is attributable to a number of factors, many of which are interrelated. These can be detailed as follows (see Figure 2.1):

1. *Reforms of Deng Xiaoping:* Reforms brought about by Deng Xiamping in the 1980s not only moulded the polity and economy of China but in marketing and branding terms also heralded profound change. It was, for instance, Deng Xiaoping who uttered the words, 'To become rich is glorious.' (*The Economist*, 2008b).
2. *Capitalist Ethos*: China is a leading exemplar of state capitalism (*The Economist*, 2011c) and this system has allowed new brands to emerge and older brands to grow
3. *Population:* Today China has a largely urban population. In 1980 the population was overwhelmingly agrarian in character (*The Economist*, 2012b) and, arguably, this resulted in a greater disposition for consumers to have greater branding foci.
4. *Rapid Industrialisation:* Manufacturing has enjoyed a phenomenal growth over the last few decades and this, in part, explains the rise of B to B branding and the establishment of new 'home grown' brands.
5. *Manufacturing Competency:* China has now taken over the mantle from Japan as the country where many products, especially cheap products, are manufactured (*The Economist*, 2010a) and understandably new brands have emerged as a consequence.
6. *Beneficiary of Labour arbitrage:* China has benefited from labour arbitrage - the -outsourcing production and capitalising on lower wages overseas-is, now, a well-known phenomenon in the industrialised west and, in many, China's B to B brands.

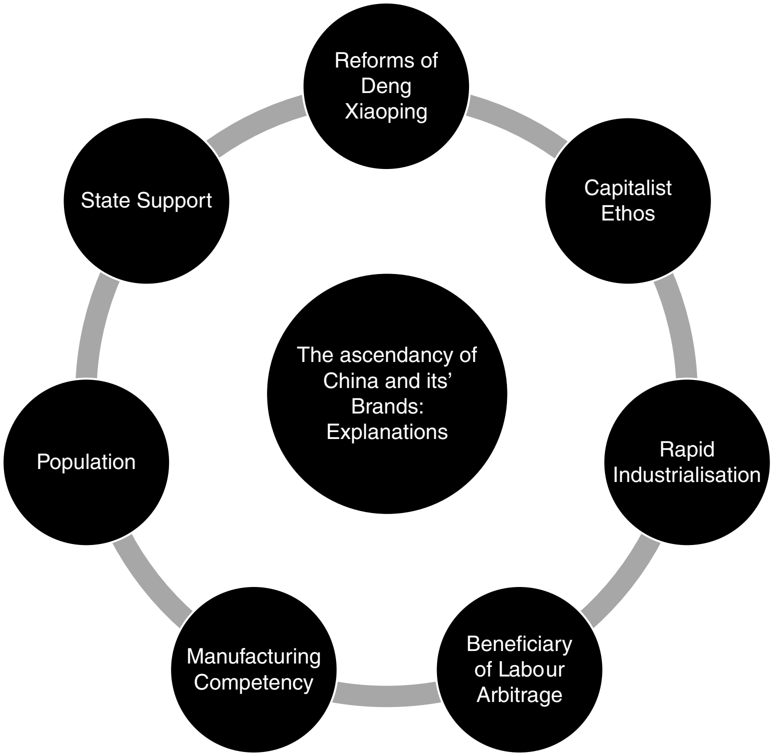

Figure 2.1 The ascendancy of China and its brands: explanations

7. *State Support:* 80 per cent of the market capitalisation of China's stockmarket is taken up by state-controlled companies. It is an incontrovertible fact that state support has, in many instances, been a key factor *vis-à-vis* the development of certain Chinese brands (*The Economist*, 2011d)

Threats to China and its brands

For the sake of balance, it is possible to identify a number of 'threats' to China's status and to its brands. One of these threats relates to issues of trust and the rule of law but, increasingly, China seeks to protect its own intellectual property rights including its brands and this has resulted in a greater adherence within China to 'the rule of law'. (*The Economist,* 2008a).The threats facing China are detailed below (also see Figure 2.2).

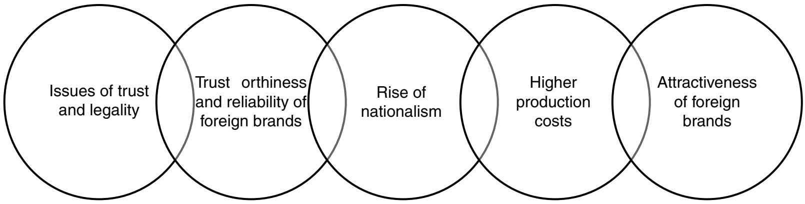

Figure 2.2 Threats to China and its brands

Higher production costs: As wage levels increase and as the standard of living rises along with the expectations *vis-à-vis* employment, the cost of manufacturing products in China is becoming less attractive to western brands.

Attractiveness of foreign brands: Increased wealth means that Chinese covet branded – and increasingly more expensive and more expensive foreign brands as a consequence.

Trustworthiness and reliability of foreign brands: High-profile food contamination scares have undermined confidence in native food and beverage brands., thus allowing overseas brands such as Nestlé and Arla to capatalise on this weakness (*The Economist*, 2011b, 2012a).

Issues of trust and legality: Intellectual property theft from the west and a failure to honour foreign patents and copyrights within China have been damaging, and this may have hindered inward investment, joint agreements and the introduction of brands within China.

Rise of nationalism: Importantly, not everyone in China is enamoured with capitalism and with the western democratic ethic. Not surprisingly, the massive changes within the Middle Kingdom have given rise to nationalism and have caused foreign brands to be shunned. The above is epitomised by such groups as the fenqing ('angry youth') which are scornful of the notion of universal rights and discount political and economic liberalism and western attitudes. Taking a historical perspective, such attitudes are redolent of earlier political movements in China such as the Boxers and the well-known anti-western Boxer Uprising of 1900 (*The Economist*, 2011d, e).

The Chinese branding renaissance: What is it? What of it?

We label the current growth of interest in and importance accorded to brands in China a renaissance since China was, for several millennia, a civilisation which was known and coveted for its prowess in innovation, business acumen and manufacturing capability. As such, it has an unparalleled status as a country of origin brand. Whereas, today (although this positioning is rapidly changing) its products tend to be considered 'low' quality, for many years anything carrying the China name denoted the highest quality. As such, China enjoyed considerable respect. A legacy of this is the well-known English aphorism: 'Damned clever those Chinese'.

As the English scholar Joseph Needham CH noted (Winchester, 2008), right up until the fifteenth century, Imperial China had an unmatched provenance in terms of its scientific innovations. China is a nation of innumerable 'firsts': the first to introduce the magnetic compass; the first to build a chain drive and the first to introduce printing. Yet, as Needham chronicled, China had forgotten its provenance in this area. Of course, it is highly ironic that it took an Englishmen to remind China of its achievements. Needham also famously noted that China has for years failed to produce a single idea or invention that has had a global impact. He famously sought to answer this conundrum and this gave rise to the so-called 'Needham Question' which in Mandarin is known as *Li Yeuse nanti*.

Western fascination with – and sometimes fear of – all things Chinese is nothing new. For instance, today, in certain contexts, 'China' refers to the finest pottery or what is sometimes called chinaware. This is because for many centuries the finest and most elegant pottery was produced in China and the name has stuck even though it has become synonymous with very fine English porcelain.

The Chinese style, in former centuries, was also greatly admired and emulated in advanced western countries such as Great Britain. The eighteenth century, for instance, witnessed European interest in *Chisonere,* where western art forms were explicitly informed by a Chinese design ethic. For instance, Britain's King George IV's sumptuous coastal/seaside palace at Brighton has an interior that is in the Chinese style.

The British were also impressed and dismayed by Imperial China's lengthy and onerous civil service examination that had the objective of selecting only the brightest to work for the imperial court. Tellingly, even today, the highest echelons of Britain's civil service are commonly known as 'mandarins'.

Brand China: Soft power

In nation branding terms, the notion of 'soft power' – coined by Professor Joseph Nye of Harvard University – is relevant to our discussion of Brand China. Nye defined soft power as:

> the ability to get what you want through attraction rather than coercion or payments. (The Economist, 2011d).

Curiously, whereas in 'hard power' terms there is no disputing the fact that China, in nation branding terms, has considerable economic and military power, its soft power on the international stage is comparatively feeble. Moreover, its cultural brand power (which in this article is defined as 'the social, and economic, attractiveness of a country's cultural and intellectual repertoire') is weak, which was not the case in centuries past. Arguably, the Vatican City State's 'soft' and 'cultural' brand power is more significant. For instance, to date, no Chinese citizen has been awarded a Nobel Prize in the sciences or economics.

As a corrective to the above state of affairs the Chinese State has variously marshalled Confucius/Confucianism and the writing of Sun Tzu as a means of burnishing the soft power of Brand China. However, this appears to have achieved limited success. For some, the marshalling of the writing of Sun Tzu's reflections on the art of war is incongruous in terms of the use of soft power.

Most notable of these initiatives is the establishment of 300 Confucius Institutes overseas, which has the aim of promoting Mandarin. However, for some, the close links of the Confucian Institutes to the Chinese State is problematic. Also, since the time of Chairman Mao, the brand values of Confucianism have been downgraded and denigrated; as such, the promotion of Confucianism, at best, seems curious. Tellingly, a landmark statue of Confucius was removed from Tiananmen Square in Peking in 2011 after a short period of time, a decision that is more in keeping with the decades-old narrative of the Chinese State, which regards Confucianism as a negative force because of its close associations with China's imperial, feudal and 'backward' past.

Whereas Confucianism stresses benevolence, righteousness and harmony, it seems extraordinary that the Chinese State has sought to promote Sun Tzu and, moreover, his magnum opus 'The Art of War.' This seems to be a highly ill advised 'export' of soft power, since 'The Art of War' celebrates the dark side of the human character and commends selfishness and cunning: for many (especially in the west) these state-sanctioned Chinese values that are not so much enticing but nauseating (*The Economist*, 2011d).

Workshops of the world – Great Britain and China: Hybrid companies and state capitalism

Today, Chinese companies tend to be either manufacturing or sales driven. Compared with many western nations, branding (and particularly corporate branding) remains under developed.

China's recent and rapid industrialisation is similar to that which characterised Great Britain during the industrial revolution: today, China is the workshop of the world just as Great Britain once was (Balmer, 2010). As with British companies of the past, manufacturing entities realised that branding their products, services and indeed the company itself (corporate branding) not only enabled them to connect with their customers but also allowed them to imbue their products and services with added meanings and values, and, of course, enabled them in many instances to command a higher price (Balmer, 2010). Moreover, just as Great Britain pursued 'state capitalism', which led to the introduction of hybrid companies in the seventeenth century – consider the British East India Company – China is embarking on the same course today. Hybrid companies serve both the state and shareholders. As such, senior managers need to juggle the requisites of government along with the provisos of the market, including the share price. This explains why they are called hybrid companies.

Shanzai (counterfeit brands) and brand savoir fare in China

Traditionally, China has been known for its prowess in offering counterfeit brands, what in Mandarin are known as *Shanzai*. Today, counterfeit brands are still prevalent and popular. For example, 30 per cent of all mobile phones and 80 per cent of computer software phones are fakes (*The Economist,* 2012a).

However, one interesting trend within China has been the move away from Shanzai, coupled with an increased appreciation of bona fide (rather than fake) brands but also a behavioural shift (among the middle and upper classes) that well-known (especially luxury brands) are purchased because they denote a mark of quality/excellence and trustworthiness. In addition, in China account needs to be taken of the fact that luxury brands – and the premium price paid for them – both connotes and communicates status. Often luxury brands are used as 'gift items', and increasingly, the Chinese upper classes are likely to be mocked if they are spied carrying a fake Gucci handbag (*The Economist,* 2012a).

The above helps explain why Chinese tourists on a European tour are invariably taken to shownretailer brand stores such as Louis Vuitton and Hugo Boss. Curiously, the Grand Duchy of Luxembourg is a favoured destination brand not only because of its status as a Sovereign

Dukedom and because it can be visited in a morning but also because, as a national brand, it is admired by the Chinese for its national wealth. Consider Chinese students who, typically, devote a third of their holiday budgets to the purchase of well known foreign brands (*The Economist,* 2010b).

The Chinese also categorise and prioritise overseas corporate brands differently from their western counterparts. For instance, Chinese tourists prefer Cambridge over Oxford University as a tourist destination and, in particular, seek out a particular willow tree at Kings College, Cambridge. Why? Because, the tree, college and University were immortalised in the poem 'On Leaving Cambridge' penned by the celebrated twentieth-century Chinese poet Xu Zhimo (*The Economist,* 2010b).

Literature review: Corporate brands in China

A systematic review of the literature pertaining to Chinese brands and brand management in China was undertaken during 2011–2014. From this analysis the literature was found to be small in scale; of recent origin (underdeveloped); and, comparatively speaking, lacking in empirical insights, and most researchers were found to be Chinese or of Chinese extraction. Moreover, six dominant themes appeared to characterise the Chinese brand canon:

1. Chinese brand names and marques
2. Chinese brand loyalty and consumer behaviour
3. Chinese brands and cultural values
4. Chinese brand stakeholders and communications
5. Chinese brands and international marketing
6. Chinese approaches to luxury brands

These are detailed in greater depth below (see Figure 2.3; some of the key literature relating to the above is shown in Table 2.1).

Corporate brand communication in China

Before discussing corporate brand communication in China and the model relating to the aforementioned, in the interests of clarity a distinction needs to be made between traditional corporate communications and corporate brand communications. In essence, corporate communications is an area of management/corporate marketing whose theories, models and instrumental insights adopt a corporate-level

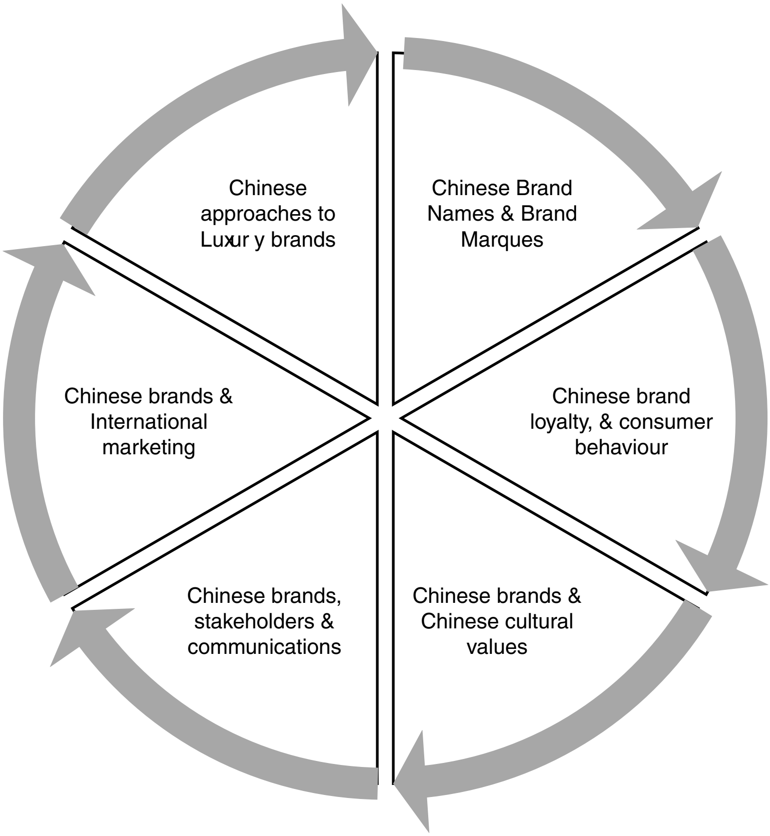

Figure 2.3 Main themes in the literature on Chinese brands

communications perspective that focuses on stakeholders and, significantly, has an organisation's corporate identity at its core (Illia and Balmer, 2012).

Corporate brand communication is similar to the above in many regards with the important proviso that it has a corporate brand at its core (Balmer, 2012). It should be noted that the earliest writing on corporate brand management noted the significance of corporate communications in the context of corporate brand management (see Balmer, 1995, p. 34). Later, Balmer (2001) went on to note the importance of total corporate communications in communicating the corporate brand promise/corporate covenant and stated:

Table 2.1 References to the main themes vis-a-vis the literature on Chinese brands

Chinese brands and cultural values	Yau (1988); Gilmor (2004); Leonidou *et al* (2007); Ackerman *et al* (2009); Atwal and Williams (2012); Hsu *et al* (2009); Heslop *et al* (2010); Yu and Bastin (2010); Llamas and Belk (2011); Chen (2012); Harry Rothschild *et al* (2012); Sun and Paswan (2012); Balmer and Chen (2015);
Chinese brand loyalty and consumer behaviour	Dickson *et al* (2004); Laroche *et al* (2005); Sun and Wu (2004); Bian and Veloutsou (2007); Teng and Laroche (2007); Venkatraman and Nelson (2008); Chan (2008); O'Cass and Choy (2008); Ha *et al* (2009); Uncles *et al* (2010); Yu and Bastin (2010); Diamantopoulos *et al* (2011); Laforet and Chen (2012); Custance *et al* (2012); Hu *et al* (2012); Sonmez *et al* (2013);
Chinese approaches to luxury brands	Phau and Teah (2009); Xiao Lu and Pras (2011); Zhan and He (2012); Li *et al* (2012); Bian and Forsythe (2012); Zhang and Kim (2013);
Chinese brand names and Chinese brand marques	Schmitt *et al* (1994); Dong and Helms (2001); Zhang and Schmitt (2001); Zhang and Schmitt (2004); Kilic *et al* (2009); Kum *et al* (2011); Schmitt and Zhang (2012);
Chinese brands and international marketing	Kirca *et al* (2005); Cui and Jiang (2010); Peng *et al* (2008); Peng *et al* (2009)
Chinese brand stakeholders and communications	Peng (2012); Chen *et al* (2013);

> Corporate brands need to meet the expectations of a whole range of internal and external stakeholders, stakeholder groups and networks, all of whom are crucial to an organisation's success. Reinforcing, and maintaining, awareness of the functional and emotional values of the corporate brand is complicated. A corporate brand is made known, and experienced, through multiple channels of communication. Thus, senior managers, need to focus on total corporate communications rather than on marketing communications. (Balmer, 2001, pp. 1–2)

From the authors' scrutiny of the corporate brand literature on China it was noticeable that there was an absence of work on brand communication *vis-à-vis* Chinese brands and, more specifically, on Chinese corporate brands. It should be noted that there is a dearth of writing/insight on corporate brand communications generally within the corporate marketing/brand literature; however, see Balmer (2012). From the analysis of the literature on Chinese brands (and taking into account the distinct characteristics and societal norms within China) it was evident that a bespoke Chinese corporate brand communication model was efficacious. In developing such a model, the point of departure was the Total Corporate Communications framework of Balmer and Gray (1999).

Apart from its focus on Chinese corporate brands *per se*, the additional dimensions which need to be factored in are:

- *Family Communications:* acknowledges the importance of the Chinese extended family even in terms of corporate brand communications and reflects China's firmly held Confucian ethic
- *Guanxi Communications:* acknowledges the particularities as well as the critical importance of China's distinctive 'network' system. Very little can be achieved in China without the support of such networks
- *Party Communications:* acknowledges the pivotal importance of the Communist Party of China in all manner of decision making in the country. Very little can be achieved in Mainland China without the support of the Party. For instance, the Party (analogous to the Government) can determine the ownership structure of organisations and corporate brands (NB: Does not apply to Taiwan).

Table 2.2 compares the dimensions of Balmer and Gray's (1999) framework with the Chinese corporate brand communications framework outlined in this article.

Development strategies of China's brands

In this section we provide a summary of our analysis of the various brand development strategies identified by our scrutiny of the activities of Chinese organisations. Six major strategies emerged from our analysis and these are briefly detailed below and are shown in diagrammatic form in Figure 2.5.

1. *Home Grown*: China has innumerable brands, some of which are known on the global stage, such as Huawei.
2. *Corporate Heritage*: comparatively few indigenous corporate heritage/heritage brands have survived the ravages of the last century and

Table 2.2 Comparing Balmer and Gray's (1999) total corporate communications framework (a corporate identity-based model) with the Chinese corporate brand communications framework (a corporate brand-based model)

Dimensions	Total corporate communications framework (Balmer and Gray, 1999)	Chinese total corporate brand communications framework
PRIMARY COMMUNICATIONS	**The main mode of communications is via an institution or organisation's corporate identity** (which includes, among others, what an entity does and how it goes about its business/purposes and encompasses an organisation's values, culture and purposes; its products and services; and style etc. Importantly, it also includes communication discourses of managers and other organisational members with stakeholders).	**The main modes of communications are via an institution's or organisation's corporate identity, which delivers the corporate brand covenant/ promise.** The corporate brand promise serves as a bilateral, albeit informal, contract between an organisation and stakeholders. **The DELIVERY of this informal contract (corporate brand covenant) is via an organisation' corporate identity** (which includes, among others, what an entity does and how it goes about its business/purposes and encompasses an organisation's values, culture and purposes; its products and services; and style etc. Importantly, it also includes communication discourses of managers and other organisational members with stakeholders).
SECONDARY COMMUNICATIONS	This encompasses **formal corporate communications centred on corporate identity attributes** and is aimed at customers and other internal/ external stakeholders and includes (among others) corporate advertising, corporate design, corporate public relations, and ethical corporate communications	This encompasses **formal communications centred on the corporate brand covenant/corporate brand promise** and is aimed at customers and other internal/external groups and includes (among others) corporate brand advertising, corporate brand design, corporate brand public relations and ethical corporate brand communications

(*continued*)

Table 2.2 (Continued)

Dimensions	Total corporate communications framework (Balmer and Gray, 1999)	Chinese total corporate brand communications framework
TERTIARY COMMUNICATIONS	**This includes 'non-controllable' corporate communications about the organisation's corporate identity by stakeholders and other groups** and encompasses word-of-mouth communications, media communication commentary and spin and competitor communication and spin. Social media commentary and narratives are now also highly significant.	**This includes 'non-controllable' corporate communications about the corporate brand by stakeholders and other groups** and encompasses word-of-mouth communications, media communication commentary and spin; competitor communication and spin; and social media commentary and narratives.
FAMILY COMMUNICATIONS	*(May in certain instances be applicable (ex. family-run businesses) but was not detailed in the original framework)*	**This encompasses bilateral family-focussed communications about the corporate brand on the part of managers and other organisational members** (and can also include customers and other stakeholders). Such an approach is embedded in Confucian philosophical precepts.
GUANXI COMMUNICATIONS	*Not included in the original framework (but would be important in Chinese contexts)*	**This encompasses bilateral Gaunxi (network-focused) communications. Guanxi is an enduring feature of business within China and there is a strong reliance on these networks of 'influential figures' in order to achieve organisational and individual activities.** It is grounded in the premise of the exchange of favours. Guanxi comprises three components:

		(i) *Ganqing*-the emotional bond between Guanxi members (ii) *Renqing*-favour reciprocity (iii) *Xinren*-bilateral trust between membersGuanxi communication, among others, also includes the giving of presents, invitation to dinners and socialising. It can, therefore, be multifaceted owing to the complex web of relationships that can impact the corporate brand.
PARTY COMMUNICATIONS	*Not included in the original framework but would be applicable in the context of Mainland China.*	**Communicating with the Communist Party of China is a pre-requisite/ highly desirable activity owing to the People's Republic of China's position as a one-party Marxist state. The Communist Party is, in effect, a non-negotiable KEY STAKEHOLER and in many instances the major SHAREHOLDER**. Without the *imprimatur* of the party very little can be achieved. (*Does not readily apply to Taiwan and is of lesser importance in Hong Kong and Macau, although still important*.)

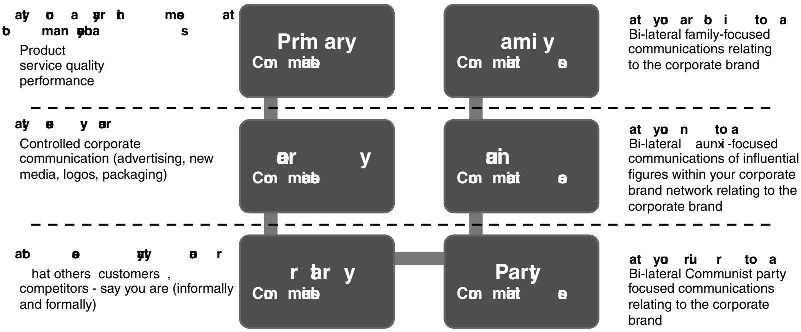

Figure 2.4 Corporate brand communications in China

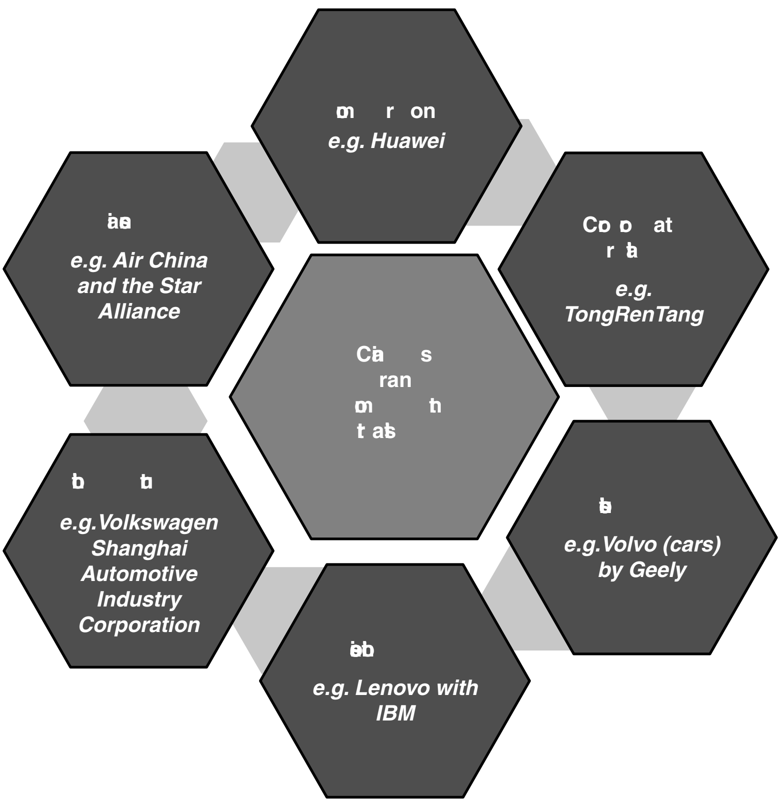

Figure 2.5 China's brand development strategies

the travails of the Cultural Revolution. There are very few corporate heritage brands with a provenance dating back to the seventeenth century. One of these is the Tong Ren Tang traditional Chinese medicine corporate brand.

3. *Acquisition*: China's love and admiration of overseas brands, the lack of well-established home-grown brands, and the desire to own global brands and the ability to acquire extant brands are key features of China's brand development strategy. Consider the acquisition of the Volvo car brand Geely.
4. *Association*: one means of burnishing China's indigenous corporate brands – and another brand development strategy – has been to engage in a temporary association with a high-profile overseas corporate brand. (Arguably the most celebrated instance of this is Lenovo's temporary association with IBM)
5. *Joint Venture*: this is a very common corporate brand development strategy and can be found across many business sectors. Consider the joint venture of Shanghai Automotive Industry Corporation and Volkswagen (for example, Shanghai Volkswagen)
6. *Alliance*: this also represents a distinct aspect of China's brand development strategy. It is especially prominent in terms of airline alliances. Consider Air China and Shenzhen Airlines' membership of the Star Alliance; Cathay Pacific's membership of the One World Alliance; and China Eastern Airlines, China Southern Airlines and Xiamen Air's membership of the Sky Alliance.

Branding in China: The future

Although it is difficult to precisely predict the future look of the Chinese brand scape, there seems little cause to question the exponential growth in and the importance attached to brands – and home grown brands – in China. With an increase in disposable income, consumers are likely to crave greater brand choice and continue their love of western brands and more particularly luxury brands. The acquisition of foreign brands by China also seems likely to continue, and this is an attendant aspect of China's re-emergence as a major mercantile power. The above being said, the changing mores and habits among the Chinese (for instance, a greater predilection for meat and processed foods) and the continuing concern with food quality and food contamination will provide opportunities for even greater numbers of indigenous and foreign brands. China's ageing population also affords numerous brand opportunities, as will increasingly literature-and technology-savvy youth. However, sight must not be lost that China is a very diverse nation and there are considerable differences between its regions and ethnicities, thus allowing more niche and local brands to flourish.

Reflection

Any article on China's brands – owing to the breadth and complexity of the subject area – cannot capture every facet of this increasingly important area. However, it is hoped that this article provides some meaningful reflections and insights that, in their totality, will be of singular significance. The foremost contributions of this article are the identification of seven factors that explain the growth of interest in brands in China, and the documentation of the main themes contained in the canon *vis-à-vis* China's brands. Of particular significance are the authors' classification of distinct modes of brand development in China and the recognition that corporate brand communications in China is qualitatively different from that of any other country and this has led to the formal introduction of a distinct Chinese corporate brand total communications framework. Finally, mindful that *JBM* is primarily concerned with brand management, the authors have attempted to provide both scholars and practitioners of brand management with instrumental insights and perspectives.

Editorial Box 2.1: Main Themes in the Literature on Chinese Brands

1 Chinese brand names and Chinese brand marques.

Many authors focus on this aspect of Chinese brands and this aspect of the canon is reasonably well-developed (see: Chan, 1990; Schmitt *et al*, 1994; Ang, 1997; Chan and Huang, 1997; Chan and Huang, 2001; Dong and Helms, 2001; Zhang and Schmitt, 2001; Zhang and Schmitt, 2004; Kilic *et al*, 2009; Kum *et al*, 2011).

For instance, Schmitt and Zhang (2012) examined the use of tacit linguistic intuitions and explicit linguistic knowledge for brand name translations from English to Chinese for decision makers of foreign brands in China. Their results of the two studies suggest that brand naming is a process that involves accessing deeply engrained linguistic structures, as well as explicit linguistic knowledge and rules.

Different to Schmitt and Zhang (2012)'s research, Villar *et al* (2012) studied the perception and purchase intent of foreign-name brands of adult US and Chinese consumers and found that there were no differences between US and Chinese consumers in attitudes towards foreign products or foreign brand names. Price, taste and packaging design may be more important in determining purchase intent.

Chan and Huang (1997) identified that the difference in branding the different products is determined by the semantic field by adopting a linguistic approach in an attempt to investigate Chinese branding rules via a preliminary investigation of Chinese names of foreign brands in Hong Kong.

Finally, the research of Kum *et al* (2011) investigated bilingual consumers' evaluation of brand name translations from logographic-Chinese to alphabetic-English language systems, and shows that consumers who are strong in Chinese and weak in English prefer Pinyin translations across all conditions.

2 Chinese brand loyalty and consumer behaviour

Consumer behaviour of brands in China has attracted a great deal of attention recently (Gao *et al*, 2010; Abulaiti *et al*, 2011; Frank *et al*, 2013; Sonmez *et al*, 2013). The research of Laforet and Chen (2012) revealed important insights by Chinese and British consumers in terms of their evaluations of Chinese and international brands, along with the factors affecting their brand choice. More recently, Zhang *et al* (2014) studied a sample of 1553 Chinese and 1085 Dutch consumers in the banking and supermarket industries, and found that Chinese consumers in general have higher loyalty intentions than Western consumers.

One interesting strand of research focuses on the attitudes of non-Chinese consumers'attitudes towards Chinese brands. This literature also incorporates research that takes account of country of origin/brand image (Ha *et al*, 2009; Diamantopoulos *et al*, 2011; Laforet and Chen, 2012).

3 Chinese brands and cultural values

The need for, and indeed efficacy of, taking cognisance of Chinese cultural values *vis-à-vis* our comprehension of China's brands is another, significant, *leit motif* within the canon.

According to Confucius, Chinese cultural values are largely formed and created from interpersonal relationships and social orientations, which is the basic pillar of Chinese life today (Yau, 1988). Guanxi, interpersonal relationships in China, is deeply embedded in Chinese society and its business world today. For Chinese corporations, *Guanxi* benefits market expansion, competitive positioning of firms, enhancing external operations, and gaining trust and support from strategy allies such as the Chinese government (Bigley and Pearce, 1998; Peng and Luo, 2000; Park and Luo, 2001).

The work of Yu and Bastin (2010) found that traditional Chinese culture has exerted an influence on consumerism/ brands. More specifically, Confucianianism (a key and enduring Chinese philosophy that, traditionally, characterises a good deal of Chinese attitudes, behaviour and relations) is another important stream of thought. For example, the work of Ackerman *et al* (2009) examined the effects of Confucianism on consumer trust of government involvement with products and company brands.

Chen (2012) studied international mega events in China such as the 2008 Beijing Summer Olympics, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games and revealed that people are likely to associate event images, especially positive ones, with those of China and the Chinese government. It provided clues and fertile ground for further research on the relationship between international mega events and national and/or governmental image building, projection and branding. The researchers found that firms doing business in China would benefit from a close association with the government.

4 Chinese brand stakeholders and communications

The significance of communication channels and the distinct nature of stakeholders and networks are also of material significance in branding terms. The importance of the Chinese government can be clearly identified in their corporate communication strategies. Some researchers (that is, Peng *et al,* 2008; Peng *et al,* 2009; Cui and Jiang, 2010) explored the positive and negative roles of these MNEs' internationalisation from an institution-based view. As Nee *et al* (2007) note, China's success is built on the gradual liberalisation of product and labour markets, increasing openness to foreign trade, and investment in infrastructure and institutional reforms, such as property reforms and privatisation, which provide individual actors with sufficient security for planning, investing and economic risk taking.

5 Chinese brands and International marketing

Internationalisation of Chinese brands represents a very important strand of enquiry. This literature has primarily focused on internationalisation strategies and market orientation (for example, Bigley and Pearce, 1998; Peng and Luo, 2000; Park and Luo, 2001; Kirca *et al,* 2005; Peng, 2012). However, few studies focus on Chinese companies' international branding strategies.

From 1978 onwards, internationalisation through outward foreign direct investment (OFDI) enabled Chinese MNEs to access natural resources and different strategic assets (Barney, 1991), including brand names, reputation and RandD capability. In the early stage of internationalisation (1978–91), almost all of these Chinese MNEs were large state-owned enterprises (that is, CITIC, COSCO, CNPC, Sinochem, CNOOC, China Minmetals and COFCO) that were from monopolised industries, such as financial services, shipping, international trading and natural resources (UNCTAD, 2006), and operated their international business through Hong Kong. This helps explain why early academic work on marketing and branding issues was undertaken by scholars from Hong Kong in the early 1990s. Hong Kong remains one of the major locations for international business today since 1997. Deng Xiaoping's celebrated 'southern tour' in 1992 where he gave a series of speeches advocating a more laissez faire approach vis-a-vis Chinese organisations led to major reforms and the adoption of a more liberalised OFDI policy. Such measures resulted in the internationalisation of many off China's MNEs. The 'go global' strategy by the Chinese government initiated in 1999 and China's entry into the World Trade Organization at the end of 2001 have also accelerated their internationalisation paces. During this period, especially after 2003, quite a number of successful Chinese MNEs started to appear in the global market in addition to those large Chinese SOEs. For instance, Haier is now a significant player in the US market for consumer electronics; Lenovo has become one of the largest PC manufactures after the acquisition of IBM's PC business; Huawei has grown into one of the giants in the global telecom equipment market; and Geely purchased Volvo in 2010 and is now selling its cars in 19 countries outside China. Many researchers (that is, Mathew, 2006; Rui and Yip, 2008; Peng, 2012) have looked at the internationalisation of these Chinese firms. For instance, more recently based on previous work in this context, Peng (2012) commented that acquisitions are the primary entry mode of Chinese MNEs to access natural resources and world-class brands and to overcome their weakness. However, the literature primarily focuses on strategic assets seeking and technology catch-up. There is a lack of research on the international branding strategies of these firms, especially the ownership issues and their international brand management strategy.

Developing international brands for Chinese MNEs has not been straightforward. Competing with well-established multinational companies, the international marketing strategy of Chinese multinational companies (for example, Lenovo, Huawei, Geely) has focused on lower price, good quality, better customer service, product diversification and innovation. More recently it is clear that Chinese MNEs corporate brands still have a long way to go in developing their brands so that they have an international profile and worth. This explains why some Chinese MNEs have acquired foreign corporate brands as a highly-effective means of having a global presence. Some Chinese MNEs have acquired foreign brands to enter the international market. For instance, Lenovo acquired IBM's personal computer business and introduced the first Chinese computer brand in 2005. Similarly, Geely's acquisition of Volvo in 2010 and more recently London Taxi in 2013 has also made Chinese automobile manufacture one of the significant competitors in the international automobile market. Different to brand acquisition, Huawei has been a highly successful role model for Chinese MNEs in terms of internationalisation. Although Huawei has received criticisms on IPR and security issues in the United States, it has been recognised as one of most innovative companies in the world[1] and is 'perhaps China's most globally successful company' (McGregor, 2012). Certainly its international brand development is truly remarkable. Reflecting the corporate communication in the China model, the Chinese government has played an important role in supporting the creation and development of these Chinese international brands.

6 Chinese approaches to luxury brands

Research relating to luxury brands has also generated a good deal of interest in the canon (for example, Xiao Lu and Pras, 2011; Bian and Forsythe, 2012; Li *et al,* 2012; Zhan and He, 2012; Zhang and Kim, 2013). Over recent years research relating to luxury brands has emerged as a significant stream of enquiry and, in part, this reflects the phenomenal growth of the Chinese economy and the rise of a large middle class and significant upper class who purchase luxury brands. An especial aspect of China and of many Chinese is the premium that people place on luxury brands in terms of connoting and communicating their status. Of significance is the work of Zhan and He (2012), which examined three psychological traits that make Chinese consumers unique compared to their global peers: value consciousness, susceptibility to normative influence (SNI) and the need for uniqueness, concluding that consumers evaluate the best-known brands more favourably as they become more value conscious, indicating that luxury products are not necessarily extravagant purchases in China.

Importantly, the allure of luxury brands to the Chinese has also – famously – found expression in counterfeit luxury brands. For example, the work of Phau and Teah (2009) examined how social and personality factors influence Chinese consumers' attitudes towards counterfeits of luxury brands in Shanghai.

Box 1 These are detailed in diagrammatic form (see Figure 2.3) and the literature relating to the aforementioned is outlined in Table 2.1

Note

1. 'Innovators honoured in 2010 GTB Awards'. *Global Telecoms Business. 7 June 2010.*

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Section 3
Corporate Heritage Brands in China

3

Corporate Heritage Brands in China. Consumer Engagement with China's Most Celebrated Corporate Heritage Brand – Tong Ren Tang: 同仁堂

John M. T. Balmer and Weifeng Chen

Introduction

> *Tong Ren Tang is a very famous Chinese heritage brand providing high quality Chinese medicine.*
> *It is still relevant to us today.*
> *It makes me feel proud to be Chinese.*
>
> (Tong Ren Tang Customer)

This study on the Tong Ren Tang (TRT) (同仁堂) traditional Chinese medicine corporate brand marks new ground. This is because, for the first time in the corporate heritage/corporate heritage brand canon, the focus is on a *Chinese* corporate heritage institution.

Furthermore, this study breaks new ground within the nascent corporate heritage/corporate heritage brand canon in having an explicit focus on *consumers*. To date, customers have not featured in extant studies of corporate heritage institutions and corporate brands.

As noted by Otnes and Maclaren (2007), the intersections between heritage and consumption have largely been ignored by marketing scholars and this is specifically the case in the context of corporate heritage institutions/corporate heritage brands. Significantly, therefore,

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this study aims to make a meaningful contribution to the interaction between corporate heritage and consumption.

TRT is a Chinese corporate heritage brand *par excellence* and is without obvious parallel. Founded in 1669, for the most part TRT is unknown outside China (apart from the significant Chinese diaspora). As the initial findings of this study reveal (drawing on the descriptive statistical insights), consumers while valuing the product and service quality of TRT also value the shop's corporate heritage traits of *omni-temporality institutional trait consistency, tri-generational hereditary and augmented role identities* (following Balmer's, 2013 corporate heritage criteria).

Today, as in centuries past, TRT is not only celebrated in Beijing, and throughout the Middle Kingdom (中国), as a totem of China's cultural, national and religious identity, but also, significantly, enjoys considerable renown among Chinese *émigrés*.

What should not be overlooked is the corporate heritage brand's long-standing and high-profile links with successive Emperors and the Imperial Court.

For instance, Tong Ren Tang's centuries-old marque is infused with striking imperial iconography consisting of two golden imperial dragons. The fact that this imperial emblem/logo has endured – even during the height of the Cultural Revolution – is not only astonishing but also testimony to the strong attachment China and its political leaders (both old and new) have to the corporate brand. The marque is, therefore, a highly visible, powerful and perpetual corporate link with China's imperial past but is, seemingly, unique within China. No other institution has had continuous use of such imperial iconography and no other Chinese institution uses it so prominently.

Established in Beijing in 1669 as a family business, the 'mother' shop was, significantly, in close geographical proximity to the Forbidden City (紫禁城). However, this propinquity to the Imperial Court had other, more significant, imperial dimensions. For instance, the shop soon acquired the status as the sole purveyor of medicines to the Emperor and to the Imperial Household. Not surprisingly perhaps, TRT quickly became renowned for the quality of its products and diagnostic services among Peking's residents and, in time, throughout China.

The link with the Imperial Court stood the test of time and only ceased with the proclamation of a Republic in 1911. As with British Royal Warrant holders today, TRT's products were deemed to be of high quality and were seen to be *Fit for a King* or in a Sino context *Fit for an Emperor.* As the shop's founder noted:

> Despite the complexity of preparing herbal medicines, there is no compromise on costs or labour, even though the raw ingredients are costly. (Source: http://www.tongrentang.com.au/About_us.asp?currently_place=About_us&page_class=4)

The product quality of TRT, seemingly, still endures. As with many successful corporate heritage entities the organisation has moved forward with the past. As TRT's culture manager told us:

> (Tong Ren Tang) Served the Royal Court yesterday and benefits ordinary people today.

One dimension of our study involves ascertaining the significance of this corporate heritage brand's national (Chinese) and regal (Imperial) associations among Chinese consumers, following on from the work of Balmer (2013) *vis-à-vis* the augmented role identities of corporate heritage institutions/corporate heritage brands.

Rationale and research objectives

Having TRT's customers as its foci, this article reports the initial insights (drawn from descriptive statistics) from an in-depth mixed method study of the TRT corporate heritage brand. Drawing on Balmer's (2013) corporate heritage criteria, the preliminary findings of our study reported here attribute the corporate brand's survival and success to using the *first four* of Balmer's criteria (see Figure 3.1). As such, these initial findings corroborate the first four of Balmer's (2013) fourfold criteria and, therefore, represent an advance in terms of corporate heritage brand attractiveness from a consumer perspective.

Balmer's corporate heritage criteria are as follows:

1. *Omni-temporality* (subsisting in temporal strata – of the past, present and perspective future);
2. *Institutional trait consistency* (the continuity of meaningful organisational traits);
3. *Tri-generational hereditary* (the organisation has to have been in existence, and meaningful, for a minimum of three generations);
4. *Augmented role identities* (corporate heritage institutions are infused with multiple role identities including territorial, cultural, social and ancestral identity);
5. *Ceaseless multigenerational stakeholder utility* (demonstrably salient for consecutive generations of stakeholders) *not examined/confirmed;*

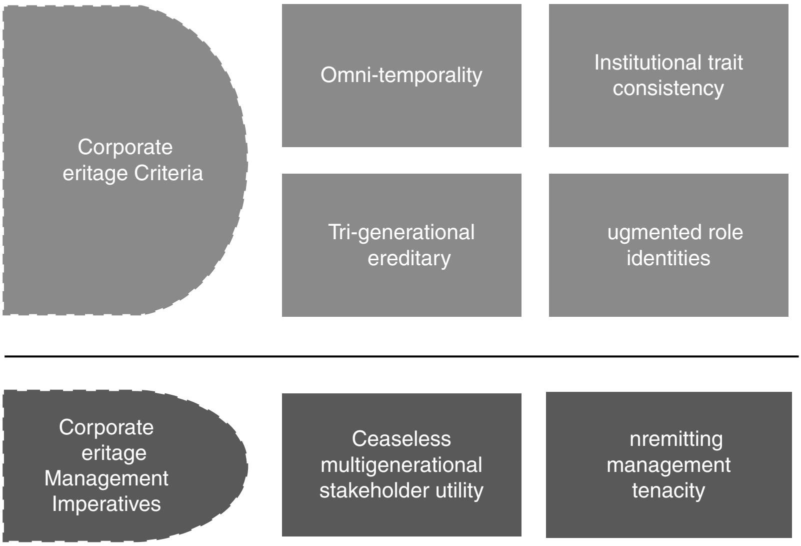

Figure 3.1 Balmer's (2011) corporate heritage criteria

6. *Unremitting management tenacity* (assiduous management of corporate heritage institutions) *not examined/confirmed*.

(It should be noted that Criteria 1–5 take an explicit customer, stakeholder and organisational focus while criteria 5–6 are more instrumental, focusing on corporate heritage management imperatives. Criterion 5 bridges both, of course.)

Context: China's equivocal engagement with its past

In order to understand the significance of TRT as one of the few extant – and high-profile and foremost – corporate heritage brands within mainland China it is important to appreciate something of both China's ancient and more recent history.

Dating back to over 2000 B.C., China is a country (and arguably a civilisation) with an unparalleled provenance and richness. As the celebrated Cambridge University Don *Joseph Needham CH* (李约瑟) showed, China from the earliest times made many highly significant and enduring discoveries. It was a highly developed and sophisticated polity and civilisation that, for many millennia, lacked any obvious parallels among other cultures.

It is curious, then, why China, over recent successive centuries, became a backwater in terms of innovation and was eclipsed by advances in Europe and then North America. This is a point greatly celebrated via *Needham's Grand Question/The Needham Question*.

Adopting branding/brand management perspectives, it is, *prima facie*, mystifying why such an ancient civilisation has a paucity of corporate heritage brands. This is especially the case when a comparison is made with other, much smaller, polities such as France, Great Britain, Italy and Japan.

Perhaps, in part, this is a consequence of China's history, which militated against the establishment of major companies and, more significantly and more recently, is the result of the policies pursued by Chairman Mao – post 1949 – which resulted in the winding-up of many corporate heritage entities and corporate brands.

Thus, and to repeat an earlier point, in order to understand the significance of TRT as (arguably) China's foremost corporate heritage brand it is important to understand China's recent history.

Elaborating the above, and by means of historical context, it was the establishment of the People's Republic of China (PRC) in 1949 that led to the promulgation and proliferation of new cultural and corporate forms and norms. Under the leadership of Chairman Mao, the Chinese state repudiated many facets of China's extraordinarily rich civilisation and this included corporate heritage entities.

In accord with Mao Zedong's famous/infamous dictum the PRC rid itself of the four 'olds': *old customs, old culture, old beliefs* and *old ideas*. In short, key pillars of China's civilisation were not only to be *repudiated* but also, preferably following Mao's dictates, *eviscerated*. This included the country's distinctive religious inheritance – Confucianism and Daoism – which, even though they had exemplified Chinese Civilisation for over two millennia, were deemed outdated, irrelevant and even dangerous.

Unsurprisingly, these changes were highly transformative for China's people and culture. Many institutions were changed and countless more were decimated. The aim, apparently, was to forge an inimitable utopia, but, for some, this represented a ruinous dystopia.

For a more considered assessment of China's recent history see Editorial Box 3.1. This provides an overview of China's incongruous, problematical, disproportionate and mercurial relationship with its past.

Context: China's ambivalent relationship with its imperial provenance

TRT's singularity in corporate heritage terms owes much to its imperial associations. As such, TRT's equivocal links with China's imperial past need to be discerned. The intensity and force of this association was

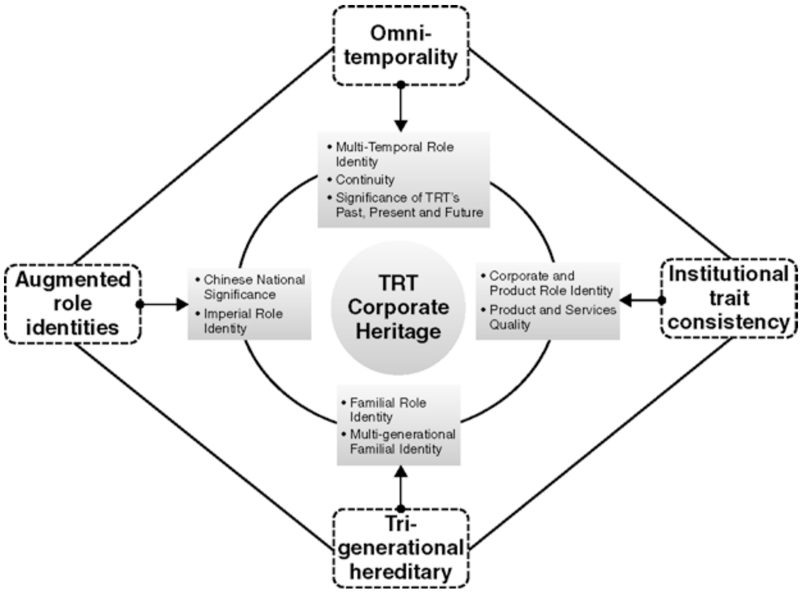

Figure 3.2 Attractiveness of TRT as a corporate heritage brand/entity in the context of Balmer's (2011) criteria. (The criteria are detailed in Figure 3.1.)

manifest not only in the corporate brand's documents but also emerges from our interviews with senior managers. As the shop's general manager related:

> We are proud of our imperial past. It is reflected in our high quality of products and service and our good reputation.
>
> We often make reference to our imperial past in our advertising, communications, lectures, films and books.
>
> (The imperial link) "helps Tong Ren Tang's brand and image".
>
> We are proud of our imperial past. It is reflected in our high quality of products and service and our good reputation.

The above being noted, for much of the last century, the Chinese state relationship with the country's imperial past was at best mercurial, and at worst adversarial. Today, there has been a *volte-face* with a good deal of China's regal past being celebrated, and this is of no little significance for TRT. Today, the state is far from abashed about its royal inheritance legacy and, seemingly, has come to the realisation that such a provenance

Editorial Box 3.1 China: An Iincongruous, Problematical, Disproportionate And Mercurial Relationship With Its Past

Since 1949, much of China's engagement with its past has been, and to some degree remains, incongruous, problematical, disproportionate and mercurial. Each of the aforementioned dimensions can be explained as follows:

Incongruous: The above can be seen in terms of the inattention – sometimes verging on national amnesia – *vis-à-vis* China's history and achievements over several millennia (Colin, 1981). For instance, it was the magisterial study of a foreigner, the celebrated English sinologist, Joseph Needham CH (Li Yuese CH 李约瑟), that unearthed the numerous groundbreaking inventions of the Chinese (Needham, 1954–2004).

Problematical: This can be witnessed in terms of China's spiritual inheritance in that the Chinese state's pursuance of State Atheism has meant that traditional Chinese creeds and spiritual forms (such as Confucianism and Daoism), until comparatively recently, have been eschewed and denigrated. For instance, during the Cultural Revolution most temples were destroyed, and those that remained no longer had a religious identity and served, for instance, as military barracks or warehouses (Adler, 2002, p. 111).

Disproportionate: Within China there has been indifference *vis-à-vis* the ancient and historic and state exuberance for all that is contemporary and innovative: the built environments of Shanghai, Suzhou and Beijing are testimony of this. Consider, for instance, the wholesale demolition of Beijing's centuries-old Hutongs (courtyard houses) and associated communal forms of living, which, today, are increasingly rare even though they have emerged as one of Beijing's most popular heritage tourism attractions (Gu and Ryan, 2008).

Mercurial: Curiously, while official policy of the Chinese state variously accords importance to the requisites of rapid economic development and unremitting modernisation, recently the Chinese government emphasised the importance of China's culture, history and heritage. Thus, there is an uneasy alliance between the pursuance of western-inspired modernism and the exceptionalism of China's traditional culture and civilisation.

accords the country distinctiveness and, drawing on the work of Nye (2004), can be appropriated as part of its *soft power*. (Joseph Nye identified three forms of soft power, culture, political values and policies, and the Middle Kingdom's imperial legacy is very much part of China's cultural power.) Further reflections on the above can be found in Editorial Box 3.2, which details China's changeable trysts with its Imperial past.

Editorial Box 3.2 China's Trysts With Its Imperial Past

TRT's distinctiveness as a corporate heritage brand is in large part due to its close associations with successive emperors. As such, the equivocal links with China's imperial past need to be discerned.

One significant dimension of China's mercurial relationship with the past is its growing fascination with its imperial past. This was not always the case. For much of the last 60 years China largely distanced itself from its imperial roots. The situation today is profoundly different. As such, all things imperial and activities imbued with an imperial aura very much reflect the current *Zeitgeist* in China. Today, it would appear that many Chinese wish to reconnect at seemingly any price with their imperial past, and this is especially true within China's burgeoning middle and upper classes. The renaissance of interest in the Middle Kingdom's royal inheritance is highly significant for TRTowing to its close imperial associations.

Evidence of the above can be seen in the opening ceremony of the 2008 Olympic Games in Beijing (Story, 2010, p. 195), which had discernible imperial overtones, and in the inexorable rise in interest in Chinese antiques having a discernible imperial provenance (Melikan, 2012).

Consider, too, the Chinese state's pursuance of *soft power*. As part of a move by the State to convey Chinese exceptionalism, recently, major exhibitions have focused on and celebrated China's imperial past. This includes an exhibition on Imperial Chinese Robes from the Forbidden City (London's Victoria and Albert Museum, 2011) and an exhibition titled 'The Emperor's Private Paradise' (New York's Metropolitan Museum).

Contemporary Chinese culture also meaningfully engages with China's imperial past. Consider, for instance, the 'Fifth Generation' group of directors that celebrated the Middle Kingdom's imperial history and legacy (Spence, 2008, p. 224).

Corporate heritage and broader theoretical perspectives

The corporate heritage domain has only recently come to prominence within the corporate marketing literature, and in order to place corporate heritage in its milieu, Editorial Box 3.3 provides an overview of developments in as well as key insights relating to heritage, corporate heritage, corporate heritage brands and corporate heritage identities.

Relative invariance and classical corporate/organisational identity theories

For corporate heritage organisations/corporate heritage brands the theoretical notion of *relative invariance* (Balmer, 2011) explains that corporate heritage institutions/corporate heritage brands are characterised both by stability/enduringness and, significantly, by variability. This study also aims to confirm/shed light on the above. It also examines the degree to which the theoretical perspectives of Larcon and Reitter (1979) and Albert and Whetten (1985) *vis-à-vis* core identity criteria are *pertinent to corporate heritage entities and brands* (some scholars aver that their criteria are not apposite for corporate identities *per se*).

By means of context, classical identity theories as espoused in Europe by the French scholars Larcon and Reitter (1979) and the English scholar Balmer (2001) and in the United States by Albert and Whetten (1985) and by US/Danish scholars Gioa *et al* (2000) are noteworthy. Larcon and Reitter (1979) identified three interrelated corporate identity determinates accorded an organisation, namely, *specificity*, *stability* and *coherence*. Albert and Whetten (1985) argued that an institution's perceived key identity traits referred to those dimensions of their work organisation that are *central, distinctive and enduring*. Balmer (2001) demurred from the above and questioned Larcon and Reitter's (1979) second criterion of stability and Albert and Whetten's third criterion of enduring. He argued – following on from Albert and Whetten – that an organisation's identity is characterised by tripartite criteria of being *central*, *distinctive* and *evolving*. Gioa *et al* (2000) also challenged Albert and Whetten's (1985) notion of enduringness and introduced the notion of *adaptive instability*. *Yet the identity criteria of Larcon and Reitter (the specificity criterion) and Albert and Whetten (the enduring criterion) are seemingly (albeit unwittingly) relevant for corporate heritage brands and institutions*.

Editorial Box 3.3 Corporate Heritage-Key Developments And Insights

Heritage and Corporate Heritage: Background

Arguably, the heritage notion comes from the French word for 'inherit'. However, the term has different meanings. For instance, its meaning among Anglophone and Francophone nations differs (Heathcote, 2011; Balmer, 2013).

More recently and significantly, the heritage concept has acquired a somewhat different – albeit broader – meaning in organisational contexts (Balmer, 2011, 2013), especially in relation to what Balmer calls its omni-emporality. In France and in Francophone nations, heritage (what the French often call patrimone) typically relates to peoples and societies, whereas in the Anglophone world it habitually focuses on legacy landscapes and buildings (Cohen, 2002; Balmer, 2013). Of course, a broader categorisation of heritage may entail conjoining the above perspectives. Developing this notion (and scrutinising the heritage via an organisational and corporate branding lens), heritage can be seen as a continuum in terms of perennial acts of bequeathing and receiving across the generations that are perennial in nature (Balmer, 2011). As such, a heritage is never truly owned but is, in effect, loaned: consumers of heritage are also, importantly, custodians of heritage (Balmer, 2013). One missing facet of the heritage canon has been the recognition and explication of the heritage notion as it pertains to organisations and, specifically, to corporate identities and corporate brands. This missing dimension of heritage, logically, has given rise to the broad corporate heritage notion.

Corporate heritage: The formal introduction of the corporate heritage notion (Balmer *et al,* 2006)

Formally introduced by a triumvirate of scholars from England (Professor John M.T Balmer), the United States (Professor Stephen Greyser) and Sweden (Dr Mats Urde), the first definition of the corporate heritage and corporate heritage brand construct can be found in a seminal study of monarchies as corporate brands published in the Journal of Brand Management (Balmer *et al,* 2006). It was in the final section (Reflections) of this article where these scholars detailed a number of core precepts that have subsequently informed corporate heritage/corporate heritage brand scholarship.

This foundational article on corporate heritage (Balmer *et al,* 2006) advanced a number of perspectives vis-a-vis corporate heritage brands. It

- ***noted the existence of corporate heritage institutions and corporate heritage brands and observed that they represented distinct categories;***
- ***noted that*** **corporate** ***heritage institutions subsisted in multiple temporal strata and were, therefore, of the past, present and prospective future;***
- ***noted that corporate heritage institutions were valuable since they are stable points in a changing world;***
- ***noted that corporate heritage institutions should be explicitly managed taking account of the past, present and future. In addition, care should be taken not*** **to** ***wear out corporat*****e** ***brand symbols; ensuring corporate heritage brands remain relevant for contemporary customers and other stakeholders. Senior managers should also be mindful that corporate heritage institutions (in order for them*** **to** ***remain salient) not only require continuity but also need*** **to** ***embrace change that is both meaningful and sensitive. They should also meaningfully and sensitively embrace change.***

In this article a framework – originally developed by Balmer (2004) – for managing the monarchy as a corporate brand/corporate heritage brand was introduced. This model may have a more general applicability to other corporate heritage brands. Balmer's (2004) monarchical mix framework/the Royal 5Rs model (reproduced in Balmer *et al,* 2006) emphasised the need to focus on five facets. In monarchical terms these were defined as ***Relevant, Respected, Responsive, Royal and Regal. In non-monarchical terms these can be defined as Identity, Symbolism Behaviour, Relevant, Respected and Responsive. (Regal equates with symbolism, rituals, regalia and brand behaviour etc.)*** See Figure 3.3.

These five facets can have instrumental value in focusing the minds of corporate heritage brand managers on some of the key dimensions that characterise corporate heritage brands and the dimensions to be actively managed. Figure 3.2 shows the framework in a new diagrammatic form.

A further, detailed, explication of the corporate heritage brand notion (Urde *et al,* 2007)

The formal introduction of the corporate brand construct detailed above kindled further scholarly work on the territory by the same triumvirate and resulted in a more expansive consideration of the corporate heritage notion as it explicitly pertains to corporate heritage brands' brand notion (Urde *et al,* 2007). This article also appeared in the Journal of Brand Management (JBM) article. This JBM article is especially noteworthy since Urde *et al* (2007) advanced corporate heritage scholarship in the territory (building on Balmer *et al,* 2006) -through:

- ***making the distinction between a corporate heritage brand and a corporate brand with a heritage.***
  The former (corporate brand heritage) relates to institutions that emphasise their heritage as part of their corporate brand identity, whereas the latter characterises institutions that do not explicitly manage or draw on their corporate heritage;
- ***noting the potential strategic value of corporate heritage brands vis-à-vis an organisation's corporate marketing purposes.***
  The point being made is that corporate heritage brands per se are not necessarily valuable, but may be able to accord value;
- ***the introduction of the so-called 'heritage quotient'***
  a five-part framework detailing the dimensions of a corporate heritage brand in terms of track record, longevity, core values, use of symbols and an institution's belief that its history is important. In part, the framework builds off the authors' earlier insights detailed in their earlier JBM article (Balmer *et al,* 2006):

  i ***Track record:*** Defined as delivering value to customers and non-customer stakeholders over (along) time.
  ii ***Longevity:*** A meaningful time span is a key component of corporate heritage (although this, on its own, does not constitute a corporate heritage brand per se)
  iii ***Core values:*** These are meaningful and should be manifest and have endured within an organisation for a considerable period of time. Such values may well have guided corporate policies, behaviours and actions

- **iv** ***Use of symbols:*** Important since these may also be a meaningful part of a corporate brand's heritage
- **v** ***History important to its identity:*** Significant since the past helps define the present.

See the heritage quotient framework in Figure 3.4.

Exponential growth of the corporate heritage canon

The above two JBM articles have resulted in an exponential growth of interest in corporate heritage among corporate marketing and management scholars, including Balmer (2009, 2010, 2011a, 2011b, 2013), Blombäck and Brunninge (2009, 2013), Foster *et al* (2011), Hakala *et al* (2011), Hudson (2011), Wiedmann *et al* (2011a, b), Hudson and Balmer (2013), and Burghausen and Balmer (2014a, b, 2015). As a distinct branch of marketing, the corporate heritage domain represents a distinct, albeit nascent, line of corporate marketing scholarship (focusing on institutions and stakeholders rather than on products/services and customers) within the heritage canon. As noted by Balmer (2011), corporate heritage has as its focus extant (living) heritage organisations and brands. This is a somewhat different interpretation of heritage where heritage equates to spent institutions. Building on earlier reflections on corporate heritage institutions. Balmer (2011, 2013) notes that such organisations are special in that they are invested with traits that subsist in temporal strata (what he calls multiple time stratums), and that are not only in meaningful ways invariant (unchanging) but, importantly, have remained relevant too.

Corporate heritage and social identity theory (Balmer, 2013, p. 307, p. 318, p. 321) and potential significance of organisational heritage/organisational heritage identities/organisational heritage identification and organisational heritage image

The importance of organisational members; of staff identification and culture to corporate heritage was noted by Balmer, (2013). For instance, he introduced the notion of corporate heritage social identity theory which he said represented a development of social identity theory (Balmer, 2013, p. 321). He also identified an organisation's culture as a potentially significant corporate heritage trait (Balmer, 2013, p. 307) and went on to note that a corporate heritage culture refers to: The perennial sense of who we are on the part of successive generations of organisational members and, where applicable owners (Family-owned businesses for examples) (Balmer 2013, p. 318). Clearly, organisational heritage and its attendant constructs (organisational heritage identification and organisational heritage image) are of potential significance to the area and drawing as they do on the organisational behavior canon have the potential to meaningful inform the broad corporate heritage domain. By means of context, a corporate heritage organisation/corporate heritage brand has or is associated with rare and meaningful identity traits. Such traits imbue heritage organisations with a distinctiveness and attractiveness that are, in individual and collective identity terms, significant and can be marshalled by and have value for customers as well as organisational members. Such a perspective can be linked to social identity theory (Tajfel and Turner, 1985) and the work (in relation to this theory) of marketing scholars such as Bhattachraya and Sen (2003), who noted that customers define themselves via their associations with an organisation. From a sociological perspective, Macdonald (2006), for instance, observed that heritage is important since it underpins the continuity, persistence and substantiality of collective identities. Such a perspective clearly chimes with the notion that heritage, in corporate marketing contexts, can be meaningful to customer and other stakeholder groups that are linked to or associated with a corporate heritage entity. The significance of heritage to organisational members of the broad corporate heritage notion opens extant corporate marketing scholarship on the territory to scholars within the organisational behaviour field. As such, the extant concepts of organisational identity and organisational identification can be adapted within a corporate heritage context viz: organisational heritage/organisational heritage identities and organisational heritage identification.

Corporate heritage and institutional role identity (Balmer, 2013 p. 307)

It has been argued (Balmer, 2013, p. 307) that corporate heritage institutions have multiple role identities – what Balmer called institutional role identities (adapting individual role identity theory). As such, corporate heritage traits are manifest in terms of corporate purposes, activities, competencies, cultures, philosophies and strategies.

At the micro level, the corporate heritage footprint can be found in:

- ***design heritage,***
- ***advertising heritage and communication heritage,***
- ***sensory heritage,***
- ***architectural heritage and so on***

To reiterate, corporate heritage entities are a tangible manifestation of a 'living' heritage: institutions that are infused with timelessness, which, in temporal terms, means that corporate heritage entities are not only manifestly allied to the past and present but to the prospective future too (Balmer, 2011).

Tong Ren Tang

This research focuses on the traditional Chinese medicine shop TRT that, arguably, is China's most famous and one of its oldest corporate heritage brands.

Importantly, China's Ministry of Culture has identified Beijing's TRT as being of major significance in heritage terms, and it is included in *The Esteemed List of the First Selection of Cultural Heritage*. It is also one of China's *Laozihaos* – a time-honoured Chinese brand (中华老字号) as designated by the Chinese government.

TRT is Chinese history incarnate in that it is a unique and highly visible link with China's imperial past. It is also an embodiment of Chinese culture in another way via its very close associations with traditional Chinese medicine. This is a highly significant and meaningful trait of Chinese culture and is informed and imbued by the precepts of China's two indigenous religions and philosophies: *Confucianism* and *Daoism*. This is because the precepts of traditional Chinese medicine are to be found in Daoism, while issues of benevolence to others (in the administration of medicine, for instance) informs Confucianism.

Established in 1669 by Yue Xianyang (a traditional Chinese medicine practitioner) during the reign of Emperor Kangxi, TRT enjoys a prominent position in the Da Shi Lan (大栅栏) district and is close to the Forbidden City. Unquestionably, it is not merely one of the oldest shops in China but incontestably is China's most illustrious pharmacy.

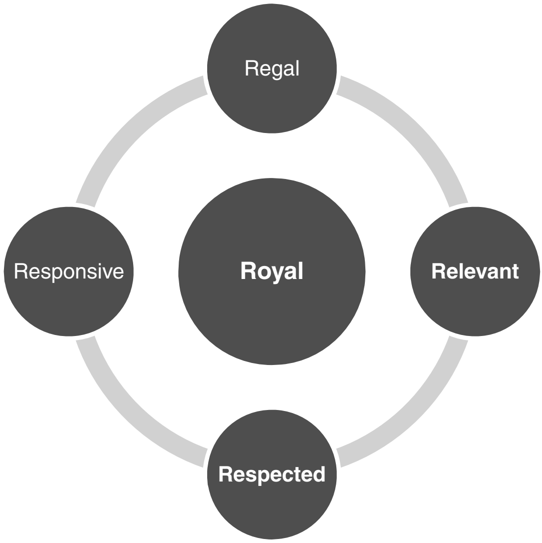

Figure 3.3 Balmer's (2004) Monarchical Mix Framework (The Royal 5Rs model)

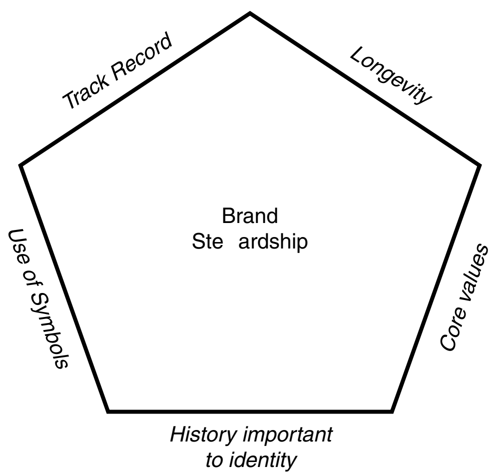

Figure 3.4 Heritage Quotient Framework (Urde, Greyser and Balmer 2007)

Until the mid-twentieth century, it was a traditional family-run Chinese business.

For 188 years TRT was the sole purveyor of Chinese medicine to successive Chinese emperors. The fact that it has survived numerous travails visited on China over the last 300 years is a testament to its importance to China and the esteem in which it is held by the Chinese. Notably, some of the shop's traditional Chinese medicinal formulas are of some antiquity. The shop – both today and in the past – is celebrated for the quality of its products and services (customers can, for instance, consult practitioners of traditional Chinese medicine). For many centuries, savvy customers appreciated that TRT's medicinal formulas were those used by the Emperor, his extended family, his numerous concubines and children and the imperial court in general. As TRT's culture manager told us:

> The imperial family used Tong Ren Tang's medicinal products. Everyone knows that. If the medicines were not up to standard the pharmacists could be killed.

The shop has a clear place in China's national consciousness and this is reflected in the television drama series entitled Da Zhai Men (大宅门) based on TRT's imperial past.

The bases of traditional Chinese medicine are to be found in Daoist precepts (Daoism being an indigenous Chinese religion). Daoism is informed by the notion of *qi* – the vital living force – which is dependent on individuals achieving corporeal equilibrium between *yin* and yang elements, and this finds expression in traditional Chinese medicine.

The study

Following Yin (1994), in broad terms, our study of TRT can be classified as a critical single-case study and marshals a mixed-methods approach to data collection (Bryman, 2008). Critical case studies characterise research that is revelatory in nature in that the focus of research was previously inaccessible to scientific investigation.

The utility of mixed-methods research has been advanced by a number of scholars (Hammersley, 1996; Morgan, 1998; Tashakkori and Teddlier, 2003; Bryman, 2008). A mixed-methods approach can result in data that is mutually illuminating (Bryman, 2008, pp. 23, 603); enables the dovetailing of data (Hammond, 2005, p. 240); and has benefits in terms of triangulation (Bryman, 2008, p. 612).

Our mixed-methods approach marshals qualitative along with quantitative and secondary data (see Table 3.1). More specifically, this research is informed by data derived from observation, a survey questionnaire with customers, in-depth interviews with managers, focus groups with Chinese nationals, and a visual audit of the TRT shop and offices. Recourse was also made to secondary data and the company's documentary data.

Table 3.1 Research Stages of the TRT Study

Stages of TRT study	Research activities
Phase 1	
Location: London (UK)	Collecting and reviewing secondary data on TRT in order to understand its provenance and its status as a tourist attraction. Secondary data sources included: company-specific documents such as annual reports, newsletters, strategic reports, press articles and a recent review of the company history; guide books and information on guided walking-tours for tourists were examined, as well as the web and printed media and television coverage/programmes
	Four focus groups undertaken with Chinese postgraduate students studying in London focused on their knowledge of the institution and the degree of importance they attach to TRTas a national and cultural institution
	Observation, visual audit and interviews with managers and doctors in the TRT shop in London's China Town
Phase 2	
Location: Beijing, China	Successive visits to the TRT flagship shop in Da Shi Lan (大栅栏), Beijing. Visits were also made to the TRT shop Qian Men and to the TRT Museum.
	Observation and visual audit undertaken outside and inside the TRT flagship shop. In-depth interviews with senior managers of TRT, including a group discussion with senior members of the management team
Phase 3	
Location: Beijing, China	Questionnaires collected from customers within the TRT flagship shop over a three-day period. Data was collected by one of the Mandarin-speaking researchers, assisted by six Chinese postgraduate students studying in Beijing. The students were carefully supervised by the researchers in order to ensure the data collected was reliable

The findings from Phase 1 informed the design of interview protocols and a questionnaire that we collected in Beijing in Phases 2 and 3 of this study. The initial insights from the descriptive statistics from Phase 3 of this study inform the preliminary findings detailed in this article. The questionnaire tested the first four of Balmer's (2013) criteria *vis-à-vis* his theory of corporate heritage institutions viz:

a. the importance of TRT's omni-temporality to TRT's customers;
b. the importance of TRT's institutional trait constancy to TRT's customers;
c. the importance of TRT's tri-generational loyalty to customers;
d. the importance of TRT's augmented role identities (*Chinese imperial identity and Chinese national identity*) to TRT's customers.

Six hundred customers were approached and this resulted in 115 useable questionnaires.

Table 3.1 outlines the three stages of our research.

Findings

The descriptive statistics confirmed the four research questions relating to TRT's corporate heritage brand (i) the importance of TRT's omni-temporality to TRT's customers; (ii) the importance of TRT's institutional trait constancy to TRT's customers; (iii) the importance of TRT's tri-generational loyalty to customers; and (iv) the importance of TRT's augmented role identities (Chinese imperial identity and Chinese national identity) to TRT's customers. The findings are shown in diagrammatic form in Figure 3.4.

The following sections detail the descriptive statistics from the survey and provide a brief explanation of their significance.

(i) *The importance of TRT's omni-temporality to TRT's customers: This was confirmed by the descriptive statistics* The multi-temporality criterion – the notion that a key requisite of corporate heritage brands/institutions needs to subsist in temporal strata of the past, present and prospective future (Balmer, 2013, pp. 305–315) – was confirmed by the descriptive statistics (see Table 3.2).
(ii) *The importance of institutional trait constancy TRT's customers: This was confirmed by the descriptive statistics* The institutional trait constancy criterion – the key notion that corporate heritage institutions/brands are invested with traits that are constant over time

Table 3.2 Descriptive Statistics

Questions asked of customers	**Percentage (%)**				
	Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The centuries-old respect for TRT is important to you	40.0	46.1	10.4	3.5	—
Today TRT is relevant to you	28.7	49.6	14.8	6.1	0.9
The future existence of TRT is important to you	59.1	30.4	7.8	2.6	—

Table 3.3 Descriptive Statistics

Questions	**Percentage (%)**				
	Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
TRT brand with its emphasis on quality is important to you	46.1	39.1	11.3	3.5	—
The centuries-old trust and quality of TRT is important to you	50.4	40.0	7.8	1.7	—

is a core dimension of the field (Balmer, 2013, pp. 305–315) – was confirmed by the descriptive statistics (see Table 3.3).

(iii) *The importance of TRT's tri-generational loyalty to TRT's customers: This was confirmed by the descriptive statistics* The tri-generational loyalty criterion – the key notion that faithfulness to a corporate heritage institution/brand has a tri-generational fidelity – and been bequeathed for a minimum of three generations (Balmer, 2013, pp. 305–315) – was confirmed by the descriptive statistics (see Table 3.4).

(iv) *The importance of TRT's augmented role identities (national role and imperial role identities) to TRT's customers: This was confirmed by the descriptive statistics* The augmented role identity criterion – the key notion that corporate heritage institutions/corporate brands acquire extra-organisational identities as noted by Balmer (2013, pp. 305–315) – was confirmed by the descriptive statistics. The two augmented role identities that TRT's customers were asked for

Table 3.4 Descriptive Statistics

Questions	Percentage (%)	
	Yes	No
Do you use TRT products?	65.2	34.8
Did your grandparents use TRT products?	51.3	48.7
Did your parents use TRT products?	56.5	43.5
Do your children use TRT products?	30.4	69.6

Table 3.5 Descriptive Statistics

Question	Percentage (%)				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The TRT brand is a Chinese national treasure	49.6	40.0	8.7	1.7	—
The TRT brand is important to your sense of Chinese identity	49.6	37.4	12.2	0.9	—
Chinese medicine is important to your sense of Chinese identity	75.7	20.9	3.5	—	—
You are attracted by TRT's imperial past in providing medicine for successive Chinese emperors	27.0	31.3	31.3	8.7	1.7
TRT is successful in communicating its imperial heritage	19.1	25.2	29.6	25.2	0.9

their feedback on were *National Identity* (the significance of TRT as a national symbol) and *Imperial Identity* (the significance of TRT as a totem of Imperial China). As such, TRT can be regarded as a fulcrum of Chinese and imperial Chinese identity in that it both has and imparts identity by virtue of its augmented role identities following on from Balmer (2013) (see Table 3.5).

Discussion

The descriptive findings revealed the strategic significance of corporate heritage to the customers and managers of the TRT corporate heritage shop. This is attributable to the following six corporate role identities (corporate, temporal, familial, national, cultural and imperial) and supports the notion of multiple corporate heritage role identities (Balmer, 2013).

These multiple role identities imbue the shop with multiple meanings and heritage attractions. TRT is a repository of Chinese cultural values that define the Chinese as a people. TRT is an entity imbued with a living aggregate heritage. The shop is a living and tangible manifestation of China's distinctive, and enduring primordial identity, and it is a prominent national symbol. Today, TRT's constancy in terms of core identity traits *vis-à-vis* product quality and imperial and national associations, coupled with the brand's products and service quality, explains why a visit to the shop is meaningful for customers. Its products enjoyed imperial patronage until 1911, products and services that were, and remain, *Fit for a King (Emperor)*. Many of the shop's medicinal formulas – used by successive emperors – are still prepared by TRT's pharmacists.

There is another, significant, dimension of the attractiveness of the shop's collective heritage identities in that it provides a powerful link with – until comparatively recently – a proscribed imperial past. Moreover, one value of heritage, as stipulated by Rapport (2002), is that it can make up for the deficit, loss or trauma caused by the past and this, arguably, pertains to China's recent history.

As a corporate heritage entity, the shop is without compare since there are comparatively few retail outlets that have TRT's centuries-old provenance, impeccable imperial credentials and an institution imbued with an iconic national profile. Taking a primordial perspective of the Chinese, TRT enjoys an especial status owing to its emblematic position as a manufacturer, retailer and proponent of traditional Chinese medicine. China – unlike many other nations – was seriously devoid of corporate heritage brands: brands can can be viewed as part of China's national and cultural repertoire.

Management implications

Theoretical insights and reflections

The preliminary theoretical insights and reflections from this study are outlined in Editorial Box 3.4. From a management perspective, TRT's managers should appreciate that customer attraction to their corporate brand rests not only on what it sells (formal organisation) but also in what it symbolises in national and cultural terms (social organisation). Thus, managers need to be aware of the corporate brand's key augmented role identities.

Editorial Box 3.4 Theoretical Insights And Reflections From The Study

Broader theoretical implications: The saliency of (i) relative invariance; (ii) the stability criterion of Larcon and Reitter (1979) and the enduring criterion of Albert and Whetten (1985); (iii) augmented role identities; (iv) augmented role identities and the utility of Albert and Whetten's (1985) notion of hybrid identities and the theory of formal and social organisations; and (v) the significance of social identity theory and multiple corporate/organisational identifications are discussed here in further detail.

(i) Balmer's (2011) theory of relative invariance seemingly supported

This study confirms the theoretical notion of relative invariance (Balmer, 2011), which contends that corporate heritage institutions/corporate heritage brands in key regards remain constant and yet change. Thus, while TRT has changed via growth and has lost a key organisational customer (the Imperial Court) and key corporate traits (product and service quality and formulas), its imperial and notional associations remain.

(ii) Suggests the stability criterion of Larcon and Reitter (1979) and Whetten (1985) could be meaningful to corporate heritage identities and corporate heritage brands

By means of context within the canon, the notion that an institution's actual identity traits (from a corporate identity perspective) or perceived identity traits (from an organisational identity) identity traits are stable (Larcon and Reitter, 1979) or, as scholars in the USA noted-albeit in an analogous fashion- enduring (Albert and Whetten, 1985). This study confirms the stability and enduringness of corporate heritage institutions/corporate heritage brands. Whilst within the theoretical perspectives of the aforementioned have been challenged vis-a-vis corporate identity and organisational identity they are significantly – but not wholly – germane in the context of corporate heritage institutions/corporate heritage brands. This can be seen in the context of the relative invariance notion, which argues that change and constancy are both necessary.

(iii) Balmer's (2013) theory of augmented role identities seemingly supported

The study showed that TRT not only had a meaningful corporate heritage identity but also two other highly significant augmented role identities (Chinese national identity and Chinese imperial identity).

(iv) Augmented role identities and Albert and Whetten's (1985) notion of hybrid identities and the theory of formal and social organisations

Balmer's (2013) theoretical notion of augmented role identities appears to be highly salient vis-à-vis TRT (the notion that corporate heritage entities often have powerful and highly meaningful non-corporate identities). The theoretical notion of augmented role identities also expands the general understanding of hybrid identity and the theory of formal and social organisations. By means of context we should note that Albert and Whetten (1985) famously noted that certain institutions (their chapter focused on universities) have hybrid identities in terms of having explicit normative (economic) and utilitarian (social) identities. This study expands this notion by noting that corporate heritage institutions may have many meaningful identities (for instance, economic, utilitarian and national). Of course, as JBM readers may recall, within business studies a distinction is sometimes made between the Formal Organisation and the Social Organisation: the notion of augmented role identities and the research insights also have a bearing on the above. The former relates to the notion that institutions are created to fulfil a specific business or economic purpose (in the case of TRT the selling of Chinese medicine), whereas the latter accommodates the notion that certain organisations serve as a conduit through which groups can engage in social relations and share commonly held values (in the case of TRT this can be seen in terms of its national and imperial identities). Notably, therefore, TRT has a dual identity as a formal and social identity. As such, in terms of augmented identity theory, TRT has multifarious formal and social organisation purposes.

(v) Social identity theory and multiple corporate/organisational identification

This study expands social identity theory (Ashforth and Mael, 1989, and Bhattachraya and Sen, 2003) as it currently applies to consumers and organisational members by showing (from a consumer perspective) that a key institutional stakeholder group (customers) can have multiple identifications with and through an organisation (corporate, national and imperial identifications).

Future research

Avenues for future research might include undertaking research in different countries and among different cultural groups *vis-à-vis* the roles of corporate entities, and corporate heritage identities in particular, in expressing national identities. An example could be the ways in which those having Chinese ethnicity but who are nationals of other states with large Chinese communities such as Canada, Indonesia, Malaysia, Singapore and Thailand relate to TRT and see TRT as an expression of Chinese cultural identity. A further stand of inquiry could encompass research that focuses on the roles of corporate heritage museums – the BBC, BMW, Coca Cola and so on – in evoking and communication and in experiencing national and cultural identity.

From a theoretical perspective, there is scope to advance the insights from this study by drawing on the corporate identity literature (in explaining an institution's corporate heritage identity anchored in heritage tourism contexts) and social identity theory *vis-à-vis* corporate brands and identity (the ways in which individuals define themselves in terms of corporate heritage identities/corporate heritage brands and, moreover, those which are corporate heritage tourism attractions). The significance of an entity's religious/philosophical base – Daoism in the case of TRT – would suggest that the religious dimension might provide another fruitful line of research.

Conclusion

This study explains why the celebrated Chinese corporate heritage brand TRT has survived and remains significant for today's consumers as it has for previous generations. In large measure this can be explained by the notions of relative invariance – corporate heritage brands need to embrace both constancy and change – and augmented role identities – corporate heritage brands invariably have attractive identities linking them to peoples and places (Balmer, 2011, 2013). Seemingly, consumers find these attributes to be attractive and meaningful.

In a country (China) that, until comparatively recently, has eschewed and sometimes trounced its links with its past, TRT as a centuries-old and high profile corporate heritage brand is a rare (perhaps unique) and a widely celebrated survivor. This corporate heritage brand has impeccable national credentials. It is a paragon of traditional Chinese medicine; it has impeccable imperial links; and is a living expression of Confucianist and Daoist precepts. The corporate brand's engender feelings of loyalty to the Chinese state and to Chinese culture. Moreover, it acts as a focus of familial continuity (a key Chinese trait). In essence is a fulcrum of Chinese culture, spirituality, ancestry and memory, and its heritage status, arguably, has been heightened as China reappraises and revisits its pre-revolutionary history and its narratives of the past.

The tangible manifestations of heritage (in terms of the purchase of products and services) represent an important heritage manifestation in that the consumption of heritage products and services links the individual not only to the past but also to the prospective future.

Whilst China's past– as with any national heritage – has been subject to change and reappraisal – the degree to which post-1949 China has eviscerated a good deal of material and cognitive memories of the country's centuries-old past has been extraordinary. However, in recent times certain aspects of China's Imperial past has been given the imprimatur of the Chinese state. For this reason it has increasingly been acceptable for Tong Ren Tang's customers to draw on and celebrate the corporate brand's historic heritage traits: traits which have characterised Imperial China since time immemorial. It is undeniably axiomatic that TRT is an emblem of the Chinese nation and culture. Moreover, TRT is a symbol of a disappearing culture and a disappearing past. This might explain why this corporate heritage entity is meaningful to customers both within China and by all accounts to the wider and highly significant Chinese diaspora. As a corporate heritage brand, TRT is of singular significance within China owing to its temporal, territorial and spacial significance and because it is invested with cultural, national and familial capital.

In short, TRT represents a powerful, tangible and incomparable link with China's past, and as such, by visiting the shop, TRT's customers embody, reflect and affirm their sense of belongingness to China's traditional culture and civilisation and to the nation's erstwhile imperial identity. The above explains why TRT has endured and why it remains salient for customers. Tellingly, and finally, as one customer told us:

Tong Ren Tang is a very famous Chinese heritage brand providing high quality Chinese medicine.
It is still relevant to us today.
It makes me feel proud to be Chinese.

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4
A Brand Culture Approach to Chinese Cultural Heritage Brands

Jonathan Schroeder, Janet Borgerson and Zhiyan Wu

Introduction

China has emerged as one of the largest global markets for luxury goods (Millward Brown/Lightspeed Research, 2014; Yu, 2014). The growing research literature on branding in China reflects this growth (for example, Melewar *et al,* 2006; Cayla and Eckhardt, 2008; Eckhardt and Houston, 2008; Li *et al,* 2012; Yu, 2012; Zhan and He, 2012; Walley and Li, 2014). However, few papers have focused on efforts to build Chinese luxury brands from within China (for example, Chevalier and Lu, 2010). In addressing this lack, we have turned our attention to two Chinese luxury brands, Shanghai Tang and Shang Xia, which offer insights into brand development and consumer response within China. Shanghai Tang and Shang Xia were launched in collaboration with leading European luxury brands, but nevertheless are generally recognised as Chinese brands, and they each promote distinct aspects of Chinese aesthetics, culture and values in their marketing and retail strategy.

We argue that Chinese consumer engagement with brands contributes to the development and emergence of new cultural forms in the 'new China', and thus the world. This study investigates consumer response to Chinese luxury brands via a brand culture approach, which suggests that brands do not only draw upon meaning resources from particular cultures and histories, but that new cultural meanings and

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practices emerge and develop in relationship to brands. Indeed, there are many ways in which branding processes and practices – and brands themselves – go beyond a subsidiary role and co-create culture.

From a brand culture perspective, the term brand does not only refer to a firm or organisation, but also to material and symbolic forms of communication. For example, brands can embody cultural values, ideology and personal identity (Askegaard, 2006; Luedicke *et al,* 2010). Brands, in this sense, foster imaginative engagement between brand actors, which often create discrepancies between brand identity and brand image.

Culture has been defined as 'the way of life of a group' (Kendall and Wickham, 2001, p. 14), including the meanings that arise from this way of life, and 'the transmission, communication and alteration of those meanings, and the circuits of power by which the meanings are valorised or derogated' (Kendall and Wickham, 2001, p. 14). From this perspective, the aspects – or expressions – of culture and cultural meaning that are 'valorised or derogated' may vary. This variation provides openings for multiple cultural narratives and diverse interpretations, and informs the potential of branding in interesting ways (Puntoni *et al,* 2010). Further, it is equally important to recognise how the past is implicitly filtered through the present (Lowenthal, 1985).

In brand management contexts, it is generally agreed that culture and cultural meanings function as resources upon which branding processes and practices can draw; and that these cultural resources may provide productive paths for brand development (for example, Holt, 2002; Schroeder and Salzer-Mörling, 2006; Allen *et al,* 2008; Cayla and Arnould, 2008; Schroeder, 2009; Balmer, 2013). For example, a classic marketing campaign for Chevrolet linked the brand to American cultural icons – hot dogs and apple pie (Holt, 2004). More subtly, Burberry draws upon cultural traditions of British fashion, such as Burberry's signature check design (reminiscent of historical Scottish tartans), Savile Row bespoke tailoring and punk style (for example, Balmer, 2012; Peng and Chen, 2012). However, the interaction of brands and culture goes much deeper. For instance, Cayla and Eckhardt (2008) have argued that brands help create an 'imagined community' throughout Asia.

This article focuses on the ways in which consumers respond to cultural heritage brands that invoke aspects of cultural history – apart from the firm or organisation's history – in their branding strategies (for example, Brown *et al,* 2000; Chronis *et al,* 2012; Schroeder 2015). The analysis focuses on consumer perceptions of Shang Xia's current position in the Chinese market. We concentrate largely on how wider aspects of culture and history connect with a group of Chinese consumers, and do not emphasise how firms strategically position their corporate brand heritage. Nevertheless, in order to engage in conversation with previous work in brand management, it is useful to distinguish between history and heritage, as well as between brand heritage, brand culture and cultural heritage, and between corporate brand heritage and cultural brand heritage. From this perspective, corporate brand heritage is different from what has been called cultural heritage, which encompasses how brand meanings engage with iconic cultural themes, such as those consumers might recognise in Burberry, Louis Vuitton or Ralph Lauren.

Our research examines the emerging dialogues of brands composed and co-created with consumers, but also with managerial workers and the media, in an effort to analyse meanings and circulations of brands and cultures. We are interested in how brands draw upon, and at the same time co-create, aspects of 'Chineseness' in efforts to become global, and how consumers pick up on Chineseness and use related characteristics and aesthetic values to develop relationships with the brand, which in turn contributes to the development of the brand. In the following, we clarify various branding concepts. We then review consumer-focused research on Shanghai Tang before presenting a case study of Shang Xia to draw out conceptual and managerial implications for understanding cultural heritage branding in China and beyond.

Corporate heritage brands, cultural heritage brands and brand culture

Aspects of both heritage and history can play strategic branding roles (for example, Balmer, 1995, 2011, 2013; Sharpe, 2009; Hudson, 2011; Hudson and Balmer, 2013; Burghausen and Balmer, 2014). Lowenthal has argued that history, though 'never totally objective', is different from heritage, in that 'Heritage is necessarily false' (Lowenthal, in Edwards and Wilson, 2014, p. 113). Within brand management research, however, brand heritage has been defined 'as a dimension of a brand's identity found in its track record, longevity, core values, use of symbols and particularly in an organisational belief that its history is important. A heritage brand is one with a positioning and value proposition based on its heritage' (Urde *et al*, 2007, p. 4). In other words, a heritage brand captures aspects of a corporation's history in a manner that allows that history to be communicated as an authentic foundation for brand identity and communications. Thus, we can speak of a corporate heritage brand (Balmer, 2011).

The branding literature implies a distinction between brand heritage and corporate brand heritage (for example, Balmer, 2013); however, for our purposes both concepts can be differentiated from cultural heritage. Corporate heritage, linked as it has been to a particular history and corporate narrative, is not the same as cultural heritage (cf. Hakala *et al,* 2011; Ko and Lee, 2011; Burghausen and Balmer, 2014), and does not operate the same way as cultural heritage. Cultural heritage, within the brand management context, has been described as 'a composite of the history and coherence and continuity' of defining characteristics (Hakala *et al,* 2011, p. 450), for example, of a culture, an object, a people or a nation. In other words, a cultural heritage brand is not primarily 'about' a corporation and its history. Corporate brand heritage, as it is defined, discussed and operationalised by Urde *et al* (2007) is essentially related to the specific firm or organisation from whose history, beliefs and practices this 'heritage' emerges over time. In other words, corporate heritage brands appeal to an apparently authentic past linked to a particular organisation's path of change and development (for example, Urde, 2003; Balmer *et al,* 2006; Burghausen and Balmer, 2014).

Whereas there are identifiable ways in which a specific firm's corporate brand heritage can be co-opted, stolen or transferred – ranging from outright purchase or revitalising a brand to counterfeiting a brand and its products, generally speaking, a firm's corporate brand heritage is not portable in the same way the meaning resources of cultural heritage are portable. Furthermore, country of origin, which might be considered essential to corporate heritage brands, need not be inextricably linked to a cultural heritage brand, such as a brand that draws upon aspects of a country's cultural heritage or historical culture generally.

For example, Budweiser is a US brand that communicates what are considered to be iconic US values, yet Ambev, a Belgian–Brazilian conglomerate, owns the company. In another case, Häagen Daz, which draws upon European culinary traditions and notions of quality – as communicated through the umlaut over the 'a' in the brand name – is in fact an ice cream company established in the Bronx, New York. In contrast, Wayne's Coffee, a Swedish firm, attempts to capture recognisably American associations about coffee shops by serving 'American' coffee, bacon and eggs, and bagels and cream cheese breakfasts and generally adopting an American atmosphere, with English language signage and music in their outlets throughout Scandinavia. Along these lines, Hai Karate cologne attempts to communicate apparently masculine characteristics by drawing upon values and representations of Asian martial arts, yet the corporate brand heritage is based outside Asia, as the US pharmaceutical corporation Pfizer currently owns the brand. These examples can be considered cultural heritage brands that do not match their particular corporate brand heritage. In sum, there are important distinctions between *corporate* heritage brands and *cultural* heritage brands.

Furthermore, corporate brand heritage is not the same as brand culture. Corporate brand heritage can be seen as a component of brand culture, where brand culture speaks to broader developments and emergences of brand image in co-creation with consumers and cultural resources, as well other brand actors. Brand culture captures the co-creation of brands and cultures, not specifically limited to the firm or organisation's heritage.

A brand culture approach emphasises co-creation. Generally co-creation refers to consumers and producers – so called brand actors, including brand owners, managers and branded employees – working together in ways that are both intentional and unintentional, to create brand meaning and value and influence brands (for example, Schau *et al,* 2009). Fournier's work on brand relationships showed how co-creation works – consumers invest brands with particular meanings and value by consuming them in socially negotiated ways and, further, brands as companions co-create and contribute to life experiences (Fournier, 1998).

Aspects of a corporation's intended meanings – brand identity – might be expressed by images and text in marketing communications and other brand stimuli, but consumer perception, experience and aspiration may intervene with unanticipated, unexpected or unintended meanings – to form brand image (for example, Balmer 2001, 2012; Schroeder, 2005; Schroeder and Salzer-Mörling, 2006; Cornelissen *et al,* 2007; Borgerson *et al,* 2009). This interplay between brand identity and brand image forms part of the co-creation process (Pongsakornrungsilp and Schroeder, 2011).

A brand culture approach emphasises cultural resources, including cultural tensions, heritage, history and mythology that build brand meaning and value. In his work, brand strategist Holt has argued that iconic brands such as Budweiser engage with cultural tensions such as corporate downsizing, the decline of manufacturing and employee anonymity in their brand communication (Holt, 2004). Even cultural atrocities, such as war, have been drawn upon in what organisational researchers Muhr and Rehn (2014) call 'dark side' brand campaigns.

Brand culture research asks how co-creations of brand actors interact with brand image and brand identity (for example, Bengtsson and

Östberg, 2006; Schroeder and Salzer-Mörling, 2006; Kipnis *et al,* 2014). For example, brand researchers have argued that co-creation depends upon a minimal level of competency in reading or understanding the brand – or brand literacy (Oswald, 2010). Brand literacy constitutes 'the ability of the consumer to make sense of and compose the signs of a brand culture and to understand the meaning systems that are at play' (Bengtsson and Fırat, 2006, p. 377). Brand literacy, brand identity, brand image and brand relationships form important components of brand culture.

These concerns include how employees embody and communicate the identity of the brand, or what has been called operational identity (Borgerson *et al,* 2009). Co-creative processes may alter developing and emerging brand culture or heritage, of course, but also a community or nation's culture, as well. In contrast, proponents of brand heritage research might ask, what is the culture of the firm that is launching the brand? Or, what is the heritage of the organisation or corporation that has a particular brand identity? We propose that brand culture augments brand identity and brand heritage, and highlights the realm of brand image for insights and key developments.

Balmer *et al* (2006) introduced the concept of a corporate heritage brand, illustrated by their research on monarchies. They argue that monarchies function as, and can be managed as, brands (Balmer *et al,* 2006). From this perspective, the monarchy, seen as a brand with a specific institutional heritage, is assumed to have an authentic and traceable lineage of its own that must be managed for long term symbolic value, much like a corporate brand. We would say, additionally, that most monarchies exhibit characteristics of *both* corporate heritage brands and cultural heritage brands: monarchies are inextricably intertwined with the 'external' cultural heritage and history of the countries they serve. The cultural heritage aspect can be perceived in what Balmer *et al* (2006, p. 158) call the 'corporate rebranding' of the British Royal Family in switching from the German names of Gotha and Saxe-Coburg to Windsor. In the Chinese examples we discuss in this article, the relatively new brands, Shanghai Tang and Shang Xia, represent recently created corporations. Thus, they have little history or heritage of their own to draw upon for branding purposes. Instead, as we argue, they form cultural heritage brands.

In summary, cultural heritage can be distinguished from corporate heritage in several ways. Whereas corporate heritage is focused on a specific corporation or institution – its origins, founders and history – cultural heritage is not limited to, or even singularly attached to, a particular organisation's or institution's own narrative, history or heritage. Unlike corporate heritage, the meaning resources of cultural heritage are portable. For example, aspects of cultural heritage upon which an organisation's brands draw need not be linked to that organisation's country of origin, or that particular corporation's own heritage. Thus, cultural heritage brands engage with iconic cultural themes generally, and may elude an essential linkage to a particular organisation or institution.

A brand culture perspective can shed light on how developing Chinese brands interact with cultural history, cultural tensions and identity formation. We argue that brands such as Shanghai Tang and Shang Xia represent Chinese consumers' perceptions and interpretations of an emergent affluent Chinese lifestyle, and provide resources for Chinese consumers to reflect on their own Chineseness. The consumers in our studies embraced these elements, suggesting that they may help resolve what Holt (2004) calls identity tensions. Further, by building upon a rich historical legacy, these brands may help change often negative perceptions of China as a country of origin (for example, Gilmore and Dumont, 2003; Henderson *et al*, 2003; Bian and Veloutsou, 2007; Rein, 2012; Aichner, 2014; *China Economic Review*, 2014). In the following section, we set the stage for our exploration of Shang Xia by reviewing recent brand culture research on Shanghai Tang.

Setting the stage: A Shanghai Tang case study

Shanghai Tang promotes itself as the first and only luxury brand to have emerged from China. David Tang, a charismatic British-educated entrepreneur, founded Shanghai Tang in Hong Kong in 1994. The Richemont Group, owner of luxury brands such as Alfred Dunhill, Cartier and Chloé, bought Shanghai Tang in 1998. The Shanghai Tang brand includes a range of luxury goods, including bespoke tailoring for dresses and suits, all of which are intended to convey the image of a modern Chinese lifestyle, fusing iconic elements of Chinese culture with stylish contemporary fashion (Chua and Eccles, 2010). Recent research on the Shanghai Tang brand served to address an important unanswered question: Might branding and branded products successfully draw upon historical Chinese culture?

As part of this research, a CEO of a prominent automobile manufacturer in China was interviewed. The relevance of Shanghai Tang emerged during his interview, when he reported that they were looking for successful ways to invest their products with historical Chinese features. They considered re-fashioning historical features into appealing product traits – such as using a dragon design for the car's badge – a relatively straightforward, but somewhat unsophisticated use of cultural resources. Pursuing the potential importance of such cultural resources, this interview was followed up by surveying managers and marketers in China and abroad, and noted how often they mentioned Shanghai Tang as an illustrative exemplar. Shanghai Tang represented a distinctively Chinese brand with global ambitions, and provided an ideal company for investigating cultural aspects of Chinese global brand development. Moreover, the notion of 'Chineseness' with respect to Shanghai Tang had come to represent a cultural resource transcending local and regional boundaries. Thus, what emerged showed how the selective definition of historical and traditional Chinese cultural resources, in conjunction with global fashion systems, had the potential to transform a local and regional brand into a global brand (Zhiyan *et al,* 2013). However, in this article, we do not focus on Shanghai Tang's corporate heritage or details of its' corporate brand development.

The outcome of this research revealed the ways in which incorporating Chinese cultural heritage and aesthetics into brand identity, marketing communications and products built an emerging global brand (Zhiyan *et al*, 2013). The research, which included interviews, site visits and participant observation, encompassed managerial perspectives, consumer vantage points, managerial and consumer networks, and the interactions between these, across multiple locations to come to an understanding of how Chinese brand development crosses national boundaries and intersects with a global context. Interview subjects included Shanghai Tang managers and international consumers at universities, corporations and market research firms in the United Kingdom and China. Interviews with Chinese participants were conducted in Chinese, and subsequently translated into English. The rest of the interviews were conducted in English. Activities were personally observed in Shanghai Tang retail stores: in Shanghai (three stores), Beijing (four stores), Hangzhou (one store), Guangzhou (one store) and London (one store). Researcher participation also included taking pictures and undertaking visual analyses of aspects of the Shanghai Tang brand identity in the retail environment (cf. Breazeale and Ponder, 2013).

In interviewing global consumers and employees of Shanghai Tang in different locations and by observing its stores, related consumption behaviour, relevant Websites and other media resources, the Shanghai Tang case study reveals the possibilities and processes of understanding and engaging Chinese cultural resources through fashion codes in Chinese global branding strategy. Further, the research shed light on the macro context and the processes of cultural formation via the circulation of meanings, objects and identities in contemporary society.

The Shanghai Tang story illustrates several key points. For example, design is crucial: details such as store layout, colours and clothing fasteners all play a part in the overall brand DNA, including the way the Shanghai Tang name, in conjunction with these more specific factors evokes, the lively past – and present – of the Shanghai Bund. The Bund, Shanghai's famous waterfront district and tourist destination, represents two worlds – modern skyscrapers and colonial heritage (Hibbard, 2007). In the late nineteenth century and early twentieth century, the Bund served as the financial centre of East Asia as well as the political hub of the international community in China (Horesh, 2009). Thus, the Bund serves as a powerful cultural symbol.

One of the informants stated that Shanghai Tang's strategic citation of Chinese design features, such as such as mandarin collars, frog closures and butterfly buttons, was among the most appreciated features by people who complimented him on his attire. The consumer interviews helped uncover Shanghai Tang's role in what has been called 'the myth of the modern Chinese lifestyle', that is, Shanghai Tang provides a set of codes that contemporary cosmopolitan Chinese consumers might embrace – or reject – in identity construction and maintenance (for example, Elliott and Wattanasuwan, 1998; Miller, 2001). On the managerial side, designers, store managers and sales associates occupy a key position in brand meaning – they produce the products, spaces and commercial habitat that meet consumer demands for brand cosmopolitanism (Thompson and Tambyah, 1999). Further, non-Chinese consumers of Shanghai Tang can attempt to establish cosmopolitan identity by consuming Chinese culture, or *Chineseness,* through Shanghai Tang brand attributes, aesthetics and values.

Chineseness refers to a general look or impression of being Chinese or of Chinese origin. The notion of Chineseness suggests an overarching impression of nationally unified traits and characteristics, that while failing to refer to the full variety and multiple identities of peoples within national boundaries, or competing versions of historical narratives, nevertheless communicates meaning in relation to Chinese identity. For example, film scholar Metzger argues that iconic Chinese objects such as the qipao dress and the Mao suit represent Chineseness for both Chinese and Western audiences, in terms of national identity, race, gender and politics (Metzger, 2014). Such a Chinese identity, as expressed in notions of Chineseness, may capture and include aspects of the Chinese diaspora, including Hong Kong, Macau and Taiwan, and is not necessarily limited by national boundaries. Thus, Chineseness need not be perfectly aligned with Chinese country-of-origin. This assertion also reflects how 'national' brand identity need not correspond with brand ownership. Thus, when Shanghai Tang and Shang Xia are referred to as Chinese brands, it does necessarily imply that they are wholly Chinese-owned, nor defined by political borders.

Wearing Shanghai Tang imparted fashionable, not overly 'local' Chineseness, which offered a distinctive look that consumers felt helped in climbing 'the ladder of success', in the informants' words. Almost all the Shanghai Tang consumers who participated in the study appreciated the brand's introduction of isolated Chinese style elements into more Western styles to make them fashionable, for example, iconic patterns and strategically located signature colours on cuffs and collars of polo shirts and pullover sweaters. Chinese styling has been the key to Shanghai Tang's brand, and this is particularly evident in the brand's seasonal collections, in which designers focus on small, distinctive details, such as bamboo buttons, Chinese dragon motifs and patterns with symbols of Chinese ingots, which were historically used as money in China, and are often considered emblems of wealth and status (Welch, 2012).

Regardless of whether it deploys ancient ingots or images of social upheaval in old Shanghai, Shanghai Tang's strategy consists in first isolating then re-introducing familiar features into novel arrangements that juxtapose the past and the present. Once-precious ingots become more commonly available and wearable in the form of a Shanghai Tang dress. A Shanghai Tang bag invokes the traumatic Cultural Revolution with shadowy, Maoist imagery. Their tight-fitting qipao made of black leather lends an edgy, contemporary look to a traditional Chinese garment. This fashion strategy, which engages the cultural interest of consumers by re-engaging the old within the new, does not provide explanations for such use of symbols, but rather represents them figuratively across designs. Creativity and innovation is central in any brand's development, but Shanghai Tang's success depends on the negotiation of Chineseness across its global product portfolio, retail design and marketing communication. Below, we discuss how this strategy is both deeper and subtler in the case of Shang Xia.

Informant comments about Shanghai Tang products underscore an emphasis on what they saw as subtle Chinese aesthetics. For the most part, they thought that Shanghai Tang products are aligned with notions of harmony. The designs, colours, fabric quality and cuts are uniformly subtle: when details do stand out they do so without disturbing the peace of the whole. They are meant to capture the eye but ultimately enhance the effect of the harmonious whole. This aesthetic contributes to the meaning of the brand, and frequent consumers would be able to read the various aesthetic codes that make up the lexicon of Shanghai Tang designs. Perhaps surprising in the wake of such subtlety, Shanghai Tang has become responsible for developing the Chinese blueprint of 'contemporary luxury lifestyle products' (Shanghai Tang, 2015). This strategy positions Shanghai Tang as a lifestyle brand, one conceived to sell products (and visual imagery) aimed not just at single functions, but designed for an overall way of life, a harmonious communication of status or taste, or lifestyle: this might include clothing, furnishings, lounge music collections and accessories (Zhiyan *et al*, 2013).

Consumer insights about Shanghai Tang reveal how Chinese cultural codes can be drawn upon to develop and embody cosmopolitan consumer identity, which in turn, depends in part upon consuming brands (for example, Belk, 1988; Elliott and Wattanasuwan, 1998; Strizhakova *et al*, 2008). For example, consumer research suggests that individuals construct identities as much through engagement with material objects and practices as they do through human relationships (for example, Belk, 1988; Fournier, 1998; Miller, 2001; Borgerson, 2013). For some consumers, Shanghai Tang represents a ladder for success. For others, it embodies authentic and nostalgic emotion. For most, it expresses a hybrid aesthetic of international style and *savoir-faire*.

Elements of Shanghai Tang's brand culture – consumers, managers, retail stores, and of course, design – demonstrate that diverse contributions are essential for the co-creation and development of brand meanings, brand growth, as well as a rationale for potential myth markets (see, for example, Thompson, 2004; Hudson and Balmer, 2013). Shanghai Tang served to connect ethnic Chinese to their Chinese identities. Furthermore, many comments discussed how Shanghai Tang clothing helped communicate cosmopolitan identity for consumers, both Chinese and others. Shanghai Tang provides a model of conceptualising a culturally conceived branding system by marrying global fashion systems with a Chinese imaginary. In the following sections, we discuss Shang Xia's attempts to do the same.

Shang Xia: 'Renaissance of Chinese Fine Living'

Shang Xia, a relatively new Chinese luxury brand, has chosen a focused and dense branding strategy around the use of Chinese culture and history, drawing inspiration and concrete ideas for decoration, detail and design from elements of the Chinese tea ceremony. At its core, Shang Xia offers low-key luxury products that relate to a shared cultural activity (Ang, 2012). Shang Xia's Website presents their brand story as 'a mission to create a 21st century lifestyle founded on the finest of Chinese design traditions' and proclaims that Shang Xia offers a 'Renaissance for Chinese Fine Living' (Shang Xia, 2015). China market analyst Bergstrom noted that Shang Xia 'poses a central question about the possibility of luxury coming from a country known for mass-production' (Bergstrom, 2012, p. 176).

Shang Xia's product lines include furniture, housewares, accessories and clothing in a wide range of prices, from RMB 500 (US$80) to upwards of RMB 150 000 ($25 000), all of which communicate aesthetic values, attitudes and practices that radiate out from the Chinese tea ceremony, or ritual. Shang Xia promotes the brand as not only a fashion luxury brand, but also a luxury lifestyle brand, which blends the heritage of Chinese design and craftsmanship, attempting to attract consumers who focus on quality, rather than purely on Western luxury logos. Shang Xia aims to inherit Chinese traditional craftsmanship, and to revive Chinese cultural practice.

Tea permeates Chinese culture. From the design of early teapots, and the scents, textures and colours of the tea leaves, to the elegant, slow pace of the practice itself, the tea ceremony offers a deep well of material culture and Chinese aesthetics from which to draw in building the Shang Xia brand. Tea is generally believed to have originated in China, during the Tang dynasty (618–907) (Tong, 2010). Teapots are often seen as an auspicious object in Chinese culture, and are associated with fertility (Welch, 2012). Tea drinking forms part of many social rituals, such as hosting guests, bringing families together at weddings and showing respect to one's elders (Tong, 2010). The tea ceremony requires a variety of objects, including, of course, tea, but also teapots, teacups, tableware, furniture and often special clothing. Traditionally, many skilled artisans focused on producing high quality teapots and teacups, specifically designed for the tea ceremony. Today, the tea ceremony often signals connoisseurship, and is frequently part of the tourist experience for visitors to China.

Shang Xia was established as a joint venture between the Hermès Group and celebrated Chinese designer Jiang Qiong Er in 2008. However, Shang Xia has its own independent marketing and public relations department, which are not affiliated with Hermès China. We interviewed a Shang Xia brand manager in Shanghai, who noted that Shang Xia has an independent production line from Hermès, in order not to confuse consumers. He stated that for now, Shang Xia is working on new products with rich traditional elements, like red sandal-wood furniture and white porcelain tea sets, with inspiration taken from China's long history and culture. These 'cultural objects', as Shang Xia refers to them, are aimed at collectors who might be interested in buying limited edition products.

Their cultural objects are designed by Chinese artisans who are commissioned to apply their traditional craft skills to developing objects to be branded as Shang Xia and sold in Shang Xia stores. The artisans that Shang Xia engages often demonstrate skills that are not widely taught, perhaps are quite local, and likely are not considered valuable in contemporary Chinese contexts. These skills could relate to a defunct, devalued, way of producing something from the 1960s, of course, that might challenge a specific notion of the 'traditional'; but more often Shang Xia's intentions are to revive craft techniques that were developed or supported by the Imperial court. Further, many crafts may represent suppressed cultural knowledge – most luxury goods were banned during the Cultural Revolution. Of course, the traditional crafts that Shang Xia supports relate to aesthetic values invoked and evoked by the brand. This strategy may alter and evolve; for now, the relevant artisans appear to be those with skills, often quite specialised, and essential to some aspect of life in the past – for example, making excellent pots to carry water – that can be drawn upon to aid in Shang Xia's brand positioning. In this way, Shang Xia promotes a kind of cultural policy programme by reviving traditional Chinese arts and crafts.

As the main creator of the brand, Ms Jiang's primary goal was to interpret and promote Chinese traditional arts and crafts. She is optimistic about their expansion strategy: 'Chinese culture isn't just geographically Chinese. It can be shared internationally. We are a good window to let more people experience Chinese craft, quality, design' (quoted in Ang, 2012). In a recent interview, Jiang stated, 'our company is all about reviving Chinese culture and craftsmanship' (quoted in Kolesnikov-Jessop, 2014). To support this strategy, Jiang invites historians and academic specialists to talk to her staff about culture every 2–3 weeks: It is noteworthy that Shang Xia has thus far refrained from advertising, or participating in fashion shows or other standard marketing activities (Ang, 2012). In an interesting diversion from typical brand promotion strategy, Shang Xia holds two 3-week-long showcases, which include live demonstrations exhibiting high quality materials and heritage craftsmanship in its products and cultural objects. The luxury giant LVMH – an Hermès investor and rival – has recently launched a similar strategy by hosting 'Open Days' that opened up several French ateliers to the public, in an effort to boost its corporate reputation and introduce customers to the brand's fabled producers (Friedman, 2014).

Recently, Shang Xia has expanded into the European market by opening a Paris retail store: 'Shang Xia, which aims to revive Chinese crafts that were nearly destroyed by China's Cultural Revolution, including ancient styles of porcelain, cashmere, felt and furniture, is part of a new generation of Chinese brands elbowing their way into the crowded European luxury goods market' (Wendlandt and Denis, 2013). The Paris retail store is positioned to promote the brand values to Western consumers, and to persuade Chinese visitors in France to accept Shang Xia as a global luxury brand (Song, 2013).

Method

The relevant aspects of the Shang Xia case study consist of retail visits and participant observation, Website analysis and a set of interviews that took place in 2012 and 2013. This article focuses on the interview data, informed by insights derived from the other elements. Interviews took place in Shanghai and Beijing, and lasted from 60 to 150 mins. This technique has the ability to capture consumers' underlying assumptions about brands and products (Eckhardt, 2004). We used a snowball sampling technique to generate a set of interviews with people who were engaged and interested in the brand. In total, we interviewed a Shang Xia brand manager and seven consumers – two males and five females- who ranged from age 30 to 45 years old. We met and interviewed the Shang Xia brand manager in Shanghai first. Then, during an observational visit, we met a 42-year old female Shang Xia customer and asked if she would be willing to participate in an interview. She introduced us to two more women, and they introduced us to their husbands. These consumers emerged as ideal to discuss the nuances of Shang Xia; they were deeply engaged with the brand and articulate about the brand's identity. We do not claim they are 'representative' of Chinese consumers, rather, they provide illustrative examples of a growing luxury brand consumer segment within China.

The interviews were conducted in Chinese, and then translated into English by the interviewer, a native Chinese speaker. The interviews were then further edited and interpreted by a native English speaker, who checked the resulting meanings with the original translator.

Interviews: Emerging themes

In analysing our interviews, we discerned several themes that vividly capture aspects of these consumers' co-creation of Shang Xia brand meanings. We have worked with these brand meanings to further articulate and analyse their importance (Eisenhardt, 1989; Spiggle, 1994).

Chineseness: A unifying cultural thread between brand and consumer

One of most articulate consumer informants, a 45-year old French–Chinese art teacher was interviewed at the coffee shop at a Shanghai Hong Kong Plaza Service Apartment. Then, the interviewer accompanied her to Shang Xia's store in Shanghai Hong Kong Plaza. When asked about Shang Xia, she said:

> It is an organic brand, an independent brand with its own unique identity that brings Chinese heritage from the past into the future. So I think it is beyond time, beyond place. The definition of China in the Shang Xia project is not about a country or a territory, but about Chinese culture, as though it belongs to the whole world.

Her sense of Chinese heritage, and what can be called Chineseness, informs her appreciation of the brand. Another customer, a 30-year old man, who is a hairdresser and works in Beijing, was interviewed at a Beijing coffee shop. After commenting on the high quality of Shang Xia's products, he said:

> So it "threads" its product lines through a Chinese tea ceremony, rather than a commercial brand structure. As we all know, the tea ceremony was of the highest significance in Chinese hospitality. During the tea ceremony, we often need a nice tea set to serve the tea, a comfortable chair to sit in, a comfortable dress, necklace or bracelet to wear, the great scent of sandalwood incense to enjoy. So you know, since Shang Xia's collection stemmed from Chinese lifestyle, its collection provided an extended experience of tea to its guests.

He also thought Shang Xia's in-store exhibitions 'had a true traditional Chinese atmosphere'. Echoing this theme, another informant, a 38 year-old clothing designer and knowledgeable Shang Xia customer, said: 'More and more designers are emphasising inheriting Chinese culture. They desire to present something of Chinese characteristics in their work. They offer me a clear view of the future of Chinese design'.

These consumers reveal keen insight into and appreciation of Shang Xia's brand strategy, embracing and reflecting nuances of Chinese brand culture. They clearly value understated aspects of the brand, and demonstrate a deep understanding of the 'unifying thread' of Shang Xia's Chineseness. They recognise and espouse the subtle symbols of the brand, and seem to embrace key aspects of Shang Xia's strategy. In this way, they may be working out what it means to be a Chinese luxury brand consumer. Moreover, they may be thinking through what Chineseness means in the global marketplace.

Resonance between aesthetic values and the brand

A 45 year-old communications manager enthused:

> I came to love Shang Xia from the first time I saw it. It was back in 2008. I love it so much because I think its logo is unique and very meaningful. In this logo, you will find the idea of simple design that is mainly found in furniture of Ming Dynasty. A little more, the two Chinese characters, "Shang" and "Xia", fit well in a square frame, which looks like a window from a distance. And, also important, the colour red symbolises the well-being of a family. Taking a look at the style of the two characters, they are curved in seal script, which has deep cultural connotations.

A 42-year old woman who works in the Shanghai Drama Art Centre was interviewed at a coffee shop in Shanghai. She revealed:

> I was touched by the outstanding craftsmanship, the simple designs and the fine materials that it [Shang Xia] used. In fact, almost everything Shang Xia offered was of other-worldly beauty. It was called a certain kind of 'splendid simplicity'. [...] Such simplicity was totally different from a bling-bling or logo brand. [...] Taking this floor-length cashmere felt robe as an example [she pointed to the robe in her bag]; this robe was created with a seamless piece of fabric and a Mongolian yurt-making technique. This completely handcrafted pearl-white robe was a simple cocoon design where the front lapels fall to the floor in waves – all achieved with no cutting.

She clearly has embraced the brand message, and reiterates basic aspects of Shang Xia's cultural strategy. She seems to respond well to

Shang Xia's branding, and displays an expert eye in appreciating the details of their product line. After sipping a coffee, she continued: 'They [Shang Xia's products] all looked simple yet graceful, in the mode that Peng Liyuan wore on her first trip overseas as China's new first lady', she said as she pointed to a TV screen in the coffee shop, which was reporting that Peng Liyuan had become an instant media sensation in China during her first trip abroad as China's first lady. She continued, 'When I bought this [Shang Xia] coat, for example, it felt like attending a private club'.

In these comments, this consumer reveals a literacy in Shang Xia's codes that most Western consumers would not (Oswald, 2012). She represents what Oswald calls the 'next generation' of Chinese consumers who associate luxury not with expense or high quality, but 'through a lens of Confucian values' of harmony and simplicity (Oswald, 2012; see also Wong and Ahuvia, 1998). In other words, these consumers seem to value what they consider to be Chinese values of harmony and simplicity, which are derived from Confucianism, more than high prices or high quality for its own sake.

Revaluing Chinese traditional craftsmanship and creativity

The French–Chinese art teacher reveals an awareness of a deep cultural connection to Shang Xia:

> It was time we worked together to bring back craftsmanship or keep it going all together. Mass production was not the answer to luxury, but Shang Xia perhaps was. It was simply transferring the three legacies of craftsmanship, creativity and style into a different environment.

We believe that her reference to 'we' signals her investment in the brand and its' aim to restore Chinese craftsmanship. Also, she refers to 'we' in the sense that she, as an engaged consumer and citizen, is anticipating a welcome shift away from China's practices of cheap mass production, towards higher quality production. She goes on to display an intense attraction to the brand concept:

> For example, both the name and the concept of Shang Xia were fabulous. The word "Shang" meant "top" while "Xia" meant "bottom". At first, you might feel that the brand was confused or joking. But consider further. You realise that "Shang" (top) often stood for Heaven and the Past while "Xia" (bottom), stood for Earth and the Present. The Heaven and Earth was a very important subject in

> Chinese culture as both, in balance, could create peace and harmony. [...] I think Shang Xia stands for a balanced and harmonious lifestyle from the social sphere to the private; from the urban to nature. This requires a kind of splendid simplicity.

These comments show a strong connection between Shang Xia's brand values of harmony and subtly and this customer's tastes. At Shang Xia's store in Shanghai Hong Kong Plaza, she went on to explain why she liked various products, pointing them out within the retail space as she spoke:

> In terms of heritage and innovation, the first case that came to mind was this collection [She pointed to the zitan table, which is part of the Da Tian Di collection]. The Da Tian Di collection was inspired by traditional Ming dynasty-style furniture and had smooth, graceful and modern lines. It used a more complex square outline with rounded inner lines, instead of the common rounded outer lines. Then with hundreds of thousands of polishes, a mortise-and-tendon joint was developed by perfectly aligning the round stool with the square back of the chair. Handcrafted zitan wood [Chinese imperial wood] has the most comfortable and velvety texture.

Not all consumers might make these cultural connections, of course, but for this one, Shang Xia offers a complex constellation of Chinese aesthetics, industry and meaning. She exhibits traits of what Bengtsson and Fırat (2006) call a highly brand literate 'brand professional' – willing and able to engage with and fully participate in the brand culture of Shang Xia. She seems intrigued by heritage and innovation beyond functional attributes or status hierarchy. In other words, she values aspects of Chinese craftsmanship and innovation over time more than what the products do or how they might connote status.

Discussion

During their recent economic boom, China has largely focused on mass-market, low-end production and has been plagued with scandals over poor quality. Furthermore, Chinese consumers have often been perceived to buy luxury products to display status and affluence in a hierarchal society (Lu, 2008; cf. Eckhardt *et al*, 2015). We hear from the Shang Xia consumers a sense of pride in Chinese craftsmanship and artisanal production, as if their engagement with Shang Xia helps mark a shift from mass production to quality and a renewed respect for Chinese cultural references and aesthetic values. Shang Xia itself seems to embody this shift. Moreover, we suggest that brands like Shang Xia may help consumers work through what it means to be a global consumer in a powerful economy, as well as revisit aspects of Chinese culture long suppressed or controlled by the Chinese government. This consumer insight helps reveal how Shang Xia connects with consumers via a cultural heritage strategy, based on Chinese cultural traditions. This positioning has resulted in a broad category and product range, as well as intensive labour in making the products.

An emerging brand literacy

In articulating themes of Chineseness: a unifying cultural thread, resonance between aesthetic values and the brand, and revaluing Chinese traditional craftsmanship and creativity, our interview subjects revealed a profound sense of brand knowledge and expertise, rooted in deep knowledge of and appreciation for Chinese aesthetics and Chinese values, as articulated by an emerging Chinese luxury brand. In other words, they understood and were willing to participate in brand culture, articulating the co-creation of brands and cultures, beyond typical expectations of Chinese consumers. An analysis of Chinese brand culture suggests that aesthetic values and historical culture inform, and hold out possibilities for, a global as well as local reception of branded products and services.

Shang Xia does not focus on indiscernible cheap commodities, as many Chinese brands do. Rather, the brand emphasises Chineseness and their luxury target market provides an opening for new insights from brand culture. Our informants described Shang Xia as a Chinese modern lifestyle brand committed to inheriting Chinese traditional culture and rejuvenating Chinese craftsmanship, in part by supporting skilled Chinese artisans from throughout China. In this way, Shang Xia is attempting to build a Chinese luxury brand based on Chinese design, production and themes, which marks a distinctive brand strategy. Shang Xia is also implicitly engaging with China's troubled history by revitalising crafts that were suppressed during the Cultural Revolution, as well as by referencing artisans, craftsmanship and traditions from Imperial China. Brand literacy may represent a key component for the future of Chinese branding; as the Chinese consumer's brand literacy is developing at the same time global interest in Chinese culture is expanding (Oswald, 2012; Griffiths, 2013). This case study offers a lens through which to observe aspects of Chinese brand development in the global marketplace, and sheds light on the ways in which brand culture connects companies and consumers. Furthermore, we use these insights to argue for the development of Chinese brand culture into a strategic brand resource.

Similar brands, distinctive strategies

Although both Shanghai Tang and Shang Xia reveal a similar link to Chinese brand culture, they are marked by important differences. Whereas Shanghai Tang uses high quality materials in their products, they do not emphasise artisanal or craft production in the way that Shang Xia does. Shanghai Tang remains focused on ready-to-wear clothing and accessories, whereas Shang Xia's product lines include expensive, limited edition collectibles. Shanghai Tang has participated in a number of co-branding ventures; for example, they offered notebooks together with Moleskin, the Italian producer, and they produced tableware in collaboration with contemporary Chinese artist Jacky Tsai (Shanghai Tang, 2015). Thus far, Shang Xia has not participated in such co-branding initiatives. Finally, Shang Xia is much more closely associated with a single, charismatic designer than Shanghai Tang, which relies on a team of designers. In sum, Shang Xia takes the brand culture approach further than Shanghai Tang, as their brand image is deeply connected to Chinese aesthetics, Chinese craftsmanship and Chinese artisans, as revealed by consumer interviews.

An analysis of Chinese brand culture suggests that aesthetic values and historical culture inform, and hold out possibilities for, a global as well as local reception of branded products and services. Shang Xia represents a hybrid brand, one that draws upon Chinese culture, backed by European branding experience. The Richemont group, a prominent European luxury house, now owns Shanghai Tang. This hybrid strategy may represent a winning formula for developing Chinese luxury brands. However, the informants we interviewed did not mention Shang Xia's connection with Hermès, nor does the Shang Xia Website. Perhaps like the UK clothing brand Stella McCartney, which is a joint venture with Gucci, yet has achieved a distinctive brand identity, Shang Xia will be able to forge a separate brand identity of its' own.

Of course, these two brands target a rarefied – but growing – market of Chinese luxury consumers (as well as global luxury consumers), and their long-term success is unknown. Each deploys a specialised brand strategy, heavily dependent on brand literate consumers. Nevertheless, they offer important lessons for building Chinese luxury brands that move away from cheap mass production towards more sophisticated and ephemeral luxury brands (see Berthon *et al*, 2009; Rein, 2012). In addition, the Shang Xia case study depends on a limited number of interviews to illustrate particular themes. As such, it represents a first step in understanding and documenting a new movement in Chinese brand culture. These consumers reveal a deep resonance to Chineseness as embraced by Shanghai Tang and Shang Xia, illuminating how brand culture functions for two noteworthy Chinese luxury brands.

Strategic implications

Some managerial considerations that emerge from this study include:

1. Distinguish between related branding concepts of corporate brand, corporate heritage brand and cultural heritage brand in brand management strategy.
2. China has a long history, with many rich cultural traditions. Developing Chinese brand culture may be one way to build a distinctly Chinese brand. This might include connecting to ideas of Chineseness and drawing upon shared cultural knowledge to build brand values.
3. Do not be afraid to deal with cultural tensions – branding can be a way to help consumers reflect on and resolve such tensions. Both Shanghai Tang and Shang Xia include potentially controversial elements in their brands, some referring to the Cultural Revolution, others embracing the Imperial Era, often criticised under Communist rule. Further, Shang Xia emphasises their production process, which has been considered a weak spot in Chinese brands.
4. Provide employees with in depth training about the cultural aspects of the brand in order to align branding strategy with what we have called operational identity. This recommendation goes beyond typical 'living the brand' (for example, Ind, 2007) programmes or sales force training. For example, Shang Xia regularly brings academic experts to lecture to their employees about Chinese culture, deemed essential for the brand. This helps develop brand literacy among employees, who in turn communicate it to consumers.
5. Alternative marketing strategies, such as in-store demonstrations and exhibitions, can connect with consumers. Not all brands need rely on traditional promotional tools such as advertising and trade events such as fashion shows. For example, Balmer *et al* (2006) have shown how monarchies traditionally do not rely on typical branding initiatives such as advertising.

6. Consider brand culture in thinking about and managing brands. Brand culture points to elements outside the firm, and beyond the consumer, as important aspects of brand management. These co-creative stakeholders play important roles in cultural heritage brands, and may present problems as well as possibilities. However, in the social mediated world of the Internet, brand managers can no longer 'control' all aspects of the brand (for example, Deighton and Kornfeld, 2009).
7. Be prepared to compete with new types of Chinese brands – those that tap into China's rich cultural heritage, instead of relying on cheap mass production to compete.

Brand culture research does call into question the ability of a corporate brand manager to control brand meanings, as well as, the directions that a brand may take: this is the point after all at the foundation of the distinction between brand identity and brand image (Balmer, 2001). This is also the positive power of recognising and welcoming the perspectives and agencies of brand actors outside that of brand managers. Indeed, we believe that a brand culture perspective, far from de-centring the work of the brand manager, provides further tools for the purpose. In other words, this is not to despair at the loss of apparent control that corporate brand managers would like to hold; rather, attending to the opportunities and potentials of a brand culture approach – including awareness of the resonances with historical eras and events, and attending to the co-creative contribution of consumers and cultures – allows a renegotiation at the very foundation of brand managers' work. If one is to work at managing brands, one must recognise the multiple and dispersed locations and arenas in which management of a brand occurs.

We have argued that brand culture and, more specifically, the co-creation and circulation of brands and cultures mark key opportunities for the development of Chinese luxury brands. In sum, building upon China's own rich aesthetic, cultural and historical legacy represents a potentially powerful approach to developing Chinese luxury brands.

Conclusion

Shanghai Tang and Shang Xia represent distinctive Chinese brands. The consumers and other brand actors interviewed for this research revealed a strong attraction for the brands, as well as a deep appreciation of their cultural heritage branding strategies. The brands' Chineseness is seen as a central element in these strategies. Further, in the case of Shang Xia, the brand serves in a cultural policy role, rejuvenating and revitalising traditional crafts in China, revealing another way in which brands engage with culture. Thus, these two brands exemplify the cultural heritage brand concept, illustrating brand culture interactions.

This article represents an effort to fill the gap between brand development studies focusing expressly on Western brands and their markets and culture-specific global brand development in emerging markets, such as China. A brand culture approach offers new perspectives on how brand actors co-create, circulate and re-configure existing meanings of brands and cultures, and how Chinese brands become vehicles for meaning co-creation across national boundaries.

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Section 4
Luxury Brands in China

5
Luxury Brand Building in China: Eight Case Studies and Eight Lessons Learned

Klaus Heine and Michel Gutsatz

Introduction

Today the Chinese luxury market stands at the beginning of a new era, which relies on some interrelated trends: As the Chinese government aims at increasing the country's share of value added in the global production chain, the cultural and creative sector was elevated to a superior status in the national economy in their recent 5-year plan. This plan is thoroughly implemented, for instance, by the Shanghai Creative Industries Association, which actively sets up and supports creative industry spaces. As a result, China is shifting its economic orientation from low-end production to higher-end and creative industries – in other words, from capital-driven to innovation-driven and from 'Made in China' to 'Designed in China' (Wuwei, 2011).

However, China has been the new territory of growth, especially for Western luxury brands. At the beginning of the 1990s, the first wave of big Western luxury houses entered the Chinese market. This marked the absolute ground zero of luxury in China when even brands that are now leaders on the Chinese market, such as Chanel and Omega, were virtually unknown (Bain, 2013). After not more than two decades, China is now considered as the world's most important and influential luxury market by many luxury companies and experts (KPMG, 2013), which naturally attracts attention from almost any luxury player worldwide.

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Yet another recent development is China's New Cultural Revolution. Luxury was, and still is, highly associated with Western culture, and therefore Western luxury brands were usually perceived as being more luxurious and prestigious. The 'young emperors', the generation born after 1978, is driving the 'sinofication' trend and will change the Chinese luxury market. They represent the best educated, the most confident, but also the most self-centred and ambitious among all living generations in China (Hedrick-Wong, 2007). They are increasingly comfortable with Chinese culture and tradition and much more receptive to Chinese luxury brands. As this is a typical evolution of luxury consumers, the *'nouveau riche'* attitude of new and inexperienced consumers will be progressively replaced by a more sophisticated and discrete style (Han *et al,* 2010).

As the development of a creative class in China increases the chances of lesser known connoisseur brands (Wuwei, 2011), there is currently a new wave of Western small and medium-sized enterprises (SME) expanding into the Chinese luxury market. The starting points of their internationalisation are no longer necessarily geographically close neighbouring countries, but increasingly growing markets such as China. Companies such as Philippe Hurel (furniture) from France and Welter (wall paper) from Germany expect the Chinese market to be ready for their connoisseur products in the next 3–5 years. This development reflects also the typical evolution of luxury markets from 'show off' to the 'way of life' phase that was observed in more mature Asian economies such as Singapore (Chadha and Husband, 2006).

The shift of China's economy towards 'Designed in China' and the change of consumer preferences are fuelling debates among Chinese decision makers about the question: 'How can China create its own global luxury brands'? (Wuwei, 2011). Chinese business people not only dream about creating luxury brands to make money, but also of their strong fascination about luxury and even for patriotic reasons – to bring pride to their companies and the country. This may also be realistic without a heritage of some 100 years considering that there exist also relatively young, but well-established Western luxury brands such as Dior and Mulberry (est. 1946/1971). Moreover, for about 100 years, there has been a global growth of luxury business start-ups, which has accelerated especially since the 1990s along with the upswing of the global luxury market (Heine and Phan, 2011). However, it is barely acknowledged that the luxury segment is highly entrepreneurial today. Although it is not on the radar of most experts and consumers yet, this is even more the case in China, where a variety of Western and Chinese market players are already setting up China-specific luxury brands such as NE Tiger, Shang Xia and Shanghai Vive.

Besides some empirical studies on corporate brand building (Wallström *et al*, 2008; Juntunen *et al*, 2010), there are only a few studies about luxury brand building (Beverland, 2005), the related area of luxury marketing success factors (Meffert and Lasslop, 2003; Fionda and Moore, 2008) and the new research domain of luxury entrepreneurship (Fonrouge and Lipovetsky, 2013). Besides some literature on brand building in Asia (Cayla and Eckhardt, 2008; Eckhardt and Bengtsson, 2010; Wu *et al*, 2013), much of the literature on luxury marketing in China concentrates on consumer behaviour (Chadha and Husband, 2006; Hedrick-Wong, 2007; Lu, 2008; Zhana and Heb, 2012; Walley and Li, 2014) and to a lesser extent on the expansion of (major) Western luxury brands to China (Gao *et al*, 2009; Chevalier and Lu, 2010). However, as Chinese luxury brands have just emerged in recent years, there is a lack of research about the creation of luxury brands especially in China.

Therefore, the main objective of this article is to analyse the major strategies and success factors for luxury brand building in China based on selected case studies of Chinese luxury businesses. As success criteria of luxury marketing depend on a brand's stage of development (Kapferer and Bastien, 2009; Juntunen *et al*, 2010), we employ the concept of brand life cycles as a framework to differentiate potential success factors. Results are relevant to four major target groups, including (i) Chinese and Western entrepreneurs and companies aiming to set up a Chinese luxury brand; (ii) existing Chinese luxury companies; (iii) European luxury SMEs in China, which face similar challenges as Chinese luxury start-ups; and (iv) Western luxury companies aiming to prepare themselves for their future competitors from China.

Methodology

As they are only just emerging, Chinese luxury brands are still underexplored objects of investigation, which cannot be understood adequately by mere quantitative research. Because of its explanatory power for real-life organisational phenomena, this article relies on Grounded Theory and especially on the evolved and constructivist version according to Corbin and Strauss (2008) and Charmaz (2014). Instead of focusing on testing existing theories and predefined hypotheses, Grounded Theory utilises an open-minded view and an inductive approach in an almost reverse order compared with traditional research, to explore relevant concepts and to develop new theories that are based on social reality (Corbin and Strauss, 2008). The constructivist intent of evolved Grounded Theory is reflected by its theoretical and context sensitivity and the use of coding processes with a degree of flexibility (Mills *et al*, 2006).

We combined this approach with a multiple case study methodology according to Yin (2013), Fionda and Moore (2008) and He and Balmer (2013), who had employed Grounded Theory in a similar business context. The first stage of our study consisted of a pilot online survey of 20 luxury experts in China. This survey has helped to prepare a list of possibly all Chinese luxury brands and to decide which companies might be suitable for in-depth case study analyses. The aim was to find illustrative case studies using the following criteria: (i) at least some of their key business strategies should be distinctive compared with the other selected brands, which can serve as instructive lessons (He and Balmer, 2013); (ii) they can be regarded as Chinese luxury businesses; (iii) the major types of luxury market players and luxury market entrance strategies; (iv) the different development phases of luxury ventures should be considered; and (v) the major core luxury industries should be included (such as apparel, cosmetics, watches; see also Wallström *et al,* 2008).

As required by Grounded Theory, the empirical database was obtained from multiple sources. This included the collection and analysis of documentary material such as company presentations, reports, brochures, homepages and media coverage (see also Fionda and Moore, 2008; He and Balmer, 2013). Mills *et al* (2006, p. 5) see this 'nontechnical literature' as a vital source of context information about the participants and areas of interest. We collected all articles about Chinese luxury brands that we could find in Chinese and international newspapers and business magazines. We searched especially for articles containing interviews and direct quotes from the brand managers or other brand representatives. Based on the principle of purposeful sampling (Corbin and Strauss, 2008) and with a stakeholder perspective (He and Balmer, 2013), we conducted 18 semi-structured expert interviews. Interview partners include, above all, representatives of Chinese luxury startup (e.g., CEO of NE Tiger, Marketing Director of Shanghai Vive, Creative Director of Shang Xia), and also other industry representatives (e.g., CEO of the supplier to She Ji-Sorgere) and luxury consultants in China (e.g., from Bain & Co, McKinsey, Centdegrés, Federico Restrepo Studio).

Interviews lasted from about 45 to 90 minutes. The interview questions focused on the business model, challenges and critical success factors relevant to Chinese luxury startups. In addition, we conducted observations in 10 stores of Chinese luxury brands in Shanghai. We observed the store culture and spoke to sales people, who explained to us the products and brand philosophies. Some hundred pages of documentary material and protocols of store observations and interviews were analysed (Corbin and Strauss, 2008). Grounded Theory relies on an iterative process of data collection, analysis (coding and comparisons) and theory construction, which corresponds to a perpetual alternation between acting (data collection) and reflection. This process generates insights and confirms, disconfirms or modifies them until an adequate concept is reached – in this case an overview of the success factors of Chinese luxury ventures. At this point, the analysis of additional data would not have contributed to any further insights, so the categorisation (temporarily) came to an end (Corbin and Strauss, 2008; Charmaz, 2014).

What actually are chinese luxury brands?

Selecting and analysing these brands ultimately leads to the question: What brands actually qualify as Chinese luxury brands? Of course, they have to meet the general luxury criteria: Luxury brands are regarded as images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations (Heine and Phan, 2011; Miller and Mills, 2012). As they are progressively elaborated and brought to life over time, luxury brands barely have a specific date of origin (Kapferer and Bastien, 2009). In China many young brands may not meet the Western expectations of luxury, but they have come a long way to become high-end brands in their homemarket and are therefore interesting objects of investigation. The country of origin of a luxury brand depends mainly on the location of its headquarters (Prendergast and Phau, 2000). However, consumer perceptions about the Chineseness of a luxury brand may be influenced by the following factors:

1. Location of the headquarters within Greater China (Mainland China, Hong Kong, Taiwan)
2. Nationality of key people involved, including designers, artisans, founders and the CEO
3. Nationality of the owners

4. Country-of-manufacturing of their (top-of-the-line) products
5. Interrelations between the history of the brand and the country-of-origin
6. Similarities of the brand identity and the country-of-origin image and
7. Proportion of consumers and brand advocates perceiving the brand (also because of the other factors) as Chinese (see also Prendergast and Phau, 2000).

Our pilot study demonstrates that the most well-known Chinese luxury brands include (in the order of the number of mentions) Shanghai Tang, Shang Xia, NE Tiger, Queelin and Maotai. Most experts still believe in the paradox of the Chinese luxury market: Despite China being the world's most important luxury market, it still does not play any significant role as a country-of-origin for luxury brands. However, our analysis shows that, depending on their definition, there are already more than 100 potential Chinese luxury brands. A big part of Chinese luxury brands are still so small and new that they are not necessarily known even among the luxury experts in China.

Major players and luxury market entry strategies

We then carried out an analysis of the origins of these Chinese luxury brands and the processes that led to their creation. This helped to identify nine major players in the Chinese luxury market and their strategies to create Chinese luxury brands, which are illustrated in Figure 5.1 and explained below:

- *Western luxury corporations*: It is a recent trend of Western luxury corporations to set up their own 'Chinese' luxury brands. For instance, Hermès created Shang Xia (clothes, furniture, china, jewellery) and Estée Lauder Osiao (cosmetics). Partly forced by new government policy, even car manufacturers go that way, including BMW with its new Chinese premium brand Zhinoro and Daimler with Denza, which may develop into luxury brands. Other options for Western luxury brands include taking over Chinese luxury ventures (such as Shanghai Tang by Richemont) or acquiring Chinese premium brands or traditional Chinese handicraft brands in order to upgrade them into luxury brands. This was done, for instance, by the Louis Vuitton Moët Hennessy (LVMH) group, which acquired a majority share in the time-honoured winemaker Changyu.

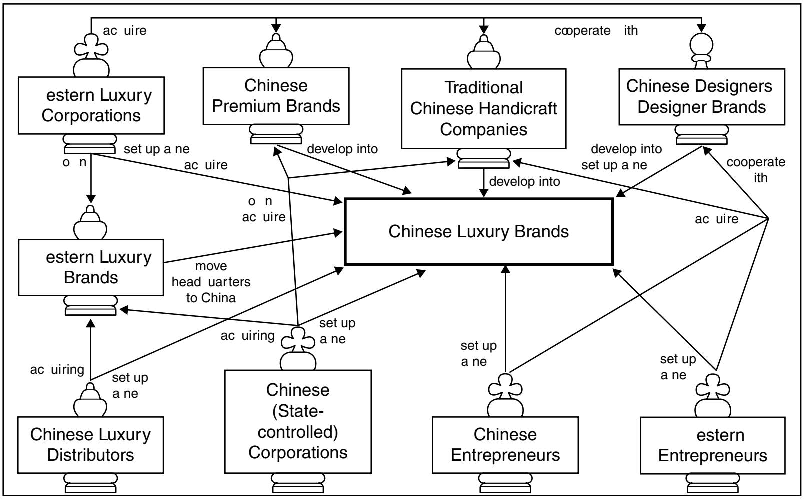

Figure 5.1 Creating Chinese luxury brands: major players and start-up models

- *Western entrepreneurs*: There is a small group of Western business people, who come to China to set up a luxury business, often in cooperation with a Chinese designer. Examples of Western/Chinese luxury SMEs in China include BA YAN KA LA (cosmetics), Charles Philip (shoes), Mary Ching (shoes) and Qeelin (jewellery; recently bought by Kering).
- *Chinese (state-controlled) corporations*: Similar to entrepreneurs, some big Chinese corporations aim at expanding into the luxury segment because they expect attractive business opportunities but may also aim at improving their corporate and/or brand image. Examples include Shanghai Vive by Shanghai Jahwa Group and SheJi-Sorgere by China Garments Group.
- *Chinese entrepreneurs*: Representative brands include Blue Shanghai White (ceramics), Jack Peng (shoes), Longio (watches), Ruans (pearls), Sheme (shoes), Skyword (home decoration) and Yue Sai (cosmetics, sold to L'Oréal).
- *Chinese luxury distributors*: At the beginning of the 1990s, no high-end department stores existed in China. Since then, professional Chinese luxury distributors have developed, such as Fiyta (watches), Hengdeli (watches), Oriental Watch Group or Trinity (menswear; part of the Li & Fung group). These distributors have become strong players in

the Chinese luxury market and many of them have the potential and the desire to develop their own luxury brands in China. Examples are Gieves & Hawkes and Kent & Curwen (British brands bought by a Chinese distributor).

- *Chinese designers*: Many well-known Western fashion luxury brands such Chanel or Dior were set up by designers. Accordingly, there are already some successful Chinese fashion brands, such as NE Tiger (by Zhifeng Zhang since 1992), Rose Studio (by Guo Pei since 1997) and Xander Zhou (since 2007), which may develop into luxury brands.
- *Chinese premium brands*: Aspiring Chinese brands such as Fotile (kitchens) have the potential to transform themselves into luxury brands.
- *Traditional Chinese (handicraft) companies*: Despite decades of planned economy, some traditional Chinese companies have survived, especially in foods, spirits and handicraft. Brands such as Kweichow Moutai (liquor), Panda (cigarettes), Sea Gull (watches) and Wuliangye (liquor) are developing into luxury brands.
- *Chinese celebrities*: They are no major players on the Chinese luxury market yet, but this may change given the relevance of the opinion leader approach in China (as described below). With Maryma, a high-end manufacturer of dresses, the Chinese model Ma Yanli was one of the first Chinese celebrities to set up her own brand.

At this stage of our research we have decided to concentrate only on the six major market players, excluding Chinese premium brands, traditional companies and celebrities. However, the combination of market players and their desire and strategies in creating country-specific luxury brands is truly unique to China. For instance, big luxury houses such as LVMH never perceived markets such as Japan or the United States as that specific and above all relevant enough to set up a specific luxury brand especially for that market. The only strategy developed by these groups has always been to acquire local brands (mostly in the United States) and include them in their portfolio. These strategic decisions emphasise once again the great potential of China as the world's most dominant luxury powerhouse. The study of Holtbrügge and Baron (2013) suggests that market entry strategies have a significant effect on market success in BRIC countries. As developing market entry strategies require a thorough analysis of potential competitors, this categorisation may help marketers in planning their luxury market entrance strategies for China and possibly other Asian markets.

Eight case studies about luxury brand building in China

The growth of new businesses is often discussed with life cycle models, because the effectiveness of marketing strategies and success factors of new (luxury) brands depend on their level of development (Chevalier and Mazzalovo, 2008). Although building product excellence is a major success factor in the first phase, in the second phase a company may struggle when it does not manage to shift its focus from product development to new customer acquisition (Kapferer and Bastien, 2009). For the purpose of this study, we adapt the traditional life cycle model of Eggers *et al* (1994) with reference to a similar study on corporate brand building by Juntunen *et al* (2010). Accordingly, life cycle phases include introduction, deepening and expansion (see also Meffert and Lasslop, 2003). In the introduction phase, the brand may not be profitable and may still seek acceptance from customers and other stakeholders, which leads to adjustments in the business model. In the deepening phase, the company fine-tunes its business model and grows its customer base. In the expansion phase, the company has already established its presence in the industry and will now extend its distribution channels and possibly also its product range (Juntunen *et al*, 2010).

Figure 5.2 presents an overview about the case studies of Chinese luxury ventures, which we selected according to the criteria described above. Because of their relevance for the creation of luxury brands in China, the brands are categorised by their life cycle phase and by the type of market player. These case studies will be discussed subsequently.

Western corporations/deepening phase: Shang Xia

The Chinese designer Jiang Qiong Er explained her vision of a Chinese luxury brand over coffee with Hermès CEO Patrick Thomas, and finally convinced him to create Shang Xia in 2008 with her as the CEO and creative director. Whenever she has an opportunity, Jiang Qiong Er emphasises that Shang Xia has no rush to become profitable, but concentrates on the development of the brand. Hermès funds the venture and supports the team with its expertise, but still allows the company to be run almost in complete autonomy.

Is Shang Xia a Chinese brand? It fulfils most of our criteria for the definition of a Chinese luxury brand (as explained above). For instance, it is based in Mainland China, the CEO and artistic director is Chinese, the country-of-manufacturing for products is China, the brand identity makes clear reference to Chinese culture and many brand advocates see it as a Chinese brand. Although the ties to Hermès can increase its

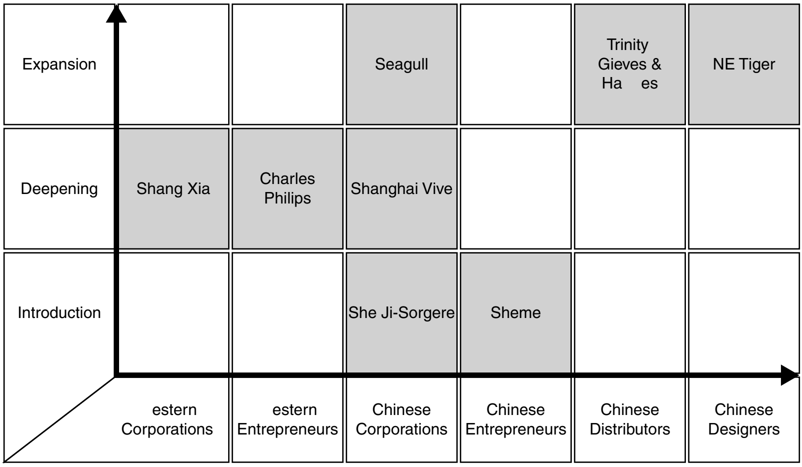

Figure 5.2 Chinese luxury start-ups by lifecycle phase and type of market player

prestige, the true Chineseness of Shang Xia may be countered by the explicit communication about the owner and its role in the foundation phase. Claiming that Hermès created a Chinese luxury brand may make Shang Xia appear to be the result of strategic commercial considerations, which is not an authentic *raison d'être* for a luxury brand. Projecting a more China-specific history of origins probably could have prevented this potential lack of Chineseness. LVMH used a different strategy with Wenjun spirits: They acquired only a (majority) share of the brand, which was already a true Chinese brand founded in 1951.

Shang Xia's product line-up includes about 200 items, ranging from furniture to house ware, jewellery and high-fashion garments, as well as tea sets and accessories. It therefore introduced itself as a lifestyle brand. However, luxury brands are usually famous for their original core products (their founding category that legitimates them in the minds of their customers). For instance, Cartier is world-famous for its jewellery, Louis Vuitton for its suitcases and Montblanc for its pens. And Shang Xia? Despite some great products, they are no experts in a particular product category, which is a major exemption from common luxury brand management. As mentioned above, studies about success factors in luxury marketing suggest that the major task in the introduction phase of a luxury brand is to develop excellent core products, which have the power to make people dream about them and to be used as social signifiers. If a young company continues to invest too heavily in the product line instead of moving to the next stage of the brand life cycle, it may lack resources for other crucial tasks such as communication (Kapferer and Bastien, 2009). In a Shang Xia boutique, sales representatives explain to their customers that the brand represents the Chinese art of living. And to live the Chinese lifestyle, you need Shang Xia clothes and, of course, some traditional Chinese tea to drink. And when you drink tea, you need to sit somewhere. And then you also need a Shang Xia table for your Shang Xia glass and so on. Shang Xia aims to reflect Chinese lifestyle in its brand identity, but overlooks that it is not necessary for this purpose to manufacture almost anything people need to live their life. Brand extensions are usually more relevant for successful brands in a more mature stage in the brand life cycle and even then they remain challenging and usually need time and patience (Chevalier and Mazzalovo, 2008). Shang Xia is still a luxury start-up, but it seems that the company sees itself already as playing in the same league as its parent company Hermès.

Shang Xia's products are entirely designed and manufactured in China, and they are characterised by excellent craftsmanship, precious materials and understated simplicity. However, Shang Xia concentrates on the design and cooperates with external craftsmen for the manufacturing of its products. The designers start creating a series of products by looking for artisans in all Chinese provinces and also beyond China. While a great deal of knowledge about traditional craftsmanship has been lost, especially during Cultural Revolution, only a few old artisans preserve some techniques in some remote Chinese villages and some expertise also survives in nearby countries such as India. The designers work together with the artisans, to get inspired about what is actually possible. The collaboration of artisans and designers is a major characteristic of luxury brands. However, this means that, similar to Apple, manufacturing is basically outsourced and that Shang Xia is rather a design and retail company. Although luxury brands such as Gucci, Bulgari or Prada outsource parts of their manufacturing, they usually started manufacturing their core products in-house and consumers still believe that these brands master these competencies. With the combination of a broad product line and outsourced manufacturing, Shang Xia may risk its authenticity. Authenticity is a crucial component of a unique brand identity and therefore a success factor for luxury brands (Beverland, 2005).

Western entrepreneurs/deepening phase: Charles Philip Shanghai

Since 2010, Charles Philip and his team are developing a footwear brand in Shanghai for women and men 'who sit on the forefront of fashion and lifestyle' (charle-sphilipshanghai.com). They concentrate on making slippers, which combine the formality of the English gentry slipper with the insouciance of the Moroccan babouche. The surprising fact about this brand is that it is actually based in Shanghai and not in a Western fashion capital. Unlike most other Chinese luxury brands, they are not trying to combine Western and Chinese elements in their product and brand design. However, Charles Philip still draws inspiration from Shanghai. As described on his webpage, he invites his customers to 'slip on a pair of shoes that mirror the qualities of its Shanghai roots', which he believes are 'ultra-cosmopolitan, innovative, funky, grungy, chic and vibrant – from the elegant and eloquent Bund to the chic French District with eccentric pink Rolls Royce's rolling outside the unexpected nightlife.' This means that the brand differentiates from other luxury fashion brands by incorporating the modern image of Shanghai in their brand identity. Exploiting the modern image of the city for their business works well for them because there is hardly any other brand doing that as progressively as Charles Philip Shanghai. So they found a symbolic niche and turned it into a unique value proposition for their brand. The brand would possibly not have been quite as successful if it were only one among many other fashion labels in Paris or London. Additional drivers for the success of the brand include their attractive high-quality products and their great ties into the world of fashion and celebrities mainly thanks to Philip's mother, an influential fashion journalist.

Chinese corporations/introduction phase: She Ji-Sorgere

She Ji-Sorgere specialises in high-end tailoring men's wear and, as Yingjie Zhan, the CEO of China Garments, puts it, aims for 'the top of the pyramid – for men who stand out through their education and success – gentlemen who know what real luxury is' (Eder, 2012). The brand was created in 2012 in Beijing and was funded by the state-owned China Garments group. As CEO Yingjie Zhan is also a high-level functionary of the Chinese Communist Party, the brand illustrates the relevance of political connections for Chinese start-ups (see also Zhou, 2012). The brand is in line with the Party's strategy to foster the Chinese high-end and creative industries (Wuwei, 2011).

Another specialty of She Ji-Sorgere is that it sees itself as a truly Chinese luxury brand, but it relies on an Italian chief designer and the manufacturing process is 100 per cent carried out in Italy by its Italian partner company Caruso. After worrying about competition from manufacturers in China for many years Umberto Angeloni, CEO of Caruso, regards the partnership as something unimaginable in previous years and a reversal of global production streams (Eder, 2012). Although it remains questionable from a macro-economic perspective if such cooperation ends up in a win-win situation for China and Italy in the long run, for the time being both Caruso and She Ji-Sorgere benefit from the deal. As She Ji-Sorgere placed the first order for 100 hand-made suits with their Italian partner, People's Daily and the state television covered the news, attracting nation-wide attention.

Many Chinese luxury brands try building brand credibility by establishing some link to the West – they establish and emphasise some business relations to Western countries, considering that desirable country-of-origin associations are a success factor in luxury branding (Keller, 2009). This type of internationalisation still seems to be particularly crucial for Chinese luxury brands and includes, for instance, opening stores in Europe, working with Western designers and manufacturing in Europe. Unsurprisingly, consumers highly associate Italy with high-end fashion products (KPMG, 2013). With the 'Made in Italy' label She Ji-Sorgere is making a smart move and surely adding enormous extra value to the brand: If the suits are designed by an Italian and manufactured in Italy – how could Chinese customers challenge their quality? – Or the luxury status of the brand? This means that She Ji-Sorgere is exploiting the country-of-origin image of Italy to its own advantage. Besides, it can be seen as part of the trend of luxury houses to more strongly recognise and to make use of regional centres of excellence. For instance, Prada recently launched its 'Made in' collection recognising unique know-how with alpaca wool knitwear made in Peru and delicate dresses made by using the Chikan art of floral stitching in India (Gutsatz and Auguste, 2013). We have here an example of one of the emerging business models that Chinese brands are now building and that will be a source of inspiration for Western brands: 'Designed in China, Made in Italy' (Gutsatz, 2014).

Chinese corporations/expansion phase: Seagull

On the brand's homepage, they state 'since its foundation in 1955, Seagull has been cultivating a spirit of luxury.' Although this might be slightly exaggerated, Seagull is one of the most special Chinese brands. The history of the company started when four workers from the northern city of Tianjin manufactured the first Chinese wristwatch and therewith marked the beginning of China's watch-making industry. After the Wu Yi watch factory was opened, watches developed to become a mass status product in China. In 1973, the Seagull brand was created, China's first wristwatch brand for export. In the mid 90s, the company decided to concentrate on the niche segment of mechanical movements and watches and since then they ultimately managed to become the biggest watch industry group in China and one of the world market leaders in their field.

Besides their big original equipment manufacturer (OEM) status and mass-market business, Tianjin Seagull Corporation started producing its high-end movements under the Seagull brand only in 2002, but still lacked skilful assemblers at the time. They progressed with their brand revitalisation step-by-step and in 2011, Seagull assembled the first watch in Mainland China that combines three major symbols of a high-end mechanical watch including a tourbillion, a minute repeater and a calendar function, which was sold for 1.28 million Renminbi, the official currency of the People's Republic of China (more than 150 000 €), the most expensive domestic watch ever.

An interesting point about the company is that they specialise in a luxury product category that is highly associated with Switzerland, which makes it harder for them to succeed as in a China-specific category. However, they could build on substantial industry experience, as they are already the largest producer of automatic movements in the world and a major supplier also for the Western watch industry. They also benefit from the growing demand for homemade luxury products from younger Chinese consumers. Although it lacks desirability and prestige value compared with its Swiss competitors, the brand has a lot of potential, thanks to its many pioneering achievements. Just as Hugo Boss emerged from a mass producer of professional clothing, brands can work their way up to become a luxury brand (Heine and Phan, 2011). However, more importantly, Seagull (and also many other older Chinese brands such as Baiqueling hand lotion or Wangxingjie fans) possesses one of the most crucial ingredients for successful luxury brands: heritage and great authentic stories (Keller, 2009). This includes, for instance, manufacturing the first Chinese watch, the first Chinese-made women's watch (and so on) and being the first Chinese company to win an International Property dispute over a Western competitor. The challenge is to make use of these raw materials and to turn them into symbolic and emotional (luxury) brand benefits.

Chinese corporations/deepening phase: Shanghai Vive

The predecessor brand of Shanghai Vive was originally launched in Shanghai in 1898 under the name 'Two Girls' (the Chinese name 'Shuang Mei' means 'two sisters'). The brand gained international recognition especially with its 'Radiance Restorative Cream', but ultimately disappeared in China Mainland during the Cultural Revolution. Companies that manufactured unwelcome symbols of decadence such as luxury clothing, cosmetics and jewellery were forced to close. After an absence of more than half a century, the cosmetics group Shanghai Jahwa, owner also of the successful premium label Herborist, aims to expand into the luxury segment by reviving Shanghai Vive. Instead of starting with no history, Shanghai Vive implants the extravagance and elegance of Shanghai's Golden 1920s and 1930s into its brand identity. In general, the brand revival strategy is risky, with the potential of not only successes (e.g., the revival of Bugatti by Volkswagen) but also failure (Maybach by Daimler). Considering also some other brand revivals such as Xie Fu Chun cosmetics and Zhang Xiao Quan scissors, this strategy promises to be especially suitable for China and can be a model also for other Chinese luxury startups. A revival strategy is a way to connect to China's rich cultural heritage and to build some heritage, which is often seen as a unique characteristic of European brands.

With a collection of more than 40 items ranging from facial soap and cream to lotion, perfume, jewellery and fashion accessories, Shanghai Vive targets to compete against the big foreign luxury cosmetics brands. But in contrast to its sister brand's positioning as an expert of Chinese herbs, it operates in a segment that is perceived as being R&D-intense. Their major marketing strategist believes that all cosmetics have basically similar ingredients, but only their marketing stories set them apart. Although this might be basically correct, he absolutely overlooks that consumers do not believe so. However, consumer beliefs basically prevail over facts and only perceived product excellence is a key characteristic of any luxury brand (Keller, 2009). Instead of focusing even more on innovative ingredients and developing a specific R&D strategy, Shanghai Vive concentrates above all on marketing and branding, for instance, with a lavish packaging. In contrast to many other Chinese luxury brands, they indeed possess great marketing expertise, also thanks to their cooperation with professional French agencies. This is represented by their well-designed flagship store in the legendary Fairmont Peace Hotel, which is an authentic choice as it is one of the most central and prestigious locations of the old Shanghai. Once again, as discussed in the Shang Xia case, the issue is the core product range of the brand. The former Shanghai Jahwa group CEO wanted to be the first to develop a lifestyle brand around cosmetics – which explains the importance given to marketing. However, no example exists in the industry of a lifestyle brand born out of cosmetics: They all originate in fashion. This major strategic mistake has led the new Shanghai Jahwa CEO to put the development of the brand on hold and to reconsider its strategy.

Chinese entrepreneurs/introduction phase: Sheme

Linda Liu set up her luxury brand for women's shoes in 2009. Like many other Chinese entrepreneurs, who dream about setting up a Chinese luxury brand, she already runs a very successful business and therefore disposes of considerable resources. In 1986, she started her business on a small scale by selling shoes from her bicycle in Chengdu in Sichuan province. Over the following years, she eventually branched into manufacturing shoes and distributing them in China and abroad, with now three fully owned factories and more than 3000 employees (KPMG, 2013).

As founder and chairwoman of Sheme, Liu selected an international team including former designers and artistic directors from top brands such as Armani and Chloé. She explains that 'the main characteristics of Sheme include our link to Chinese culture; we use Chinese craftsmanship as well as the best raw materials from around the world. A handful of shoes are made every day in order to maintain the quality, and it involves intricate handiwork, including detailed embroidery and Swarovski crystals' (KPMG, 2013). Instead of the Swarovski crystals it would have been better if she had mentioned that the leather was imported from Italy or that a pair of shoes takes about 90 days to finish. However, it seems that Sheme is seriously striving to develop products that meet the functional and symbolic codes of luxury (Heine and Phan, 2011).

Her biography shows that Liu is a hardworking, strong-minded and very experienced entrepreneur willing also to endure hardships. She progressed to become a charismatic leader with a vision and a dream, which inspires and motivates her team. Given that the majority of her employees are laid-off workers, land-lost farmers and newly graduated university students, she was committed to social responsibility. This is a reminder of the traditional Chinese patriarchal leadership style, which might be, in a modernised version, an adequate strategy in the fierce competition for (retaining) talent in the Chinese luxury segment (Gutsatz and Auguste, 2013)

The development of her business mirrors the development of China that started from a low-cost manufacturing hub and is now looking to increase its share of value added in the global production chain by also supporting the high-end and creative sectors. Liu's mass-market shoe business was in urgent need of transformation. The profit margins have decreased in recent years because of increasing labour costs, Yuan appreciation and fierce competition from India, Indonesia, Vietnam and Brazil. Facing these serious challenges, the expansion into the luxury segment is a long-term strategic decision, which may help the company to be less affected by market fluctuations and price competition.

Chinese luxury distributors/expansion phase: Gieves & Hawkes

It might come as a surprise that Gieves & Hawkes is categorised here as a Chinese brand, especially as they have their headquarters in London – Gieves & Hawkes is one of the world's oldest bespoke gentleman's tailor, whose roots can be traced back to 1771 when Thomas Hawkes established a cap brand and later became the outfitter of the British Army. Gieves, nicknamed Thieves because of its high prices, was founded in 1785 to provide the Royal Navy not only with uniforms, but also with education. In 1974, Gieves and Hawkes merged to make both military and business suits and moved to No. 1 Savile Row, where it is still based today. Gieves & Hawkes holds three royal warrants appointed by the Queen, the Duke of Edinburgh and the Prince of Wales, which makes one think it could not be more British.

However, Gieves & Hawkes' expansion to China marked a turning point in their history – not because it did not work out, but because they were far more successful than expected. They selected the Hong Kong-based distributor Trinity, who introduced the brand to Mainland China. In 2012, they operated around 100 Gieves & Hawkes boutiques in China (in comparison, Gieves & Hawkes has only 11 stores in the United Kingdom). The distributor being very successful, when the brand faced difficult times, it had the means – and the acquired know-how – to take over the British parent company. Of course, the headquarters remain in London as shifting it to China could be considered synonymous with the brand's suicide. And indeed, Trinity is wisely strengthening the British image of Gieves & Hawkes by renovating the original company building on Savile Row. In addition, they endeavour to make Gieves & Hawkes 100 per cent made in the United Kingdom and to retain an international management team.

However, the centre of major strategic decisions and operations actually shifted to Hong Kong. As China is the major market, the preferences of Chinese consumers heavily influence the brand's product portfolio. Cufflinks and double-cuff shirts, for instance, are popular in Britain, but in emerging markets they are not in large demand. Following consumer demands for more fashionable and casual lifestyle products, they started selling chinos, cashmere jackets and lumberjack shirts in China. Besides that, Hong Kong-based Trinity even plans to introduce the brand to markets in America, Russia, and the Middle East. Although Gieves & Hawkes will be marketed and considered as a British brand, from a strategic perspective it seems very Chinese because shareholders and the centre of major strategic decisions and operations are based in Hong Kong. This is a perfect example of another of the emerging business models that Chinese brands are now building and this will be the source of inspiration for Western brands: a dual-headquarter brand (Gutsatz, 2014).

Chinese designers/expansion phase: NE tiger

Many well-known Western luxury brands were set up by designers and have survived well after their creators are gone, such as Chanel, Dior and Saint Laurent. Some highly talented Chinese fashion designers may be successful in developing their businesses from small designer brands into international luxury brands, which will survive independently of their creators. NE Tiger has the potential to become the Chinese Chanel and is probably the most suitable brand to exemplify this type of strategy to create a Chinese luxury brand.

In the 1980s, Zhifeng (Tiger) Zhang set up business as an OEM and then introduced the NE Tiger brand in 1992. As most of the major Western luxury brands had not entered China at that time, he can be considered as a leading pioneer in the Chinese luxury market and NE Tiger indeed as 'the top fashion and luxury brand of China' (ne-tiger.com). Similar to Linda Liu, Zhang funds the development of his luxury brand with his other successful business as OEM, which still accounts for about 90 per cent of revenues. In contrast to Shang Xia, but similar to Charles Philip, NE Tiger concentrates successfully on a clearly defined niche market. They are famous for dresses and especially for evening and wedding dresses. The exclusive Huafu collection may shock some Western customers by its colourfulness, but it includes truly authentic and luxurious dresses made with traditional Chinese tailoring techniques including Qiang embroidery, Yun brocade and Reeling silk.

A major problem for luxury SMEs, both Western SMEs expanding to China and Chinese luxury start-ups, is achieving brand awareness within their specific target groups. In contrast to the big luxury players, they do not have the financial resources to invest in mass media commercials. For them searching potential customers in a country of about 1.4 billion people is like looking for needles in a haystack. The costs of developing brands in China increased significantly in recent years along with growing competition, rising costs for advertising space and the increasing advertising overload of Chinese consumers.

The analysis of Chinese luxury brands shows that they try to solve this problem by building an opinion leader approach, which is used globally in (luxury) marketing (Meffert and Lasslop, 2003), but promises to be especially useful in China. This can be explained by Chinese cultural values, most notably by the strong relevance of the bandwagon motive and the impact of the reference groups. The opinion leader network of NE Tiger includes high-profile customers such as royal families from the Middle East and Europe, as well as Chinese enterprise owners, TV stars and artists. Especially China's first lady Peng Liyuan's wearing a NE Tiger dress helped promote NE Tiger in China and beyond. The company is making use of celebrity marketing, for instance, by displaying in their boutiques a book with all the Chinese and international stars wearing NE Tiger dresses.

Eight lessons learned

Derived from existing literature (Meffert and Lasslop, 2003; Kapferer and Bastien, 2009) and our analysis, Figure 5.3 summarises major success factors for luxury brand building in China differentiated by the life cycle phase.

The following success factors lead us to identify eight major lessons learnt, one for each case:

- *Shang Xia – Concentrate on a China-specific niche market*: Shang Xia is not famous for anything in particular, but extended into many categories and outsources its manufacturing. This is a brave strategic move, which may risk the authenticity of the brand in the future.
- *Charles Philip Shanghai – Identify a symbolic niche and turn it into an USP*: Many Chinese companies admire European luxury brands for their long history and some even feel inferior lacking this feature. Charles Philipp shows that a unique brand identity can be developed without any history, but by identifying a symbolic niche. They free ride on the image of Shanghai, but symbolic niches may be developed also with references to specific events or people. Instead of starting with no history, other China-specific strategies include the upgrade of an existing premium brand (see Seagull) or even the revival of a discontinued brand (see Shanghai Vive), which allows Chinese companies to make use of the rich and proud history of their country.

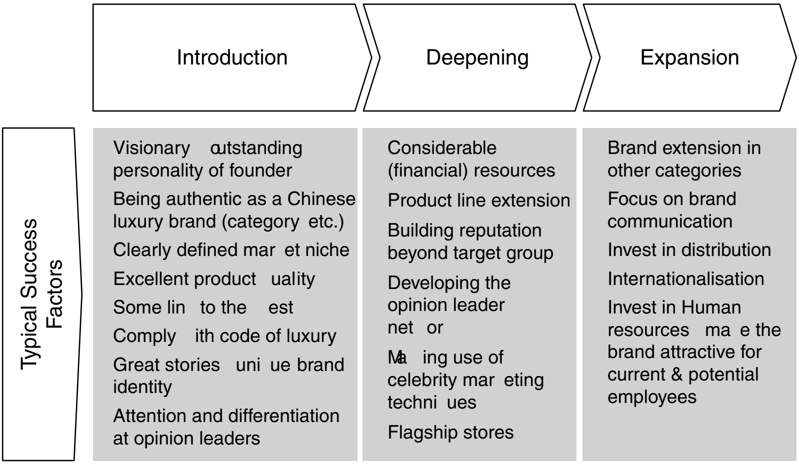

Figure 5.3 Success factors of luxury brand building in China

- *She Ji-Sorgere – Establish credibility with some link to the West*: The case of She Ji-Sorgere shows that Chinese luxury brands, especially when they are set up by Chinese shareholders, still benefit from building brand credibility by establishing and emphasising business relationships to Western countries. She Ji-Sorgere employs an Italian designer and manufactures their suits in Italy. Other Chinese brands use ingredient branding through imported materials or emphasise having stores in Paris.
- *Shanghai Vive – Emphasise excellent product quality*: It may sound trivial, but especially a Chinese luxury brand needs to make sure it provides excellent product quality. The case of Shanghai Vive demonstrates that, above all, consumers also have to believe so.
- *Seagull – Comply with the codes of luxury*: As in the case of most Chinese luxury brands, Seagull entered the luxury segment because of strategic considerations – without any luxury experience, but with a brand of great potential. The case shows that it is not only important but also necessary to upgrade and to reposition a brand step-by-step into a luxury brand. In that way, the brand had to learn to comply with the codes of luxury, which helped to improve its level of desirability and prestige.
- *Sheme – Have a founder or chairman with a visionary and outstanding personality*: Linda Liu was a poorly educated woman from the countryside who sold shoes from her bicycle and made it to a regional

player and luxury brand owner. Her development is a touching and heartfelt success story in China, and she is a role model for other Chinese entrepreneurs. Sheme represents an ideal case for a major success factor: an outstanding charisma of the founder.
- *Gieves & Hawkes – Have considerable financial resources available*: All the brands set up by Chinese shareholders have something in common: considerable resources, which usually come from their original mass-market business units. This is a competitive advantage, also compared with the majority of Western entrepreneurs. It allowed Gieves & Hawkes to open more than 100 luxury boutiques in China within just a few years, and from the perspective of European brands this makes them strong competitors – or potential partners. So instead of setting up a new Chinese brand, Chinese corporations that wish to expand into the Chinese luxury market can still run a Chinese luxury business in China similar to Gieves & Hawkes by taking over one of the many small (and in some cases also struggling) traditional European brands.
- *NE Tiger – Develop an opinion leader network and make use of celebrity marketing*: As a Chinese, the founder of NE Tiger naturally understood early the importance of developing an opinion leader network also by targeting high-profile customers. On top of that, it is crucial to make use of these contacts by adequate celebrity marketing techniques.

Although they provide in-depth insights and lessons learned, the type and scale of the research based on (only) eight case studies may limit the applicability of the findings. However, this provides several opportunities for future research. The study could be extended to a larger number of brands, which would make it possible to test the extent to which these findings have a wider application. For this purpose, other types of market players could also be considered, such as Chinese premium brands, traditional companies and celebrities. Moreover, the applicability of the findings could be tested for specific luxury market segments in China and also for other emerging Asian luxury markets such as India or Thailand.

Conclusions

This study draws on and extends the literature on brand building, luxury entrepreneurship and luxury marketing in China by examining issues of importance for the creation of luxury brands in China.

Facing the current gold-rush era in the Chinese luxury segment, the article especially addresses existing Chinese luxury businesses as well as Chinese and Western companies and entrepreneurs aiming to launch a Chinese luxury venture.

Key findings include the criteria for defining Chinese luxury brands. These include location of headquarters; nationality of key personnel; country of manufacturing for their iconic products; similarities between the brand history, brand identity and the country-of-origin image; and, finally, the proportion of consumers who perceive the brand as Chinese. The findings also cover a categorisation of major players in the Chinese luxury market, which include, above all, Western luxury corporations, Western entrepreneurs, Chinese (state-controlled) corporations, Chinese entrepreneurs, Chinese luxury distributors and Chinese designers. As described above, the major players usually employ typical market entry strategies. These can be used by marketers as guidance for competitor analyses and for developing their own luxury market entry strategies.

In addition, the findings include an overview of critical success factors for luxury brand building in China differentiated by brand life cycle phases (see Figure 5.3). The findings rely on real world stories of successes and mistakes of Chinese luxury pioneers and can further support the scene of luxury entrepreneurs in China, who may soon deliver a Chinese response to Chanel, Porsche and Rolex. Besides Chinese luxury brands, the findings may also support the development of European luxury SMEs in China. There might also be a new response to Chanel, Porsche or Rolex that comes from a European company, but is based on a great success story in China.

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6

Consumer Perspectives of Cultural Branding: The Case of Burberry in Taiwan

Norman Peng and Annie Huiling Chen

Introduction

To date, few studies have used an integrated approach to investigate the cultural influences of international luxury brands. The lack of such an approach is partly why this industry is still defined as 'fuzzy' (Kapferer, 2006, p. 67) and 'open for debate' (Atwal and Williams, 2009, p. 338). To investigate the formation of a cultural brand, this qualitative research uses 31 in-depth interviews from Taiwanese consumers to better understand a specific international luxury brand, namely Burberry. To analyse this cultural brand that has successfully leveraged its associated cultural identity and made Britishness part of its brand meaning, we draw on the literature from the areas of brand personality, country image effect and consumer involvement.

Despite its fuzziness, scholars have listed some features that luxury brands seem to share, namely: premium quality, recognisable design, heritage, exclusivity, global reputation and conveying the specific personality and value of its creator or designer (Jolson *et al,* 1981; Nueno and Quelch, 1998; Wong and Ahuvia, 1998; Gardyn, 2002; Brioschi, 2006; Coelho and McClure, 1993 in Phau and Leng, 2008; Berthon *et al,* 2009). By considering the attributes stated above, a luxury brand in this study is defined as a branded product that is carefully crafted, unique and conspicuous.

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In terms of market value, the luxury goods industry was worth US $180 billion in 2009 (Tungate, 2005; Datamonitor, 2007; Park *et al,* 2008; Fionda and Moore, 2009; Okonkwo, 2009). The strength of the luxury goods market that was observed after the global financial crisis that began in 2008 further adds to the appeal of this industry for both academics and practitioners (Sullivan, 2009; Wood, 2009). This strong growth can be seen in part as due to Asian consumers' positive attitude towards Western luxury brands (Chadha and Husband, 2006), but also as emerging from the brands' own extensive marketing efforts in this region (Nueno and Quelch, 1998). Scholars have agreed that the critical success factor for luxury brands, which aim at exploring the Asian market, is to manage consumer perceptions internationally (Alashban *et al,* 2002; Moore and Birtwistle, 2004, 2005; Aiello *et al,* 2009; Wigley and Chiang, 2009).

Although the topic has attracted an increasing amount of research interest, the issue of luxury branding in a foreign context still needs further attention in order to better understand the reasons behind why Asian consumers crave such brands. In addition, it is necessary to address both the processes and consequences when a luxury brand embraces its cultural roots. The objective of this research thus is to understand Taiwanese consumers' interpretations of Burberry through brand's history, stories and cultural associations. The contributions of this research are as follows. First, we decoded a luxury brand's meaning from the consumer perspective with regard to brand personality, home country image and the concept of cultural branding. Second, we compare the meaning of a luxury brand in the public and private spheres. Lastly, we examine the advantages and limitations of being a cultural brand.

Literature review

The Taiwanese market provides an interesting focal point for the study of the consumption of luxury brands (Chadha and Husband, 2006), and can also provide valuable insights into the Greater Chinese market due to shared cultural characteristics (Roy, 2003; Christodoulides *et al,* 2009). Chinese consumers from certain more economically developed cities have recently displayed some luxury brand consumption behaviours similar to those of Taiwanese consumers (Delong *et al,* 2004; Chadha and Husband, 2006; Hung, 2006; Wu and Delong, 2006; Lu, 2008), such as how they value Western luxury fashion brands over domestic ones or are somewhat ostentatious in a society that emphasises modesty. In this light, it should be noted that some of the literature used in this article was based on mainland China's context, and although it is a separate political entity to Taiwan, some parallels between their consumers of luxury goods can be drawn.

In addition to market opportunities, Taiwanese consumers' consumption of luxury brands is worth studying because it is different from that of Western consumers. For instance, unlike Western consumers, who favour domestically produced apparel (Shim *et al,* 1989), the Taiwanese market favours foreign fashion and luxury brands (Wang and Heitmeyer, 2005). Second, Wang and Heitmeyer (2005, p. 64) state that the 'demographic factors of age, gender, education, residence area, [having] travelled abroad and country-of-origin preferences had a significant relationship with consumer attitudes toward apparel'. This is different to the findings of Dubois and Duquesne (1993) and Jolson *et al* (1981) with regard to Western consumers, for whom factors other than education, income and culture are considered to be less significant. Another important difference compared to Western consumers is with regard to the concept of self. Specifically, self-concept and possession have been focal points of Western fashion and luxury related consumption research for many years (Grubb and Grathwohl, 1967; Gutman and Mills, 1982; Keller, 2003). Nevertheless, Christodoulides *et al*'s (2009) and Wang and Heitmeyer's (2005) research on Taiwanese consumers only found a weak association between these two things.

In several scholars' view, culture can be a plausible explanation for these differences. For instance, Christodoulides *et al* (2009) concluded that Taiwanese consumers are less likely to consume a luxury brand owing to its perceived uniqueness or ability to shape self-concept, because Taiwan as a society stresses collectivism and avoids uncertainty. By reviewing their findings with Jin *et al* (2010), Lu (2008) and Yau's (1988) research on Chinese consumers, Hofstede's (1998, 2001) cultural dimensions are useful in this study's context.

This study is aware of the debate on the strengths and limitations of cultural dimensions (see Hofstede, 2002; McSweeney, 2002; Smith, 2002), which mainly focuses on whether they are applicable to individuals and their marketplace behaviours rather than organisational behaviours and psychology. However, according to Smith (2002), cultural dimensions can be applied to individuals with careful evaluation. In particular, scholars need to recognise that an individual's behaviour may or may not correlate with the participant's national culture.

Although the works outlined above have demonstrated cultural dimension's applicability to this research context, we still consider other influential factors, as Smith (2002) suggested. Specifically, three factors from the recent branding and consumer literature were reviewed and included in this work, namely: brand personality, country of origin and consumer involvement.

For Aaker (2002), Aaker and Fournier (1995), Keller (2003) and Plummer (1984), brand personality creates a differentiation from other, similar products, and helps to develop long-term attachment and awareness between consumers and the brand. Recent brand personality research has been conducted in different contexts (Lee and Rhee, 2008; Voeth and Herbst, 2008; Zentes *et al,* 2008), and the links between the Big Five personality traits and brand personality have also been examined (Mulyanegara *et al,* 2009). Mulyanegara *et al*'s (2009) view could provide valuable insights in terms of understanding luxury goods consumers, as they claim that consumers will link brand personality (for example, emotive, trusted, sociable, exciting and sincere) to reflect and/or enhance their personality traits (such as neuroticism, conscientiousness, extroversion, openness to experience and agreeableness).

The second factor to be included is country image. Embedding the home country image, including culture, into the brand's personality when entering a foreign market can be one marketing strategy for international fashion brands (Park *et al,* 2008; Phau and Leng, 2008). In the literature, the influence of the home country's image on a brand or product, according to Jaffe and Nebenzahl (2001), is known as the country image effect. This effect is crucial to this research, because when Asian consumers purchase Western luxury brands they are partly purchasing a foreign experience (Chadha and Husband, 2006). However, despite its significance, the country image effect is not fully in the control of marketers, due to foreign consumers' autonomy, which is based on their different levels of involvement.

Involvement, as defined by Mittal (1989, p. 148) is 'the degree of interest of a person in an object', and this variable has a considerable influence on the purchase decision process (Laurent and Kapferer, 1985). Although involvement has been investigated extensively, it has often been through a product basket, as in Laurent and Kapferer (1985) and Zaichkowsky (1985). In contrast, this current work is more similar to Coulter *et al* (2003) and Karpova *et al*'s (2007), both of which study host country consumer involvement with international brands. Furthermore, they both found that the level of consumer involvement has a profound impact on their interpretation of the meaning of international brands.

With the forging of the factors discussed above, certain commercial brands thus become cultural ones (O'Reilly, 2005; Guzman and Paswan, 2009). According to Holt (2004, p. 14), a cultural brand is a 'performer of, and container for, an identity myth'. To consume a cultural brand, an individual will attempt to personalise it by making its myth and meaning fit his/her biography. This can be further complicated when the luxury brand enters foreign markets, as it will inevitably be situated in different cultural contexts. Within these encounters, some brands will lose their identity while others will leverage their cultural attributes and become a cultural brand that distills the favourable features of its country of origin. However, despite the opportunities and challenges that have been uncovered, scholars and practitioners are still uncertain about how to manage cultural brands, and more importantly how to maintain a somewhat cohesive image in the eyes of foreign consumers who have unique interpretations and experiences (Brown, 1995; Goldsmith, 2002; Ekwulugo, 2003; Pecotich and Ward, 2007).

Method

To meet the objective of this research, we had to identify a focal brand. Luxury brands themselves are embedded with rich and often diverse symbolic meanings. Therefore, without a focal brand, the feedback might not be able to answer the questions posed in this work. This research selected a British-based brand because they are highly respected for their uniqueness, style and perceived quality (Jaffe and Nebenzahl, 2001). Burberry was selected for this research after reviewing a list of broadly defined 'British brands'. The reasons for this selection were as follows: it has deep British associations (Moore and Birtwistle, 2004), it is a public company registered in the United Kingdom (*BusinessWeek,* 2007), it has a rich heritage with many signature products (Moore and Birtwistle, 2004; About Burberry, 2007) and a long connection with Asian consumers (Chadha and Husband, 2006; Taiwan Travel News, 2007), and it has been used in previous luxury brand studies (Moore and Birtwistle, 2004; Aiello *et al,* 2009; Reddy *et al,* 2009). On the basis of all these factors, we identified Burberry as a reliable and valid 'cultural brand' to be studied.

The sampling method adopted by this research was purposive sampling. According to Hackley (2003) and Shankar *et al* (2001), when exploring a particular marketplace experience through qualitative methods, it is generally more effective to identify the participants who have had some knowledge and experience about the activity. The survey we used consisted of 26 questions, including 10 true/false and multiple choice ones for screening purposes. The first 10 questions aimed to gather details of participants' background information and luxury brand consumption habits. The rest of the questions were prepared to be used during the in-depth interviews. Our survey was influenced by empirical studies conducted by Dubois and Duquesne (1993), Mittal (1989) and Vigneron and Johnson (1999, 2004).

To improve the reliability and validity of our transcripts, participants had to meet at least one of the following requirements to be asked to join the in-depth interview: (1) they had spent more than 10 000 New Taiwan Dollars (roughly £166[1]) on a luxury fashion item in one lump-sum during the previous 6 months, (2) had cumulatively spent 24 000 NTD (roughly £400) on luxury fashion items during the previous year, or (3) had visited a Burberry store at least three times a month during the previous 12 months. Even though the third category may not involve a purchasing behaviour, individuals from this category could be consuming luxury brand's experiential values, especially the fantasies associated with internationally known luxury brands (Holbrook and Hirschman, 1982). In addition, these frequent visits may involve some purchase intention. As Ajzen and Driver (1992) stated, this is often correlated with actual behaviour. The inclusion of this group could thus reveal additional insights about cultural brands that are not covered by the previous two groups. After a comparison of the highly involved and general participants, some noticeable differences were found, namely that the highly involved consumers spent more on luxury fashion goods per year, shopped at luxury fashion stores more frequently per month, and more of them cared about whether or not they used luxury goods.

After the participants had passed the initial screening process, in-depth interviews were performed. To gather our data, we focused on luxury department stores, such as the Breeze Centre (Zhong Xiao store) in Taipei and the Han Shin department store in Kaohsiung. Considering this research's purpose was to focus on involved consumers, the location chosen and screening process adopted would contribute to our data's reliability and validity. After 6 months of data collection, 31 highly involved luxury fashion consumers agreed to take part in the in-depth interviews (see Appendix B). The average length of the interview was approximately 30 min, with several of them lasting 40 min or more. The response rate was likely to have been positively influenced by the gift offered (fashion magazines) for completing the interview. Once the transcripts of the interviews were gathered and organised, they were analysed through an interpretive approach. This method can be useful in understanding the construction, meaning and rationale behind interviewees' feedback (Brown, 1995; Hackley, 2003).

Data analysis

On the basis of the transcripts gathered, four themes emerged, namely brand personality, country image of the brand, joint effect of brand and its country image, and the consumption of luxury brands in a social context.

Taiwanese consumers' evaluation of Burberry

Owing to the initial screening, the participants in this research started with a fair amount of knowledge about and interest in luxury fashion. When asked to give a description of the Burberry brand and its products, these respondents thus provided insightful feedback. The most frequently repeated descriptions included references to Burberry check, trench coats and the equestrian knight logo. Other frequent terms were: fashion, handbag, luxury brand, the British royal family, Britishness, quality, elegance and unnecessary expenditure. These terms mostly describe tangible product features and design elements, mixed with some more intangible elements that were utilised to express what the brand represents and the feelings it arouses. These responses resonate with Kapferer's (2006) assertion that the meaning of a luxury brand is partly based on its history and the story that it chooses to tell with that. Although our participants are generally positive about this brand, they are not loyal.

> I like to see what Burberry has to offer … It is a reasonably priced good brand which is safe to have and recognisable … but still there are many other brands that are more luxurious or more fashionable. (*Shopper who declared that she 'just loved to shop in general'*)

As this participant and others noted, although they have a favourable attitude towards Burberry, it is not exclusive. The association between high interest in branded products and commitment towards the brand is weak, a finding that is in contrast with the results in Aaker and Fournier (1995), Coulter *et al* (2003) and Plummer (1984). Although it was found that our participants were aware of and knowledgeable about the brand, its personality and the values it stands for, clear attachment to the brand was not apparent. This is further supported by the participants' descriptions of what they felt was unique about this brand:

> [Burberry's products] are really practical but also fashionable … The handbag I have, it looks nice, but you can also throw them around since they are rather durable, and they are not that expensive either. (*Female participant who was carrying a Burberry handbag*)
>
> Oh, this is just for my girlfriend's birthday … Burberry is a safe bet. You can hardly go wrong with it. (*Male shopper who had just made a purchase from the store*)

The participants point out that although this brand is still considered as part of luxury fashion, it is not as luxurious as many of its French and Italian counterparts. Nevertheless, they all agree it is a pragmatic choice, because the fabric and leather Burberry used are more durable. This idea is also enhanced by Burberry's early association with the military trench coat and its production of high-quality country and hunting apparel, which have given this brand a practical and durable image (About Burberry, 2007).

With regard to brand personality, this brand could be categorised as a 'sincere' and 'trusted' brand (Mulyanegara *et al,* 2009) because its attractiveness is build upon consumer's belief that they can 'hardly go wrong' by purchasing it. Burberry's perceived personality, including its history, subtle but recognisable design, and image of elegance and quality rather than extravagance, fits the concerns and desires of Taiwanese consumers as expressed during this part of the research. This fits with Lu's (2008) study that some Chinese consumers value modesty and economic prudence when selecting fashion apparels. It also aligns with Hofstede (2001) and Yau's (1988) findings that Taiwan as a society stresses collectivism and avoids uncertainty. On the basis of the participants' feedbacks and our analysis, we suggest that Taiwanese consumers are aware of their self-concept in the eyes of their peers. This is in contrast to Wang and Heitmeyer's (2005) conclusion that the association between Taiwanese consumers' self-concept and fashion-orientation is weak.

Taiwanese consumers' evaluation of Britain

This research investigated brand personality and country image separately, based on the assumption that although the two might overlap, the latter contains broader and more intangible features that are necessary for a more complete understanding of a 'cultural brand'. Common terms that the respondents used to describe Britain were: gentlemanly, elegant, cultured, modern, diverse, Burberry, royalty, traditional, rock'n roll and the film 'The English Patient'. As expected, the descriptive terms covered a wide range of topics, and participants also attached several human characteristics to the country, just as they did to the brand.

The respondents were asked about the sources of their perceptions of Britain, and the media and literature were commonly cited if the participant had not visited the country.

> I read all about Britain in novels and movies like The English Patient … (*From a respondent who had not yet visited the United Kingdom*)
>
> I visited UK several years ago. I think I know Britain pretty well. (*From a respondent who had travelled to the United Kingdom*)

If Pecotich and Ward's (2007) suggestion that experience serves as an important indicator with regard to the evaluation between country image and brand/product characteristics is accepted, then both participants quoted above can be considered as actively engaged in finding out what 'Britain' means, despite the different methods employed. In other words, the meaning of 'Britain' can be treated as flexible and contingent in this scenario.

For those respondents who had visited Britain before, they not only felt they were more knowledgeable, but also more attached with Britain than the other participants. On the basis of Goldsmith's (2002) finding, they should display the characteristics of being frequent shoppers for British goods. However, this research found otherwise:

> Visiting Burberry shops were our routines. Everything they have in store, are quite identical to the ones we visited in London. (*Male shopper who studied in Britain before*)
>
> I always saw Burberry products in department stores [in the UK] … they were on sale and the price there was just so cheap. So I don't buy their things now. (*Female shopper who visited Britain 3 years ago*)

Out of 31 participants 8 had visited Britain. Most importantly, despite being categorised as 'highly involved' in this research, their level of involvement was different to that of the other participants. As Jaffe and Nebenzahl (2001) implied, routine and daily exposure are likely to make consumers re-evaluate the meanings they have attached to supposedly foreign products. This could be one of the explanations as to why these eight respondents had stopped buying Burberry products but were still emotionally attached with the brand. This agrees with Wang and Heitmeyer's (2005) suggestion that travelling aboard has a significant relationship with consumer attitude. Specifically, this research finds that consumer attitudes towards Burberry became more critical, rather than enthusiastic, after individuals had visited the United Kingdom. The finding that frequent shoppers cannot be equated as frequent buyers modifies Chadha and Husband's (2006) statement that when Asian consumers purchase foreign luxury brands they are also purchasing a luxury experience. In this research, although when the Taiwanese consumers shop they are doing so for a foreign experience, this process does not necessarily lead to actual purchasing behaviour. What is certain is these eight participants' experience with Britain altered their views about Burberry.

The components and consumption of a cultural brand

Although one is a nation-state and the other is a commercial brand, Britain and Burberry overlap in the perceptions of consumers, as they cross reference one another. Specifically, several attributes of Britain are assigned to Burberry in the view of the consumers studied in this work, and these are as follows: (1) the royal family and/or being royal, (2) elegance, politeness and being a gentleman, and (3) being expensive. By considering Holt's (2004) definition of a cultural brand, in the minds of Taiwanese consumers, these perceived shared attributes are the myth and identity of Burberry. However, it is important to note that not every participant agreed that Burberry represented Britain, as seen in the following comment.

> Paul Smith and Vivienne Westwood are actually more British, but Burberry fits our image of Britishness … (*Male shopper who studied in Britain before*)

Despite these doubts, most of the responses supported the view that Burberry is seen as drawing on and representing something of the essence of Britain. Some participants even stated that it is crucial for them that this brand is 'British', even though few had actually visited Britain before. This is comparable with the halo-effect in the country image literature, but in its reversed form. Instead of using their knowledge about the home country to evaluate a brand/product that they have limited experience of, they use their knowledge about the brand/product to interpret what 'Britain' means (Jaffe and Nebenzahl, 2001). This differs from the findings of Guzman and Paswan (2009) on successful cultural brands in emerging markets, which suggested that consumers of a foreign culture will evaluate the two separately.

Ko *et al*'s (2007, p. 651) cross-national research pointed out that it is sometimes desirable for international fashion companies to lean towards a standardised strategy that can 'target cross-national market segments as opposed to developing individual segmentation schemes for each country'. Consequently, Burberry's adoption of 'British' characteristics should perhaps be seen as an advantage. However, this advantage may be fragile, even though Britain can be considered as a dominant culture (Turner, 2003).

This is confirmed by several unanticipated comments and complaints about Burberry's attempts to shift its production line to China, which was in the news during the interviews (*Apple Daily,* 2007). Many respondents claimed that they would no longer purchase Burberry products if they were made in China, because the quality would be inferior and it would lose its British character. Nonetheless, none of the respondents could clearly explain why being made in China would cause a decline in quality of the 'Britishness' of Burberry's goods. Nevertheless, by shifting production to China, Burberry disconnected part of the brand's linkage with its home country. These responses also demonstrated that the country image aspect of a commercial brand can be easily broken during international marketing, as Wang and Heitmeyer (2005) noted, because it can be influenced by events that marketing has limited control of.

To summarise, the overlaps between country image and brand personality shape the meaning of cultural brand for interpretation; however, this connection may be broken once a consumer examines the concrete offers made by the brand. In addition, despite the benefits of tying a brand to its home country image, this strategy may lead to some problems if either the image of the country suffers or the connection itself is weakened.

The consumption of a cultural brand in a social context

For those respondents who had visited Britain, their consumption of Burberry products emphasised the culture rather than the brand, but the remaining participants based their consumption on the social context and usage occasion, which are other layers of a luxury brand's identity. As the interviews turned from the abstract meaning of the brand to usage occasions and specific encounters, the content often concerned possessions and 'face' (*mian zi*). Participants showed jealousy, pride and the desire to be noticed when asked about Burberry and luxury brand's role in their social setting:

> I saw a Burberry handbag at a friend's party, a very bustling party.
>
> I got mine as a gift on Valentine's Day. My boyfriend made my friends very jealous.
>
> I saw my friend has a Burberry handbag. Oh, I want one so bad!
>
> A client saw my bag and said it must be Burberry because of the check. I was flattered.

In a social context, Burberry's cultural value is neglected and transformed into a way of demonstrating possession, material wants and conspicuous consumption. It turns from a 'sincere' and 'trusted' brand into a 'sociable' and 'exciting' one (Mulyanegara *et al,* 2009). Because the average age of the participants was below 30 years, many of their responses fit the profile of young consumers described by Park *et al* (2008) and Zhou and Wong (2008), who use luxury brands as a means to be noticed or even accepted within their social group. This reaffirms Wang and Heitmeyer's (2005) claim that age could be an important factor when examining an individual's fashion-orientation.

What the above phenomenon indicates is a discord between what consumers and practitioners view as important during brand meaning creation and interpretation. Managing Burberry by utilising cultural meaning with the marketing strategy can be perceived as effective due to consumer's positive perceptions of this international luxury brand. Nevertheless, this may not be sustainable once consumers are not just interacting with the brand in private, but within the social context surrounding them.

In addition, young Taiwanese consumers displayed an identity dilemma when shaping their self-concept through luxury brands when conforming to social norms. On the one hand, they wanted to be noticed through possessions that symbolise their uniqueness (Vigneron and Johnson, 1999, 2004; Berthon *et al,* 2009). On the other hand, they preferred Burberry because its subtlety demonstrated that they did not want to stand out from the crowd (Yau, 1988; Lu, 2008). The consumers in this study thus appear to want both subtlety and some ostentation. Although these desires appear to be conflicting, they resonate with Lu's (2008) finding that Chinese consumers and, no doubt, consumers of other nationalities too, fall into many categories simultaneously. If accepting Ahuvia (2005) and Belk's (1988) view that a consumer's self is diverse and possessions are means to put together his/her fragmented and conflicting self, then Burberry, a multi-personality brand according to Mulyanegara *et al*'s (2009) classification, can in this context be treated as a way of highlighting self-concept while satisfying social expectations. This is partially a result of marketer's leverage of a brand's story, history and country image as they are prerequisites that build towards consumer desires.

Discussion

This research has implications with regard to the benefits and limitations of embracing cultural elements into luxury brand meaning. First, this research confirmed the co-influence of brand personality and the country image effect on the perceptions of an international luxury brand. When a brand ties-in with a dominant culture, it can be beneficial in terms of communicating its personality and thus value to foreign consumers. This finding could provide leverage for other international luxury brands that share similar characteristics. Nevertheless, once a commercial brand has become a cultural one, the brand manager has lost a certain amount of control. The risks of such a strategy include the shifting meaning of country image due to events that brand managers have little or no control over.

Second, a culturally rooted luxury brand may be much more difficult to add new elements to that are not anticipated by foreign consumers, despite the fact that it is essential for designers to update their product lines. Consumers' ingrained memory of Burberry's style and central design features make repositioning a task that cannot be undertaken lightly. This is because the two key elements of luxury brands, history and story (Kapferer, 2006), take time to build and be accepted by consumers, and therefore they are difficult to change.

Lastly, the negotiation of a cultural brand's meaning between marketers and consumers was identified. On the one hand, practitioners utilising marketing strategy and cultural elements have been found to be effective in terms of allowing brands to become a 'performer of, and container for, an identity myth' (Holt, 2004, p. 14). On the other hand, meanings are also created by consumers with different experiences and expectations (Belk, 1988; Brown, 1995; Hackley, 2003; Ahuvia, 2005). Consequently, brand managers who aim to achieve better communication outcomes will need to undertake a more active and integrated process that considers consumers in their social context, coming to terms with the act that their perception may not be fully manageable.

Conclusion

The main limitation of this research lies in its methodological approach to recruiting participants. The three criteria used did not consider the impact caused by an imbalanced sample of users; moreover, they may have omitted consumers who were enthusiastic about luxury brands, but undertook their shopping through other channels, such as online stores or retailers in foreign countries. Second, it may have missed some important information by being unable to gather the opinions of people who were unwilling to participate in the interviews.

Although this study is not without limitations, what is certain is that international luxury brands are competing fiercely to have an impact on potential consumers, while consumers are using luxury brands to shape their identities. In this process, additional cross-cultural marketing research could consider cultural branding as a valid and useful perspective, because it takes into account the co-influence of brand personality and the country image effect, while recognising consumer's autonomy during interpretation.

Note

1. At the time of this research, the exchange rate between New Taiwan Dollars and Pounds Sterling was 60 to 1.

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Appendix A

Interview questions

1. Can you describe what you think of England and/or the United Kingdom?
   1a. Can you describe the sources of these impressions?
   1b. Can you describe your visiting experience?
2. What do you think of when you hear the word 'luxury goods'?
3. Can you describe Burberry's image?
4. Can you describe the sources of these impressions?
5. What do you have that is from Burberry?
6. How did you come to own these items?
7. How is Burberry compared to other luxury brands?
   7a. What is the value of Burberry to you?

8. Do you think Burberry shares certain qualities with the United Kingdom?
   8a. Why or why not?
9. Do you often encounter with Burberry in your social settings?
   9a. Can you describe such occasions?
10. Can you describe a significant social moment you have had that was related to Burberry or one of its products?
11. Is there any other information that you would like to share about Burberry, the UK, or luxury goods in general?

Appendix B

Table B1 Participant background

	All participants	**High-involvement participants who agreed to in-depth interviews**
Total number	195	31
Average age	25.75	28.2
Gender ratio (M:F)	71:124	9:22
Education level (UG/PG/O)[a]	N/A[b]	15:10:6
Self-declared monthly income	N/A[b]	NTD30 000 – NTD40 000[c] =12 NTD40 001 – NTD50 000=3 Other and prefer not to say: 16

[a]UG: undergraduate degree; PG: postgraduate degree; O: other and prefer not to say.
[b]Information not available due to a large amount of incomplete data.
[c]NTD=New Taiwan Dollar (at the time of data collection, 1 GBP was roughly equal to 60 NTD.

Section 5
Managing the Brand Name and Logo in China

7
Brand Name Translation Model: A Case Analysis of US Brands in China

Lily C. Dong and Marilyn M. Helms

Introduction

While it is common in the USA to see advertisements or hear commercials urging consumers to drink Coca-Cola, snack on Keebler crackers, drive Fords or smoke Marlboro cigarettes, one seldom considers the meaning of brand names abroad. Yet few brands mean the same thing across cultures. In China, Coca-Cola means 'tastes good and makes you happy', Keebler means 'rare treasure' Ford means 'happy and unique or special', and Marlboro means 'a road with 10,000 treasures'.

These US brands enjoy success in the Chinese market due in large part to their well-translated meaning. As recognised by Peter and Olson,[1] 'the choice of a brand name can be highly important for the success of the product because of the various meanings the brand name can activate from consumers' memories'. Because Chinese customers purchase these products not only for their personal consumption but also as gifts for holidays and special occasions, the symbolic meaning of a brand name may greatly influence their purchase decision. Therefore, choosing a brand name is more than simply a translation exercise. Culture, norms, values, traditions and history must be considered when translating a brand name into Chinese.

A well-known taboo in gift giving in China is giving a clock, because 'sending someone a clock' sounds exactly the same as the phrase 'sending someone to death'. If a brand name has a similar cultural effect like

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the word clock, both the brand's image and its sales will suffer. Consider the effects of a well-researched brand. It is always good for a newly wedded couple to drive a 'happy and special' (Ford) car on 'a road with 10,000 treasures' (Marlboro), accompanied by friends, all experiencing joy from a few bottles of 'tastes good and makes you happy' (Coca-Cola). Appropriate brand names make a significant difference in the successful introduction of new products.

A recent Gallup poll survey of Chinese consumers found that the rapid economic growth in the country has affected individual families and their purchase patterns. While consumerism is growing, there are significant differences among Chinese consumers, particularly between the urban and the rural Chinese. A survey of some 4,000 randomly selected Chinese respondents found that while 96 per cent of urban households have a colour television, only 39 per cent are present in rural households. Similar percentages were reported for other electronics and telecommunications equipment. Almost half of urban Chinese have eaten Western fast food and attended a Western movie, while only 1 per cent of their rural counterparts had sampled the food and only 20 per cent had seen a Western movie. When asked about the power of brands, the top ten brands (ranging from 82 per cent to 57 per cent in familiarity) were Coca-Cola, Santana, Head and Shoulders, Beijing Jeep, Panasonic, Pepsi-Cola, Mickey Mouse, Marlboro, Hitachi and Honda. When asked about future purchases, Chinese consumers have aspirations to purchase more products, including colour televisions, life insurance, washing machines, refrigerators, electronics and other household appliances.[2]

Even though their brand is the most popular, Coca-Cola took over 11 years to make a profit, in part due to a poorly chosen brand name, when it entered China in 1979.[3] After introducing an improved name, Coke now dominates China's vast soft drinks market.[4] Coke is not alone in making translation mistakes. International business texts and popular press books[5–11] are filled with examples of branding and translation blunders. The examples stress the importance of appropriate global communication plans that consider cultural differences and adaptations. Developing one world brand may be a marketing ideal, but it is extremely difficult because words and meanings vary greatly across languages and cultures.

More evidence that shows the importance of brand names is the rapid growth and prosperity of the branding industry itself. The number of companies devoted solely to branding grew from a handful in the

1980s to about 100 in 1998. In the USA, it can cost from \$25,000 to \$100,000 to develop a single brand name. Across North America, the branding industry reported revenues of approximately \$40m in 1998.[12] Brand equity starts with a good brand name. While consumer behaviour researchers have found that consumers from different cultural backgrounds react differently to the same stimuli,[13] the meaning and image associated with the brand name also depends upon the cultural context. While William Shakespeare in Romeo and Juliet believed 'that which we call a rose by any other name would smell as sweet', the same does not apply to branded commercial products.

Purpose of the study

The purpose of this study is to examine the influence of brand names on brand equity through the lens of a cultural context by analysing the various types of brand name translation, focusing on US products in the Chinese culture as a case study. The Chinese/US market was chosen for investigation because the business relationship between these two countries has been developing rapidly in the last two decades and the two economies are predicted to be the largest in the world in the near future. Secondly, there are major and significant differences between the two countries in many areas, including language, culture and business practices. Thirdly, there are Chinese-speaking people in other parts of the world, including Singapore and even the USA. Finally, the written form of the Chinese language is used in other Asian languages such as Japanese and Korean. Thus these findings will not only benefit businesses in China but will also apply to the vast majority of Chinese-speaking people in other countries as well as many other Asian countries.

Towards a marketing theory for international branding

Brand equity, brand suggestiveness and brand personality have received tremendous attention in the marketing literature in recent years.[14–19] However, the vast difference in languages and the translation of brand names has attracted little attention even though globalisation has become a popular goal for most of the business world. People see the great global success of some consumer goods companies but do not realise that most of these successful products appear in new markets with a translated name in the foreign language based on various rules, often with completely different meanings than those in the domestic market.

Many managers have noticed the critical role of translation in the success of products outside the USA, yet few researchers have explored the patterns US companies have used in selecting various translated names abroad or the underlying reasoning for favouring one version over another. Another goal of the study is to develop a preliminary model of these selection patterns under the context of US brand name translation in China in an attempt to stimulate research on this important topic. While some researchers assert such a topic 'sounds like a linguistic question' or 'is too trivial to be considered' or 'is not related to a theory', the following sections validate the theoretical relevance of this topic.

According to Hunt,[20] the key criteria of a theory are that it is systematically related, possesses law-like generalisations, and is empirically testable. The first and last criteria are the focus of this study. The study also satisfies the second criterion of generalisability, in that the case study relates to how the international branding phenomenon influences a country with over one-fifth of the world population and one of the fastest-growing economies with the largest predicted purchasing power by the year 2010. A theory also explains the 'how' and 'why' of marketing phenomena, which is a final goal of this study.

Review of literature

Reviewing literature in marketing and related business journals from the last two decades reveals a number of research studies on the various aspects of branding, such as brand personality,[21] brand image and performance,[22] brand equity[23] and brand name suggestiveness.[24–25] Yet no research exists on the important construct of brand equity building abroad or brand name translation in a different country and culture.

In their study, Klein *et al.*[26] found evidence supporting the theory that a product's origin (signalled by place of manufacture and/or brand name) affects consumers' buying decisions directly and independently of other product judgments. That is, despite all the quality differences and features of a product, the brand name itself can influence Chinese consumers' attitudes towards the brand and therefore influence the purchase decision. While most consumers give high quality ratings to

Japanese electronics, some consumers in Nanjing would never bring a Japanese product into their homes because they remember the massacre of 10,000 Chinese people by the Japanese in Nanjing during the Second World War. Of course, Chinese consumers have no such attitudes towards other countries' brands, but the logic demonstrates the impact of historical and cultural influences on consumer reaction to certain brand names and countries of product origin. In other words, some consumers may favour a US brand name, considering it fashionable to own a foreign-brand product; some may not care; and some others may be against purchasing a foreign brand.

— *Proposition 1*: Cultural, political and historical factors can influence Chinese consumers' attitudes and purchase decisions towards a brand and these factors should be taken into consideration when a US brand name is translated into Chinese.

Definitions of major constructs

Defining the major constructs of branding is necessary. According to Keller's[27] customer-based brand equity framework, consumers' brand knowledge is the key to creating brand equity. The two major components of brand knowledge are brand awareness and brand image. Brand awareness includes brand recognition and brand recall, both of which are related to the strength of the consumers' ability to identify the brand under different conditions. Brand recognition is the ability of consumers to confirm prior exposure to the brand. Brand recall reflects the ability of consumers to retrieve the brand when given the product category, the needs fulfiled by the category, or some other type of cue. Apparently, being able to read or say the brand name is the necessary first step of obtaining brand recognition or brand recall.

Brand image is defined as consumer perceptions of a brand as reflected by the associations held in consumers' memories. Brand associations are the other informational nodes linked to the brand node in memory. They contain the meaning of the brand for consumers. To build strong brand equity, Keller[28] agrees that establishing brand awareness and a positive brand image in consumer memory, based on strong, favourable, and unique brand associations, produces the knowledge structures that can affect consumer response and produce customer-based brand equity.

A brand has many elements, such as brand name, logo, signs, jingles, etc, with the brand name being the most central aspect. Thus it is extremely important to pick an appropriate brand name that captures and conveys the central theme or key associations of a product in a compact, economical fashion. The same is true with a translated brand name. Ideally, translated names in Chinese should be easy to pronounce, pleasant, familiar, meaningful, distinctive, unique and unusual.

The Chinese written and spoken language

The key problem in transferring US brand names to Chinese markets stems from the need to translate the brand name. Unlike other languages that use letters as components of words, the Chinese language uses characters. Al-though English is taught as a mandatory course in most Chinese middle schools, the official language of the country is Chinese and almost no consumers understand English except, perhaps, for a few words. In the past many US products arrived in China with only the original brand names on the package, making it almost impossible for local consumers to understand or recognise the product.[29] Therefore translation is an important first step in communicating with local consumers. Translation thus involves changing the letters of a US brand name into Chinese characters that can be read and understood by the Chinese consumers. Since both the writing and pronunciation systems of Chinese are completely different from those of English, there is no exact phonetic equivalent to any US brand name. Once expressed in Chinese characters, the brand name has a new meaning because all Chinese characters have meanings associated with them. The new meaning could greatly affect Chinese consumers' perceptions of the brand.

Although on some occasions the US brand names are translated into Chinese based on the original meaning of the brand (eg General Motors in Table 7.2), most US brand names are translated into Chinese based on pronunciation. That is, the US brand names are transformed into a new name in Chinese with characters with similar sounds to the original brand name.

Because of the unique characteristics of the language, there can be many words with the same pronunciation and sometimes multiple pronunciations for the same word, thus there are many choices for brand names in Chinese. Although there are huge differences in pronunciation of the same words in different locations in China, and even some Chinese people who speak different dialects cannot understand each other without the help of the written language, there is one official spoken language called Pu Tong Hua, meaning 'standard spoken Chinese language', and most Chinese people use or understand it. Thus the translation of US brand names will be based on the pronunciation of Pu Tong Hua.

Translating a brand name is similar to recreating an existing brand name. For every US brand, there can be many Chinese words that are similar in pronunciation. The branding team and the brand manager must choose from a large number of Chinese character combinations. When choosing a new brand name in Chinese, it is critical to choose a name with a desired meaning that best fits the local culture and consumer characteristics, as well as conveying product benefits and characteristics.

— *Proposition 2*: When facing the task of translating, thus recreating a brand name, brand managers will consider a name with the desired meaning that represents the benefits and characteristics of the product category.

Commonalities of Chinese and other Asian languages

Chinese characters for the written language are not only used in China, but also often used in Japanese and Korean languages. Although some characters carry different meanings in these languages, most of the characters have similar meanings. For example, a Korean visitor who cannot speak either English or Chinese could communicate with a Chinese person by writing the characters. This is why many Chinese tourists who go to Korea or Japan take notebooks and pens for the convenience of basic communication. The same reason explains why some Japanese-speaking tourists can read most of the traffic signs in China even though they do not speak a single word in Chinese. Because the languages share common Chinese root characters, many Asian brand names are not changed when they are introduced into the Chinese market, but the sound or pronunciation may not be the same or even remotely similar to their original sounds. For example, the Korean brand Daewoo is pronounced in Chinese as 'da-yu', meaning 'great universe', and Samsung is pronounced as 'san-xing', meaning 'three stars'. The Japanese brand Toyota is pronounced in Chinese as 'feng-tian', meaning 'rich land' and Panasonic is pronounced as 'song-xia', meaning 'under the pine tree', yet both are known as common Japanese names.

Because of these commonalities between the written forms of Chinese and other Asian languages, many Asian brands can be transferred into the Chinese market without any translation or adaptation. But this is not the case for Western brands.

Differences between Chinese and Western languages

To most Westerners, Chinese characters seem to be drawings, and the Chinese written language did originate from visual images or pictures. To the Chinese, English letters just look like 'curly worms'. Westerners cannot read the pictures and Chinese consumers cannot read or interpret the 'curly worms'. It is usually just a problem of mispronunciation or different meaning when translating between English and Spanish or between English and French because the three countries use the same alphabet. The difference between Chinese and Western languages is so drastic that it is virtually impossible for any Western word to register any impression in the Chinese consumers' minds.

While a detailed discussion on the sounds and pronunciations of the languages is beyond the scope of this study, Schmitt[30] provides additional aspects of the language that are relevant for branding decisions.

> 'One of the most complex aspects of Chinese culture is its writing system. The basic unit of the Chinese writing system is the character, an arrangement of strokes that form a syllabic unit. There are approximately 50,000 characters (about 7,000 in general use). Each character carries its own meaning. The sheer abundance of Chinese characters (in comparison to the 26-letter Latin system) is one of the reasons why names and the written word have a mystique in East Asia. Chinese names express the essence of a thing, whether a person, an object, a company, or a consumer product. A name is viewed as a work of art and calligraphic writing is a tradition throughout Asia. Studies conducted in China and the US have shown that Chinese-speaking consumers judge a brand name based on its visual appeal. Native speakers of English, by contrast, judge a brand name based on whether the name sounds appealing. In Chinese, even the script of the brand name must match the product-category image. For example, a feminine script for a masculine product may result in a negative impression. For English speakers, a match of the product-category image and the sound of the brand is typically more important.'

The Chinese market

Even though the translation may be difficult, the Chinese market is extremely important. China has one-fifth of the world's entire population and is the fastest-growing economy in the world. China's economy is predicted to become the largest in purchasing power in the first quarter of this century.[31] The size and growth of this market offers great opportunities for US businesses, but the different culture and language also pose difficulties for US products to be accepted in this diversified market. Without a good understanding of the consumers in the Chinese market, marketers can easily disadvantage their company and its products.

With a population of 1.2 billion, the customer base in China is diversified, with various levels of education, income, lifestyle, beliefs and knowledge about US products. It is not an easy job to come up with a single brand name that can be accepted by the market.[32] As is often taught in both marketing and strategic management, the first step of any strategic planning is always analysing and segmenting the market. There are various aspects of the consumer market which form the basis for segmentation, such as geographic segmentation, benefit segmentation, socio-cultural segmentation or demographic segmentation.[33] The basis used in this paper for segmentation is consumers' education in and reaction to Western languages. A comprehensive list of consumer categories is shown in Table 7.1.

Organisational purchasers

This segment is composed of experts with knowledge about the features and qualities of products. Their task is usually to purchase either services (such as telephone services) or expensive equipment (such as computer systems in a company). They have access to statistics and are not likely to be influenced by any version of a translation of brand names. This segment is only a small proportion of the whole market.

College graduates

The consumers in this segment are well educated, have adequate knowledge of the English language, tend to have well-paying jobs and work for international companies, have access to the Internet and chances to travel abroad, and have enough information about certain brands in the US market. They are open-minded, favour US brands more than most

Table 7.1 Summary of market segments in China

Market Segment	Characteristics	Proportion within the population
Organisational purchasers	Highly specialised, well educated, average knowledge of English, high knowledge of international market and product features	Minimal
College graduates	Well paid, high knowledge of English and some knowledge about the American market	Small to medium
Urban middle class	Moderate income with regularly paid jobs, moderate education and little knowledge of English	Large
Rural residents or farmers	Low income, mostly with moderate to low education, low to no knowledge of English, do not care about where the product is made	Large
College students	No income but have disposable money from parents, high knowledge of English and international markets	Small to medium
'New Rich' entrepreneurs	Either from cities or countryside, not necessarily with high education thus little knowledge of the English language, international markets or brands	Minimal to small

of the other segments, and usually do not mind paying a higher price for a well-known brand.

Urban middle class

The members of this segment are different from the US middle class. They are mostly employees in government-run organisations or companies in big cities, have moderate income with regularly paid jobs (as opposed to those laid off or jobless), have moderate education (usually high school) and have little knowledge of English. They slightly favour some US brands but are not likely to pay a higher price for them.

Rural residents/farmers

Members of this segment usually have low incomes, hold no regular jobs, and have only moderate education. They tend to be more price sensitive and do not care about brand names or country of origin. They may slightly favour domestic brands because they tend to assume the domestic brands are less expensive than foreign brands. With the implementation of a market economy and the government mandate of education, this segment is gradually shrinking, but will still account for a large proportion of the whole population in the immediate future because it had such a large initial base (representing some 80 per cent of the entire population).

College students

Still in school full time, this group has no income of their own but usually has disposable income from their parents. They have access to the Internet and a high level of understanding of the English language as well as a favourable feeling towards the US culture. Most of them tend to assume US brands would be better than domestic brands and are usually willing to pay a higher price for the US brands. They think it is fashionable to consume US or Western brand products. The number in this segment is growing.

New rich entrepreneurs

These individuals are either from cities or the countryside but do not necessarily have higher education or knowledge of the English language or international markets or brands. They compose a majority of individual car owners versus car users (with an automobile paid for by their company or organisation). This group is growing in size and diversity. Some of them may favour Western brands while some others may have problems remembering a foreign-sounding brand name.

Translation methods

According to Webster's New World College Dictionary,[34] to 'translate' means 'to put into the words of a different language'. Translation implies 'the rendering from one language into another of something written or spoken'. Transliteration, on the other hand, implies 'the writing of words with characters of another alphabet that represent the same sound or sounds'. From another source,[35] 'free translation is defined as translation based on meaning or transferring of original meaning into another language and literal translation is defined as translation based on sound or transferring of original sound into another language'.

In this study, translation is treated as a general term that includes both free and literal translations. Thus the definition of translation used here is the transferring of words or brand names from one language into another that may or may not represent the original meaning or sound of the word or brand name. The various types of translation – free translation, literal translation and creative translation – are summarised in Table 7.2 and explained below.

Free translation

Free translation is defined as the transferring of words or brand names from one language into another that is simply based on the original meaning without considering the sound of words. For example, General Motors has a Chinese name (tong-yong qi-che) bearing exactly the same meaning but with completely different sounds. This method is not used often because many US brand names do not have any meanings, and sometimes even if they have, the meaning may not be as significant or as influential in the new culture.

Literal translation

Literal translation, also known as transliteration, is defined as transferring words or brand names from one language into another based on their original sounds with or without considering the original or new meanings of the words or brand names. This category can be further divided into four subcategories: pure literal translation, literal translation with meanings created, literal translation with meanings modified, and literal translation with meanings lost.

Pure literal translation is transferring a word or brand name into another language based on its original sounds with no meaning attached either before or after the transferring process. For example, the well-known US brand Motorola does not seem to have any meaning in English and its Chinese version 'mo-tuo-luo-la' bears no meaning other than indicating this is a Western name. It was initially translated like this probably because the brand managers thought the targeted Chinese markets were the segments of organisational purchasers, college graduates and college students who were mostly well educated and had some knowledge of international markets and might also like a foreign-sounding name. However, with the rapid growth of the economy, more and more entrepreneurs residing in rural areas are becoming consumers of pagers and cellular telephones. Some of them may have a problem remembering such a long foreign name, thus the Motorola brand is less successful than some other US brands.[36]

Table 7.2 Summary of translation methods and examples used in China

Translation type	Original	New name in Chinese	Pronunciation of new name	New meaning	Flavour (sounds like)	Targeted segment from Table 7.1
Free translation	General Motors	通用汽车	tong-yong qi-che	same	Chinese	All
	Apple computer	苹果电脑	ping-guo dian-nao	same	Neutral	Organisational purchasers, college graduates, college students
	Microsoft	微软	wei-ruan	no meaning	Neutral	All
Pure literal translation	Motorola	摩托罗拉	mo-tuo-luo-la	no meaning	Western	Organisational purchasers, college graduates, college students
	Chrysler	克莱斯勒	ke-lai-si-le	no meaning	Western	Organisational purchasers, new rich entrepreneurs
Literal translation with meaning created	Coca-Cola	可口可乐	ke-kou ke-le	delicious and funny	Western	All
	Colgate	高露洁	Gao-lu-jie	high (quality) and clean as dew	Neutral	All
	Ford	福特	fu-te	happy and special	Neutral	Organisational purchasers, new rich entrepreneurs
	Hershey	好时	hao-shi	good times	Chinese	All
	Keebler	奇宝	qi-bao	rare/magic treasure	Chinese	All

(continued)

Table 7.2 Continued

Translation type	Original	New name in Chinese	Pronunciation of new name	New meaning	Flavour (sounds like)	Targeted segment from Table 7.1
	Marlboro	万宝路	wan-bao-lu	a road with 10,000 treasures	Chinese, but well-known as American	College graduates, urban middle class, college students
	Pepsi-Cola	百事可乐	bai-shi ke-le	makes you happy in all matters	Chinese	All
Literal translation with meaning modified	Head & Shoulders	海飞丝	hai-fei-si	sea with flying silky hair	Western	All
	Johnson & Johnson	强生	qiang-sheng	strong life	Chinese	All
	Oil of Olay	玉兰油	yu-lan-you	oil of orchid flower	Chinese	All
	Safeguard	舒服佳	shu-fu-jia	comfortable and nice	Neutral	All
Literal translation with meaning lost	Kraft	卡夫	ka-fu	no meaning	Western	College graduates, urban middle class, college students
Creative translation	BMW	宝马	bao-ma	precious horse	Chinese	Organisational purchasers, new rich entrepreneurs
	Hewlett-Packard	惠普	hui-pu	practical and popular	Chinese	All but farmers

Literal translation with meaning created is transferring a word or brand name into another language based on its original sounds which has no meaning before the process but has meaning attached to the new name. For example, Coca-Cola may not have any literal meaning to US consumers, but its Chinese version 'ke-kou-ke-le' means 'tastes good and makes you happy'. It relates to the product category and meets the cultural need for happiness and harmony.

Literal translation with meaning modified is transferring a word or brand name into another language based on its original sounds with a meaning different from the original meaning. For example, Head and Shoulders has a meaning in English, while its Chinese name 'hai-fei-si' has a completely different meaning of 'sea with flying silk'. The meaning is appropriate because black silk is often used as a metaphor in Chinese to represent smooth and beautiful hair. So the new name fits the culture as well as representing the product category.

Literal translation with meaning lost is transferring a word or brand name into another language based on its original sounds but with the original meaning lost after the transferring process. For example, Kraft means 'strong wrapping paper'[37] but its Chinese version 'ka-fu' is merely two Western-sounding characters without any meaning.

Creative translation

Finally, creative translation is the transferring of a word or brand name from one language into another based on neither its original meaning nor its sound. The brand name is created in the new market with little link to the original name. It is a translation strategy to create a name that has the most desirable meaning in the new culture and language and that best serves the organisational and marketing goals in the new market. The well-known auto brand BMW is translated into 'Bao-ma', meaning 'precious horse', implying that it runs fast and runs for a long time. 'Horse' has a favourable image among Chinese consumers and is a very popular subject in Chinese paintings and other art forms. Thus this is a very successful translation. It relates to the product category of transportation and it fits the Chinese culture.

It is very difficult to transfer a name or brand name from English into Chinese while keeping both its original meaning and sound. Therefore the more practical trend in translation is to create or find a word or name that is very close to the original sound of the brand name, while creating a desirable meaning that best serves the goals of brand managers. The name chosen should fit the characteristics of local customers and the local culture or represent the product category of the brand.

It can be seen from Table 7.2 that the most commonly used methods of translation are pure literal translation, literal translation with meanings created and modified, and the current trend of creative translation.

Brand name fit and emerging translation model

Brand names' cultural flavour and fit to product category

Even though a brand name may be translated into Chinese and written in Chinese characters, not all the names are perceived as Chinese. Some words may never be used by a Chinese person for a name, so consumers can tell immediately that 'this is a foreign or Western name'. Motorola is an example of Western flavour. Even though the Chinese version of Motorola, 'mo-tuo-luo-la', is also composed of characters like other brand names, those four characters (see Table 7.2 for characters) do not have any specific meanings to most Chinese consumers. The Chinese define these names as having a Western flavour. On the other hand, some names are so common in Chinese people's lives that nobody can tell if it is a US brand without further information on the company or a product's country of origin. So the Chinese define these names as having a Chinese flavour. For example, Johnson & Johnson has a Chinese name, 'qiang-sheng' (see Table 7.2 for characters), that means 'strong life', which is a very common name for boys. Another example of translation of brand names with a Chinese flavour is Oil of Olay. Its Chinese version, 'yu-lan-you', means 'oil of orchid flower'. On the one hand, it implies an 'all natural' meaning – that the product might be made from natural ingredients such as orchid flowers. On the other hand, to most Chinese consumers an orchid flower is the symbol of gentleness, tenderness, pureness and beauty, which are all traditionally considered qualities of a young girl. As the products of this brand are targeted towards women, there is a perfect match among the brand name, the product category, the product benefits and consumer characteristics.

Some translation problems in the Chinese market result when there is not a fit between the brand name and the product category. Maxwell House coffee was introduced as 'mai-shi' in China, meaning 'the mai family brand' or 'related to wheat'. While the name sounded Chinese, China is not known for growing coffee. The Chinese people were confused and did not know what brand it was or whether it was a good brand. Since coffee is something exotic to the Chinese, a Western-sounding name may create a better or more fitting image of the product. About six years ago the brand name was changed into 'mai-ke-si-wei-er' which is very close to the original sound but with a foreign flavour without any specific meaning attributed to the name. Thus the fit between the brand name and product category deserves attention by brand managers.

— *Proposition 3a*: Brand names that convey the characteristics or benefits of the product have a better fit with the product category and thus are more likely to generate a favourable brand image than those brand names that do not fit.

Self/brand congruity issues

Products and services have personality images just as people do.[38] The underlying theme of this research is that the image a brand name conveys interacts with the consumer's self-concept, thus creating a self-image/brand-image congruity.[39] When the consumer's self-image is congruent with the image the brand name represents, the consumer tends to have favourable associations about the brand/product. Aaker[40] also suggested that consumers prefer brands associated with a set of personality traits congruent with their own. Thus the Chinese college graduates and students will probably prefer brand names with a Western flavour, whereas the urban middle class and rural residents who have little English knowledge may feel more comfortable purchasing and consuming a brand with common Chinese meanings. For example, the college graduates and students would probably purchase Nike shoes for a price several times higher than a domestic brand, while very few rural residents or urban middle-class members would. Also the vast majority of rural residents and urban middle-class consumers find the Chinese-flavour brand Pantene shampoo ('Pan-ting' is a traditional and popular girl's name) more favourable than the Western-flavour brand Head and Shoulders ('Hai-fei-si' or 'sea with flying silky hair').

— *Proposition 3b*: Brand names with a Western flavour suggesting US origin will be more likely to generate/elicit a favourable image among college graduates and college student consumers than among urban middle class and rural residents or farming consumers.
— *Proposition 3c*: Brand names with a Chinese flavour that do not suggest US origin will be more likely to generate favourable brand image than those with Western flavour among the urban middle class and rural residents or farming consumers.

In addition to Keller's[41] customer-based brand equity model and other theories of branding, common-sense reasoning suggests people tend to remember familiar things better than they do unfamiliar things. By using commonly known words in a brand name, products are more likely to achieve brand awareness and recognition just because consumers can remember them better. Also consumers tend to like people or things that are similar to them. So if a brand name conveys image or personalities that fit the consumers' ideal image, beliefs and attitudes, the consumers tend to react positively and favourably towards a brand name.

The memory issues

The associated network memory model views memory as a network of nodes and connecting links. Nodes represent stored information or concepts. Links represent the strength of association between the information and concepts. Any type of information can be stored in the memory network, including information that is verbal, visual, abstract or contextual in nature.[42] Consumers will remember or retrieve the nodes easily if certain brand names are composed of words from their existing vocabulary. The more familiar consumers are with certain words in brand names, the easier it is for them to remember those brand names, thus the higher level of awareness these brand names will have. College graduates or students may be able to remember any sophisticated English-sounding names (Chrysler, Motorola, etc) while the urban middle class or rural residents may only remember short, simple and Chinese-sounding names (Johnson & Johnson, Hewlett-Packard, etc). The success of Coca-Cola may be a result of its popularity across all the segments. First, it has a good Chinese meaning (tastes good and makes you happy), secondly, because Chinese consumers have given it a shortened version, 'ke-le' (Cola, meaning 'enjoyable or makes you happy') which is easy to remember and, thirdly, it still has a Western image among 'fashion seeking' consumers.

— *Proposition 4a:* Brand names with Western flavour have a higher level of awareness among college graduates and students because they are easier to remember for these consumers than for urban middle class and rural residents.
— *Proposition 4b*: Brand names with Chinese flavour have a higher level of awareness than those with Western flavour because the former sound and look more familiar and are easier to remember among consumers from the urban middle class and rural residents.

The brand name translation model

The preceding section explained the meaning and scope of major constructs such as brand equity, brand image and brand awareness, classified the market segments, and demonstrated different translation methods and issues. Thus the foundation for the translation model has been built. As shown in Figure 7.1, the translated version of brand names can impact on the brand awareness and the brand image of various Chinese consumers. The brand equity in its home country (the USA) will have an impact on those consumers who have access to information about US markets, and all the factors such as local cultural and historical influences, demographic characteristics of the target market, and the leverage of secondary association of the brand name country or company should be taken into consideration when selecting a translated version for a brand name.

Chinese brands in the USA

Although many consumer products in the USA are made in China, US-owned companies produce them there. It is difficult to find Chinese brands in the Western world. One of the few examples is the Chinese beer brand Tsingtao, found in parts of the USA but with little brand awareness, even though it is considered to be the best brand in China. The brand name is not changed or even translated for the USA. Other food products are exported to the USA and sold in Chinese sections of large cities where native Chinese people live. Yet as more US customers choose Chinese foods, more bi-directional international business calls for translating Chinese brands into English.

If the perspective of brands is broadened beyond physical goods to include services and entertainment, the notion of fitness between brand name and the target market's cultural characteristics also applies. For example, the popular action and comedy star Jackie Chan's Chinese name is Cheng Long, meaning 'become dragon', which has an implied meaning 'be a very successful person' because 'long' (dragon) is a very popular word in a Chinese name. Nothing close to his original name is shown as his translated name (or his brand name) in English, because those cultural meanings do not apply in the USA. Instead, picking a more common and memorable first name like 'Jackie' can achieve the goals of ease of memory, familiarity and popularity. The same reason explains why Michelle Yeoh, who starred in the popular Crouching Tiger, Hidden Dragon movie, chose an English first name for the USA while maintaining her Chinese name of Yang Ziqiong, meaning 'purple jade', in China. Jade again is a popular word for part of a name in

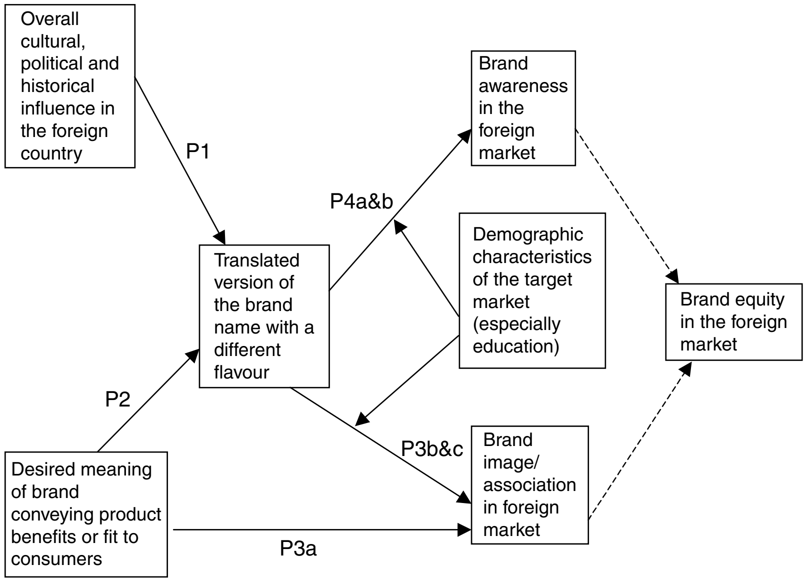

Figure 7.1 Brand name translation model with propositions
Note: The broken line is used to indicate the relationships suggested in previous research.

China. Even though little research is found on translation of Chinese brand names into English, Asian entertainers have realised the importance of fit of their names to the local culture and to US consumers' characteristics. Future research may also test the application of the proposed model of brand name translation in the context of Chinese brands in the US market.

Conclusion and future research

A brand name that is both memorable and meaningful offers numerous benefits to a company. Most important is the brand's ability to reduce the burden on marketing communications to build awareness and link brand associations. While a brand name by definition is invisible, intangible and weightless, it is essential and critical for the success of any company. To the Chinese consumers, a brand name has a soul, a feeling, and it inspires them,43 so the appropriate translation is essential.

To create a well-translated name, consideration must be given to such factors as language, local culture, history and consumer attitude and beliefs. This study provides an explanation on how and why the

Chinese culture, history, consumers' education and other factors can affect consumers' responses to various US brand names. It summarises the current brand name translation patterns, presents the key elements to consider and aids in the initial development of rules for US managers to follow when translating a brand name for the Chinese market. However, it only serves as a first step in the study of brand name translation. Along with the growth of a world economy and continued globalisation, additional international markets will be cultivated and further brand research will be necessary. Therefore, a combination of efforts in marketing research is needed to analyse and test the relationships and interactions between different methods of translation and their potential impacts on consumers' attitudes and associations, thereby impacting on brand equity building in the international marketplace. Further empirical and theoretical studies to test the proposed model and generate basic rules and appropriate methods for international marketers to rely on when choosing and implementing the branding component of their global expansion plans will aid in the development of a true international theory of branding.

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8

Selecting the Right Brand Name: An Examination of Tacit and Explicit Linguistic Knowledge in Name Translations

Bernd Schmitt and Shi Zhang

Introduction

Organizations invest substantial resources and use numerous advisors – marketing consultants, lawyers and linguists – when creating brand names. Naming decisions are particularly important in international marketing where names must be adapted across markets. As *Business Week* reported, when Microsoft launched its new search engine, Bing, 'it took six months and dozens of experts to settle on the name. Brand naming is serious business in an age when goods must have global appeal' (Helm, 2009).

Broadly speaking, the vast literature on brand naming, focused one language or comparing languages, has addressed two issues. One issue concerns how name characteristics affect consumer memory (for example, brand recall and recognition); the other issue is how they affect name evaluations (Pan and Schmitt, 1994; Schmitt and Pan, 1994; Schmitt *et al,* 1994; Keller *et al,* 1998; Klink, 2000, 2003; Lerman and Garbarino, 2002). In comparing languages, the major research focus has been on brand name translations, in particular on the complex issue of translating a name from a letters-and-phonemes-based phonographic language (for example, English) to a visual-character-based logographic language (for example, Chinese). In general, such translations can be analyzed along two linguistic dimensions: relatedness in sound (that is, phonemes) and relatedness in meaning (that is, semantics) (Zhang

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and Schmitt, 2001, 2004; Francis *et al,* 2002; Li and Murray, 2002). These two dimensions yield four possible types of name translations from English to Chinese: a translation into Chinese that resembles the original English name in both sound and meaning; a translation that sounds similar to the original name, but has a different meaning; a translation that has similar meaning, but sounds different; and an entirely new name that does not resemble the original name in either sound or meaning. Although the first type of translation seems most desirable (for example, Coca-Cola uses a Chinese name, *ke kou ke le,* which sounds like the original name and expresses the core meaning of the brand – 'tastes good' and 'makes you happy'), it is hard to do, and thus most translations localize by using either sound or meaning similarity (Francis *et al,* 2002; Li and Murray, 2002). The last option, a new name, is rarely being used because companies strive for some consistency across markets.

Prior research has shown that consumer evaluations of name translations depend not only on linguistic factors, but also on how consumer process phonographic and logo-graphic languages. Specifically, because of the nature of the writing systems, phonographic languages like English, which uses strings of easily pronounceable but meaningless letters, seem to be characterized by a higher degree of phonological processing and a lower degree of semantic processing than logographic languages like Chinese, which uses meaningful characters that may have different pronunciations (Schmitt *et al,* 1994; Tavassoli, 1999; Francis *et al,* 2002). As a result, when bilingual consumers encounter dual brand names consisting of an English and Chinese name, a quite common phenomenon in China, and provide name evaluations, they place more weight on sound than meaning when English is emphasized (for example, the English name is presented in a larger typeface), but more weight on meaning than sound when Chinese is emphasized (for example, in a larger typeface (Zhang and Schmitt, 2001).

The present research employs the same brand name translation methods from phonographic to logographic languages that prior international research has used. However, unlike prior research, the present study focuses on so-called 'revealed preferences' in the marketplace and on decision makers rather than on consumers. In Study 1, we use market data to show that the revealed preferences in the marketplace reflect decision makers' linguistic intuitions about naming brands (that is, which sounds and which meanings fit best). In Study 2, we show that decision makers do not only use their intuitive information and thus endogenous linguistic characteristics of names *per se,* but also consider exogenous linguistic information on existing competitors' names.

Managers' tacit and explicit knowledge

According to organizational knowledge theory (Nonaka and Takeuchi, 1995; Grant, 1996), two types of knowledge are used in organizational decision making: tacit and explicit knowledge (Polanyi, 1966; Baumard and Wauchope, 1999). Tacit knowledge is intuitive and has two dimensions (Nonaka and Takeuchi, 1995; Nonaka *et al,* 2001) – a skill dimension ('know how') and a cognitive dimension consisting of mental schemata (Kakabadse *et al,* 2001). Explicit knowledge is rule based and codified within a firm; it thus can be clearly articulated and communicated. In the context of the name translations that we study here, tacit knowledge includes linguistic intuitions and schemata about the sound and meaning dimensions of brand names. For example, upon seeing a translated brand name, native speakers can generalize whether the name is sound based or meaning based relative to the original English name, and what sound and which meaning appear more appropriate. Explicit knowledge includes rules on using the linguistic information from existing competitor's names and prior naming approaches – for example, rules regarding whether to follow the same naming approach or to differentiate with a different approach.

Tacit linguistic intuitions

Since Chomsky's (1957, 1965) seminal work, linguistic researchers have shown that native speakers of a language have extensive linguistic intuitions about the syntax, phonology and semantics of a language (Akmajian *et al,* 1992, Fromkin and Rodman, 1993). Any native speaker, regardless of intelligence or education level, intuitively notices when a sentence is ungrammatical (for example, when the word order in a simple sentence is wrong or awkward), although he or she may not be able to explicitly know and analytically explain the syntactic rules of word order in a given language. Any native speaker can intuitively detect a foreign sound in their native language without being able to articulate the characteristics and the complex rules of phonology. Finally, any native speaker intuitively grasps when a word's semantic meaning is applied in an unusual way without being able to provide the precise meaning and lexical rules of a word. Native speakers *just know* or *feel* what is intuitively right or wrong about a language.

Because the sound and meaning dimensions of name translations concern the phonological and semantic aspects of language, we expect individuals who make brand name and name translation decisions to be tacitly equipped with linguistic intuitions about the appropriateness of sound and meaning dimensions in their language, because they are native speakers of that language. Specifically, when Chinese decision makers name brands for the Chinese market, they should place more weight on the sound dimension of the name when a brand is launched with an English name emphasis, and, conversely, more weight on the meaning dimension when the brand emphasizes the Chinese part of the name. We investigate this hypothesis using actual market data in Study 1.

Explicit knowledge about existing names

In addition to tacit name-related linguistic intuitions, we expect that decision makers also use explicit linguistic knowledge and rules as part of the naming process. For example, people have learned certain linguistic knowledge and rules about prefixes or suffixes and what they mean, and they can generalize these rules to other words. Similarly, decision makers may apply rules when naming brands. For example, they may use the linguistic structure of prior successful names as benchmarks or reference points. Prior successful names may thus set the standard and followers may copy the essential structural features, as 'Power-*ade*' did following the established market leader 'Gator- *ade*', 'Babies "R" Us' did following 'Toys "R" Us' and 'Mac-*ster*' did with 'Nap-*ster*' in the US market during the early dot.com years.

In the context of name translations, there have also been examples of benchmarking the standard approach. Pepsi used Coca Cola's Chinese successful name translation *ke kou ke le* as a reference point by adopting the sound-and-meaning translation method of Coca Cola. The Chinese Pepsi name kept the 'cola' part (*ke le* meaning 'makes you happy') and used a sound-and-meaning translation for Pepsi itself (*bai shi,* sounding like Pepsi and meaning 'experiencing hundred tastes'). We focus on this type of name-standard setting, in part, in study 1, and then in a more detail in study 2.

Study 1: Revealing intuitive linguistic knowledge

Although intuitive linguistic knowledge may guide the decisions of a firm, it will obviously not be easy for managers to articulate such tacit knowledge. Therefore, in the empirical study that we report next, rather than surveying managers, we investigated how decisions and preferences about name translations are revealed in the actual brand names in the marketplace that managers had chosen. Toward this end, we analyzed name translations in the Chinese marketplace for dual brand names. We assessed which language was emphasized (for example, by asking linguistic experts to code the font sizes of the English and Chinese names in the dual name) and whether the name translation seemed to be appropriate and well done on both sound and meaning dimensions (by asking experts to assess the 'appropriateness' of the Chinese name). To test our hypotheses in a straightforward way, we performed regression analyses. We expected that, if managers used tacit linguistic knowledge, the regression coefficient for desirability of meaning (but not for desirability of sound) should be significantly positive for names emphasizing Chinese. Conversely, for names emphasizing English, we expected the regression coefficient for desirability of sound (but not for desirability of meaning) to be significantly positive. In addition, for names emphasizing both Chinese and English equally, we expected the coefficients for desirability of sound and meaning to be both significantly positive.

Method

A total of 155 brands that carried dual brand names (an English and Chinese name) were collected in Shanghai. Using dual names, rather than a Chinese name only, is the common approach for foreign brands. The brands, falling into 25 major product categories, had been randomly selected by a group of research assistants, who were blind to our hypotheses. The selected brands covered mostly consumer businesses (for example, beer, bottled water, candy, cosmetics, detergents, ice cream and soft drinks), but also included names from highly visible industrial and services businesses (for example, an airplane manufacturer, accounting firms and banks). The product categories and examples of brands are listed in Table 8.1.

A team of four linguistic experts, who were blind to our hypotheses, coded the data and provided evaluations. Specifically, based on the size and position of the names and logos, they categorized the dual names into three language emphasis conditions (English emphasis, Chinese emphasis or equal emphasis). They also provided overall evaluations of each Chinese name translation on three 5-point scales (bad–good, unsatisfactory–satisfactory, dislike–like); the three scales were summed up and divided by three (Cronbach $\alpha = 0.92$). Most importantly, they provided evaluations of the sound and meaning components of the translation on 5-point desirability scales (ranging from $1 =$ not at all desirable to $5 =$ very desirable). Linguistic experts were given both the English and the Chinese names, as well as information regarding the product category, and were asked to provide ratings on the above scales

Table 8.1 Product categories and examples of brands used in study 1

Product categories	Examples of brand names
Accounting firms	Price Waterhouse, KPMG
Airplanes	Boeing, MD
Automobiles	Ford, Chrysler
Banks	Citibank, J.P. Morgan
Biscuits and crackers	Oreo, Keebler
Beer	Budweiser, Becker
Bottled water	Evian, Drins
Candy	Hershey's, Cadbury
Cellular phones	Motorola, Nokia
Coffee, computers	Dell, HP
Contact lenses	Bosch & Lamb, Johnson & Johnson
Cosmetics	Lancome, Revlon
Detergent	Tide, Dosia
Fashion clothes	Channel, YSL
Gasoline	Exxon, Mobil
Home appliances	Siemen's, Philips
Hotels	Hyatt, Ritz-Carleton
Ice-cream	Haagen-Dazs, Buds
Medicines	Johnson & Johnson, Bayer
Shampoo	Pantene, Head & Shoulder
Sportswear	Nike, Reebok
Soft drink	Gatorade, Coco-Cola
Tea	Lipton, Tetley
Toothpaste	Colgate, Crest
Watches	Rolex, Swatch

based on the fit between the overall name (in terms of sound and meaning) and the product. The rationale for this procedure was, if managers used tacit linguistic intuitions in name translations, then the intuitions should be revealed in the actual names and be captured by the linguistic experts' evaluations.

Furthermore, information on the order of brand entry into the market within each product category was collected on an ordinal scale. The linguistic experts categorized the Chinese name translations into sound-based (the sound is similar to the original name) or meaning-based (the meaning is related to the product category) translation methods.

Overall, inter-rater agreement was high ($r > 0.95$). Disagreements were resolved through discussions. Raters' consensus ratings served as proxies of market performance data in the absence of empirical data on revenues or profits. Specifically, in the data analysis, we used the consensus ratings of the raters after discussion for the overall name evaluations, as well as sound and meaning componential evaluations, types of emphasis and types of translation methods, and the consensus ratings of the raters in consultation with store managers for the order of brand entry. In other words, the final units of observation were brand names and index ratings of the name as a whole, and its sound and meaning components, rather than individual participants (for similar approach, see Holbrook and Lehmann, 1980; Holbrook and Batra, 1987).

Results

We performed regression analyses to test the hypothesis that the brand name evaluations can be a function of the characteristics of individual components (that is, characters that make up the names). Separate models were run for names emphasizing Chinese, for names emphasizing English and for names that had an equal emphasis for Chinese and English. Brand name evaluations were used as the criterion variable; desirability ratings of sound and desirability of meaning were predictor variables.

If managers based their name decisions on linguistic intuitions, then for names emphasizing Chinese we expected the coefficient of desirability of meaning, but not of desirability of sound, to be significantly positive. The regression model was significant, $F(2,24) = 23.63$ $P < 0.0001$, and Adjusted $R^2 = 0.64$. As predicted, the coefficient for desirability of meaning was significantly positive, $b = 0.64$, $t(1,24) = 4.41$, $P < 0.001$. In contrast, the coefficient for desirability of sound was not significant, $b = 0.17$, $t < 1.2$, $P > 0.25$.

For names that emphasized the English language, we expected the coefficient of desirability of sound, but not of desirability of meaning, to be significantly positive. The regression model was significant, indicated by $F(2,78) = 114.69$ $P < 0.0001$, and Adjusted $R^2 = 0.74$. The hypothesis was partially supported: the coefficient for desirability of sound was significantly positive, $b = 0.60$, $t(1,78) = 9.08$, $P < 0.0001$. However, the coefficient for desirability of meaning was also significantly positive, $b = 0.22$, $t(1,78) = 3.55$, $P < 0.01$.

For names that had equal emphasis of Chinese and English, we expected both coefficients to be significantly positive. The regression model was significant, indicated by $F(2,74) = 267.82$, $P < 0.0001$, and Adjusted $R^2 = 0.76$. As predicted, both the coefficient for desirability of sound, $b = 0.26$, $t(1,74) = 4.63$, $P < 0.001$, and the coefficient for desirability of meaning, $b = 0.52$, $t(1,74) = 10.36$, $P < 0.0001$, were significant.

We also obtained evidence in the market data for explicit linguistic knowledge based on name standard setting. While the number of brands that were sound based or meaning based was equal (49.3 per cent versus 50.97 per cent out of 155), there was a strong relationship between the method of the first entry brand and the method of the later entry brands. The observed frequencies of followers using the same method as the first entry brands were significantly higher than the observed frequencies for not using the same naming method (63 for sound–sound and 49 for meaning–meaning versus 13 for sound–meaning and 30 for meaning–sound), $\chi^2(1,155) = 32.57$, $P < 0.0001$, and two-sided Fisher's exact test, $P < 0.0001$, suggesting a strong dependency relationship between the names of the followers and the first entry brand.

Discussion

The brand name data analysis provided strong support for our hypothesis that tacit linguistic knowledge was used as a critical input in naming decisions. Of the six expected signs of the coefficients relating the componential name characteristics to the overall name evaluations, five were fully supported. There was only one unexpected finding: when the English language was emphasized, the sound component was weighted significantly (as expected), but the meaning component was also found to be significant. This unexpected finding may suggest that for Chinese managers as native speakers of Chinese, the meaning component may be permanently salient in their minds because logographic scripts contain inherently meaningful characters. They also consider, though, the sound component of English, their second and nonnative language, as an additional factor when relevant.

In addition, Study 1 also provided some evidence for the use of explicit linguistic knowledge. Follower brands tended to use the same translation method as the first entry brand. Given that, we found this tendency in the actual market data, the question arises whether this name standard 'me too' approach is a general phenomenon or whether managers apply a more specific rule – namely, they may view the prior name only as positive and as a relevant benchmark when the prior naming approach was successful. In the market data of study 1, success of the prior naming approach did not vary much; all existing brands on the market had been relatively successful. In study 2, we conducted an experiment that allowed us to manipulate systematically the degree of success of the prior naming method.

Study 2: Examining explicit linguistic knowledge

Study 2 addresses decision makers' use of explicit linguistic knowledge – specifically focusing on how they may use an existing brand name as a standard for creating a new name. To test this impact of the prior naming method on the perception of the new brand names, we provided participants with information regarding the successful and less successful market position of the first entrant in the category relative to competitors. For experimental control purposes, the information given to decision makers was fictitious (that is, we told one experimental group that the brand was successful and another that it was not). People often use similar information, such as brand popularity, as a proxy for brand performance success.

We predicted a three-way interaction of prior brand's naming method, current brand's naming method and market success. When the first entry brand used a meaning-based method, respondents in our study should evaluate meaning-based translations more positively than sound-based translations when the first entry brand was described as successful. However, respondents should evaluate sound-based translations more positively than meaning-based translations when the first entry brand was described as less successful. In contrast, when the first entry brand used sound-based method, respondents should evaluate sound-based translations more positively than meaning-based translations when the first entry brand was described as successful. However, respondents should evaluate meaning-based translations more positively than sound-based translations when the first entry brand was described as less successful.

Method

Pretests

Several pretests were conducted to select the stimuli for Study 2. First, four English native speakers generated fictitious English brand names for a variety of consumer products. Next, 20 native English speakers participated in the pretest by providing responses to the names. Participants were asked to rate on 7-point scales how familiar each name was to them (1 = not at all familiar, 7 = very familiar) and to what degree they thought each name was likely to be a brand name for the product (1 = not at all likely, 7 = very likely). A subset of the names with similar ratings was selected for Chinese translations.

Next, based on the selected English names, Chinese sound-based and meaning-based translated names were created by a group of four bilingual speakers in the field of language translation, and differences were resolved through discussions (pair wise inter-rater agreement > 0.92). Chinese names that were sound based sounded similar in Chinese to the English names, syllable by syllable. Those that were meaning based had Chinese characters whose meanings closely related to the core attributes of the product category.

Finally, the two types of names were tested with 40 Chinese native speakers in Shanghai on familiarity (7-point scale, 1 for not at all familiar, 7 for very familiar), brand name likelihood (7-point scale, 1 for not at all likely, 7 for very likely) and evaluations (on three 7-point scales, bad/good, not at all satisfactory/very satisfactory, and dislike/like; Cronbach $\alpha = 0.90$). Participants were randomly assigned to the conditions (that is, sound based or meaning based). Translated names that had similar ratings were then selected and used for the main study, as shown in Table 8.2. The final stimuli had similar ratings in terms of perceived familiarity, brand name likelihood and evaluations. Most importantly, there were no significant differences between the two different Chinese translation conditions on any of the names (all Ps > 0.30).

Participants

We recruited 120 Chinese business students in Shanghai to serve as decision experts in this study. They were asked to assume the role of managers performing naming evaluations and received a questionnaire booklet in Chinese to provide their responses.

Table 8.2 Stimulus brand names in study 2

Products	**English names**	**Sound-based names**[a]		**Meaning-based names**[b]	
1. Soft drink	Harprin	Ha(1)pu(3)lin(2)	哈普林	Jue(2)chun(2)	绝纯
2. Lotion	Withrup	Wei(3)ruo(4)pu(3)	韦若普	Run(4)shu(1)	润舒
3. Shampoo	Sakin	Sha(1)jin(1)	莎金	Jing(4)xue(4)	净屑
4. Mobile phone	Ranot	Ru(2)na(4)te(4)	如纳特	Yao(2)zh1(4)	遥至
5. Crackers	Kerlay	Ke(1)li(4)	克立	Xiang(1)su(1)	香酥

[a]Chinese stimulus names are presented as characters in the experiments. They are represented in the table by the roman transliteration known as the Pinyin system, in which numbers in parentheses indicate the four tones of Mandarin Chinese.

[b]The meanings of the Chinese meaning-based names are based on the prototypical characteristics of the product categories and are as follows: jue(2)chun(2) meaning 'totally pure', run(4)shu(1) meaning 'moist and comfort', jing(4)xue(4) meaning 'make the scalp and hair clean', yao(2)zhi(4) meaning 'reachable from far away', xiang(1)su(1) meaning 'smells good and tastes flaky'.

Design

The study took the form of a 2 (first entrant's naming method: meaning based versus sound based)×2 (first entrant's performance: successful or less successful)×2 (naming method for the current product: meaning based versus sound based) mixed experimental design. The first two variables were between-subjects factors and the third variable was a within-subjects factor.

Procedure

Participants were given both the English name and the Chinese name of the supposedly first product that entered the Chinese market in a particular product category. The Chinese and English dual names were of equal size. In half of the cases, Chinese names were on top of English names; in the other half, the order was reversed. No significant differences were observed on this factor. Half of the participants received a version in which the first entry product's name used a meaning-based method; the other half received a version in which the first entry's product name used a sound-based naming method. To manipulate the market performance of the first entry brand, half of the participants were told that the first entry product was successful; the other half were told that it was less successful. After these manipulations, participants were shown a number of brand names and were asked to provide their expert evaluations of the names, using three 7-point scales: (a) bad/good, (b) not at all satisfactory/very satisfactory and (c) dislike/like.

Results and discussion

An index of brand name evaluation was formed by averaging the evaluation items (Cronbach $\alpha = 0.95$). A $2 \times 2 \times 2$ ANOVA revealed a significant main effect of first entry brand's performance, $F(1,116) = 8.91$, $P < 0.01$. Evaluations of brand names were more favorable when participants were told that the first entry brand into the product category was successful than when they were told that it was less successful ($M = 4.19$ versus $M = 3.84$) – an effect that may be interpreted as a manipulation check on market performance. More importantly, the analysis revealed the predicted significant three-way interaction, $F(1,116) = 52.67$, $P < 0.0001$. No other effects were statistically significant.

As shown in Figure 8.1a, when the first entry product used meaning-based translation method, participants provided higher evaluations of the new meaning-based names when the first entrant was described as successful than when the first entrant was described as less successful (Ms $= 4.65$ versus 3.44), $t(58) = 6.63$, $P < 0.0001$. However, participants

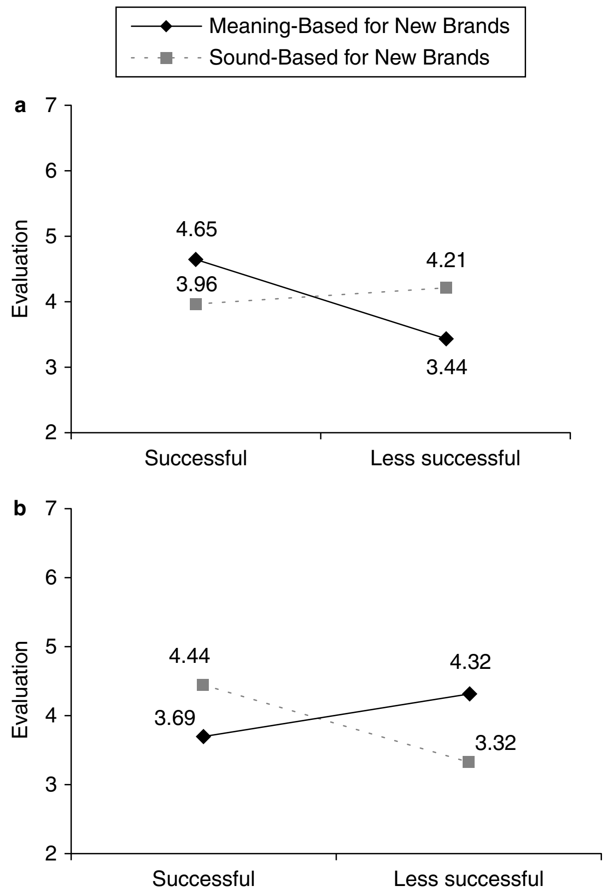

Figure 8.1 Brand name evaluations in study 2. (a) First entry brand using meaning-based method. (b) First entry brand using sound-based method

provided similar evaluations of the new phonetic names when the first entrant was less successful relative to when the first entrant was successful (Ms = 4.21 versus 3.96), $t(58) = 1$, $P > 0.30$. The exact mirror image of the above results emerged when the first entry product was described as using sound-based translation method (see Figure 8.1b). Participants provided higher evaluations of the new sound-based names when the first entrant was successful than when the first entrant was less successful (Ms = 4.44 versus 3.32), $t(58) = 4.45$, $P < 0.001$. However, higher evaluations of the new meaning-based naming were provided when the first entrant was less successful than when the first entrant was successful (Ms = 4.32 versus 3.69), $t(58) = 2.17$, $P < 0.05$.

Furthermore, in column wise comparisons, when the first entrant used a meaning-based naming method, the meaning-based naming received higher evaluations than the sound-based naming when the first entrant was described as successful (Ms = 4.65 versus 3.96), $t(29) = 3.24$, $P < 0.01$. However, the sound-based naming received higher evaluations than the meaning-based naming when the first entrant was less successful (Ms = 4.21 versus 3.44), $t(29) = 4.33$, $P < 0.001$. In contrast, when the first entrant used sound-based naming method, the sound-based naming received higher evaluations than the meaning-based naming when the first entrant was successful (Ms = 4.44 versus 3.69), $t(29) = 2.96$, $P < 0.01$. However, the meaning-based naming received higher evaluations than the sound-based naming when the first entrant was less successful (Ms = 4.32 versus 3.32), $t(29) = 4.94$, $P < 0.0001$.

In sum, the study indicates that participants used their explicit linguistic knowledge of the sound and meaning dimensions of the first entry to evaluate a new name. Successful or less successful market position of the first entry product, in the absence of other information, seems to become associated with the naming methods, and thus define opportunities and constraints for the name of the new brand.

General discussion

The present research shows that when firms and their decision makers select name translations, they rely on tacit linguistic intuitions, as well as explicit and established linguistic standards. Specifically, decision makers rely intuitively on sound and meaning dimensions of a language and they use their explicit linguistic knowledge by taking into consideration competitive naming approaches.

The present research has several limitations. First, the two studies examined name translations structurally in terms of sound- and meaning-based translations, but they did not examine the valence of the sounds and meanings (that is, whether the sounds and specific meanings of the names were attractive, appropriate or innovative). We suggest that future research examine the sound and meaning dimensions in terms of valence, investigating tacit knowledge of ‘good’ or ‘bad’ sound imagery and in terms of ‘good’ or ‘bad’ word connotations and associations. Second, while the present studies showed that both tacit and explicit linguistic knowledge matter in name translations, the research did not compare the two aspects of linguistic knowledge in terms of their relative importance. This should be done in future research. For example, subsequent entrants may intentionally deviate from the established standard by relying on their linguistic intuitions; that is, they may create, for example, a positively valenced translation regarding both sound and meaning when the standard may be a pure sound-based or meaning-based approach. Finally, the finding that both tacit and explicit linguistic knowledge are important should be conceptually replicated in other linguistic contexts by identifying the structural knowledge and rules that decision makers use in these contexts.

The present research has practical implications for brand naming and brand translations that may enrich existing managerial frameworks for international managers (Francis *et al,* 2002). At a general level, our research suggests that name translations should be done locally, that is, global managers should trust their local staff and local agencies because, as native speakers of a language they can use their tacit and intuitive linguistic knowledge to design appropriate names. In addition, as the responses of the local Chinese business students in our study indicated, when a company intends to minimize its risk in the Chinese market, it may pursue a 'me too' linguistic strategy when deciding on a local name.

Naming is one of the most important aspects of branding and essential for brand success. However, little research has examined brand naming and translation issues from a structural linguistic perspective. We have shown that as for other aspects of language (Chomsky, 1965), people bring to bear tacit, engrained linguistic knowledge and explicit rules to judge the appropriateness of brand names and translations. Individuals thus consider not only stand-alone factors related to the brand name as such (Keller *et al,* 1998; Klink, 2000, 2003), but 'deeper' linguistic factors relating to the structure of a language and its use in a societal context.

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9

The Effects of Sub-brands and Brand Name Structure on Extension Evaluation: An Empirical Study Based on Chinese Culture

Tong Chen, Ke Ma, Chundong Zheng and Han Wang

Introduction

Brand extension has come to represent a key method for expanding a product into a new market to reduce or circumvent costs and risks associated with establishing a new brand (Aaker and Keller, 1990). Specifically, when engaging in brand extension, companies adopt different naming standards for products they mean to extend. As the result of an increase in the number of companies that engage in creative naming strategies to these ends, it has become an interesting topic of research for multiple scholars. For example, Park *et al* (1996) found that in composite brand extension, a combination of two existing brand names in different structural positions – as a header and a modifier – is used as the brand name for a new product. Moreover, the authors found that a composite brand extension is characterized by different attribute profiles and feedback effects, depending on the position of these constituent brand names. Desai and Keller (2001) demonstrated that a branding strategy based around the identification of ingredients significantly affected the likelihood of consumer acceptance of the brand extension. Lam *et al* (2013) examined a strategy in which two brand names are used – this strategy is called dual branding.

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They found that whereas suggestive sub-brand names can help consumers recall a new product's key features, suggestive parent-brand names communicate the benefits of the product category. Taken together, these studies have shown that a product's brand name affects the degree to which its brand extension will be effective. Although most cases of brand extension involve the extended product's use of the parent-brand name, some extensions use sub-branding to improve consumer perceptions of the extended product's image. Sub-branding is the combination of an established company's name with another name from an existing or a different product category to develop a product or service with its own brand identity in a given market segment (Rahman, 2013).

Generally, the most important factor concerning brand extension is the perceived fit between the parent product and the extended product (Aaker and Keller, 1990; Boush and Loken, 1991; Jung and Tey, 2010). When extended products are perceived to fit well with their corresponding parent products, they are subject to a number of benefits in their development. However, companies sometimes introduce moderately inconsistent products as extended products to increase the breadth of products that exist under a single brand. It remains an open question as to whether companies utilize different naming patterns for such kinds of extended products remains a question. Given this, this study is designed to explore the sensitivity of specific naming structures on the fit of brand extension by comparing sub-brand naming patterns as well as the naming patterns of related to parent-brand extensions.

For naming patterns related to the extension of parent brands, the extended product directly uses the parent-brand name. In contrast, sub-brand naming patterns involve the introduction of a new name before or after the parent-brand name. Clearly, the selection of the right brand name is a critical marketing decision. A product's brand name is not only a symbol for the quality of the product, but also provides consumers with social, psychological and functional value (Teas and Grapentine, 1996). Moreover, brand name has a significant effect on consumer purchase intention (Grewal *et al*, 1998).

Extant research on brand naming has primarily involved word-level analysis to examine the characteristics of English brand names that improve brand recall (Lee and Ang, 2003). However, owing to the unique cultural background of China, Chinese consumers attend to the connotations of a brand name (Fengru and Shooshtari, 2003). Given this, the lack of research on the effect of different semantic brand names on Chinese consumers' evaluations of sub-brand names is consequential.

In China, every brand name has its own unique meaning. Numerous studies on branding have demonstrated that Chinese consumers prefer names with positive and fortunate implications (Chan and Huang, 2001; Francis *et al*, 2002). In addition, Chinese companies gravitate toward lucky brand names, as they are thought to improve their luck (Schmitt *et al*, 1994; Meng Leong *et al*, 1996). The specific meaning implied by the brand name can lead consumers to associate with the brand itself, further affecting consumer evaluations of the brand's extension (Aaker and Keller, 1990).

In China, the home appliance industry is populated with companies that utilize sub-branding as a means of product extension. This article identifies 35 sub-brands associated with 15 home appliance parent brands. Our analyses show that these sub-brand names can be classified as one of two types. The first type highlights the functional characteristics of the product (for example, the Haier – small child prodigy washing machine). Relative to the functional description, the second sub-brand name type is a bit more abstract (for example, Samsung – Famous; Sony – Trinitron). Our findings further show that successful sub-brand names are characterized by parent brands that were adapted more often prefer more functional sub-brand names, while others prefer more abstract sub-brand names.

Brand names significantly influence consumers' purchasing intentions, and there exist different strategies for sub-brand naming. A salient question emerges: For different types of parent brands (that is, functional and symbolic), which sub-brand naming strategy better serves the development of an extended product? Past studies on brand names have largely focused on the relationship between the brand name and consumers' purchasing intentions. Scholarship on sub-brand names has mostly related to the name's structure. By including consumers' brand association in this article, we explore the effect of differently structured semantic sub-brand names on consumers' evaluations of brand extensions.

Literature review and hypotheses

Brand extension is the use of established brand names to launch new products. Owing to the frequency with which companies employ brand extension as a strategy (Völckner and Sattler, 2006), it has attracted significant attention from researchers in recent years. Past research has identified a number of factors that influence the outcome of attempts to implement brand extension, including consumer perceptions of the parent brand's original or extended products, brand power/company strength (Brown and Dacin, 1997), brand association (Broniarczyk *et al*, 1992), brand image (Bhat and Reddy, 2001), brand or product quality (Chowdhury and Kabir, 2007), the name of the brand or product (Desai and Keller, 2002), the competitiveness of the brand or product (Kapoor and Heslop, 2009), the category in which the product is classified (Sheinin and Schmitt, 1994) and user experience (Fu *et al,* 2007).

Within this corpus of research, the most frequently reported finding is that similarity or fit is the key condition for successful brand extensions (Aaker and Keller, 1990; Boush and Loken, 1991; Broniarczyk and Alba, 1994; Jung and Tey, 2010). However, to broaden the breadth of a brand, it is sometimes necessary to introduce different types of products into the market. This raises the question as to what a company can do to facilitate successful brand extension when the product being extended is not a satisfactory fit. Del Rio *et al* (2001) reported that choosing the proper brand name is important for a firm/company to obtain advantages over competitors. As outlined above, brand names can be structured in different ways; we assume that differences in these structures can influence consumer sensitivity to perceived fit and broaden a brand's breadth.

For the purposes of this study, an extended product named developed through the 'sub-brand mode' is one that has been sub-branded. Products named via the parent mode are those in which the extended product is named the same as the parent brand. The Haier – small child prodigy washer – represents an example of a product in sub-brand mode; the Lenovo mobile phone represents a product in parent-brand mode. Sub-brand mode refers to a situation in which an extended product has its own name, thereby distinguishing it from the parent brand from which it came. Generally, sub-brand names have two components – the parent-brand name and a separate brand name. These two name components affect how consumers process information related to extended products. Owing to their familiarity to consumers, parent-brand-named extended products will quickly arouse category-based information processing on the part of consumers; sub-brand named extended products will incite classification-based information processing (Weber and Crocker, 1983; Sujan and Bettman, 1989). When a consumer engages in category-based processing, the parent brand serves as the basis for the consumer's evaluation of the extended product (Boush and Loken, 1991; Moreau *et al*, 2001). Therefore, consumers engaged in category-based processing have higher evaluations on high similarity extended products (Aaker and Keller, 1990; Gürhan-Canli and Maheswaran, 1998; Bottomley and Holden, 2001). In contrast, the sub-brand mode will not yield this effect (Sheinin, 1998; Sood and Keller, 2012). The parent-brand mode induces greater perceptions of similarity because when consumers evaluate the extended products of the parent brand, the parent-brand name is the only contextual clue they can use to evaluate those products. In the sub-brand mode, however, consumers are provided with two semantic clues. As such, category-based information processing is unlikely to exert a substantial effect on consumer evaluations of extended products.

In contrast, an extended product named in sub-brand mode is likely to influence consumer evaluations of a brand extension. If the sub-brand name transfers information about product positioning, it will similarly communicate information as to how the extended product differs from the parent product. Past studies have shown that consumers typically use information available to understand product attributes (Boulding and Kirmani, 1993). Erdem and Swait (1998) argued that in volatile markets in which information is imperfect, brand names can serve as heuristic indicators of a product's position in the market. When consumers evaluate sub-brands, the combination of a new label with an established brand name can help consumers to mentally position the product with respect to the parent brand.

In summary, a product named via the parent-brand mode will generate more category-based evaluations among consumers, and a product named via the sub-brand mode will induce classification-based information processing in which the consumer evaluates both the parent brand and the extended product's new name. On the basis of the literature outlined above, we propose:

Hypothesis 1: Relative to the sub-brand mode, the parent brand mode is more sensitive to the fit between the parent product and the extended product.

Hypothesis 1a: When the perceived fit between the parent product and the extended product is high, consumer evaluations of products named via the sub-brand mode are the same as those named via the parent-brand mode.

Hypothesis 1b: When the perceived fit between the parent product and the extended product is low, consumer evaluations of products named via the sub-brand mode will be higher than evaluations of products named via the parent-brand mode.

On the basis of Hypothesis 1, we explore how the sub-brand should be named when parent brands seek to (i) extend their brand's breadth, and (ii) use a sub-branding strategy to extend a product with low fit. This is important, as research associated with brand names is relatively rare. Among the studies that do exist, some have adopted a social linguistics perspective to highlight the principles with which brand names should comply. Specifically, these studies have asserted that consumers should be able to pronounce the names aloud easily, and the combinations of syllables should be clear and concise (Lowrey and Shrum, 2007). Moreover, the name should grab audience attention and be easily remembered (Bao *et al*, 2008). In their research on the effects of brand names, Aaker and Keller (1990) reported that brand names can cause consumers to associate the brand with any number of things, thereby affecting consumer evaluations of the brand. Michel and Donthu (2014) demonstrated that consumer associations with brands can be divided into central brand associations and peripheral brand associations; the more inconsistent the extension is with the central brand associations, the faster the brand evaluation deteriorates. In contrast, for peripheral consumer associations, inconsistent brand extensions should not affect consumer evaluations of the brand. Sunde and Brodie (1993) similarly explored the significance of brand names in the context of brand extensions. Through experimental studies, they showed that brands should communicate value to consumers through characteristics associated with its brand name (for example, quality, style and durability). Desai and Keller (2001) studied ingredients of brand names and found that these ingredients have a substantial impact on how extended products are evaluated. In their research on brand extension evaluations, Grewal *et al* (1998) illustrated that brand names significantly influence consumer willingness to purchase a product. Similarly, Sood and Keller (2007) found that a brand name's structure affects consumer evaluations of brand extensions; small changes in the structure of an extended product's name can generate substantial changes in consumer attitudes toward that brand.

Most past research on brand names has focused on the parent-brand name or the parent-brand mode. Some research on sub-brands has examined the structure of sub-brand names. For example, Myung-Soo (2007) explored whether the name of a quality sub-brand should be positioned before or after the name of the parent brand. Results showed it is more effective to position the sub-brand's name before the parent brand's for weak brands. For strong brands, though, it is more effective to position the parent-brand's name first (Myung-Soo, 2007). That said, an extended product's name structure should be considered only after the sub-brand has been effectively named. The process of naming a sub-brand can be a difficult one that requires substantial consideration.

In the past, researchers have categorized brand names as suggestive or non-suggestive (Keller *et al*, 1998; Lee and Ang, 2003). However, all Chinese brand names are based on semantics (that is, have meaning). Fengru and Shooshtari (2003) explored the principles of brand naming within the Chinese market. They proposed that the consumers' sociolinguistic backgrounds shape their responses to brand names. Given this, in the Chinese context, those that name brands must consider not only the linguistic features of brand names, but also the characteristics of the Chinese consumers to which they are marketed. Chinese culture is known for its emphasis on the symbiosis between humans and nature, as well as the degree to which it is influenced by Confucianism (that is, coordination between individuals and the group). In addition to the significant cultural differences between China and the West, there are also semantic and syntactic differences between the Chinese and English languages. To illustrate, in the process of naming a brand, the Chinese more heavily emphasize elements of language than those that speak English. Fengru and Shooshtari (2003) found that whereas American consumers place greater value on the pronunciation of brand names, Chinese consumers value the connotations of brand names. The naming of Chinese brands typically involves a consideration of three factors: the market (that is, it is better for the name to be useful in terms of promotion and marketing), the law (that is, the brand name should have a legal basis) and linguistics (that is, the brand name should be simple, easy-to-understand and have a positive connotation). The linguistics associated with the brand name serves as a fundamental basis for the market and legal factors. Given its fundamental nature, we consider the linguistic factor to be the most important consideration in brand naming. The influence of a brand's name on consumer purchase intentions occurs through brand association.

Robertson (1989) reported that the positive connotations related to a brand name can inspire consumers to associate that brand with other good things, thereby improving brand image. Rahman (2013) used the free association method to explore the meanings of brand names. This analysis revealed five domains of sub-brand names: parent company association, product category characteristics, brand element semantics, sub-brand unique identity and reference to competitors.

By examining the semantics of Chinese sub-brand names, we found that some highlight a product's functional characteristics and others are more abstract. Given this distinction, and according to the semantics associated with the Chinese names, we divided the sub-brand names into two semantic types: functional semantic type and symbolic semantic type. Simultaneously, we found that parent brands that are adapted more frequently prefer more functional sub-brand names, while others prefer more abstract sub-brand names. Because parent brands that are adapted more frequently tend to be functionally oriented, they seek to emphasize the functional value of their products. In contrast, symbolic brands often seek to highlight their symbolic value. For parent brands that emphasize symbolism through their names, the characteristics of the name of their sub-brand should be consistent with the semantics of the parent-brand name. This relationship should be robust for functional parent brands as well. As such, we propose the following hypotheses:

Hypothesis 2a: Within the Chinese market, for symbolic parent brands, consumer evaluations of products with symbolically named sub-brands will be more favorable than their evaluations of products with functionally named sub-brands.

Hypothesis 2b: Within the Chinese market, for functional parent brands, consumer evaluations of products with functionally named sub-brands will be more favorable than their evaluations of products with symbolically named sub-brands.

Brand names can improve consumers' awareness of those brands, and facilitate the association of the brand with other positive things. Keller *et al* (1998) found that names with associative meaning related to product attributes can improve consumers' ability to recall brand names and related product properties. Zinkhan and Martin (1987) proposed that quality sub-brand names can induce consumers to believe that the sub-brand product is of high quality. Samu and Krishnan (2010) found that the size of the associations of the brand name affect the consumers' recall of the brand, which subsequently affects the consumers' evaluation.

It is clear that the semantics of a sub-brand's name can induce different semantic associations, and the size of the association affects how the sub-brand is evaluated. If the association set is relatively small, there will be fewer associations that do not belong to that particular sub-brand, and the associations will be more focused on the features of the sub-brand, which is better for the consumers' evaluation. In contrast, if the association set is relatively large, the resulting associations are more likely to interfere with consumer's purchase selections and subsequent evaluations (Keller *et al*, 1998). In the functional semantic type, consumer associations will be more closely related to the functional features of the extended product, which can in turn strengthen consumer evaluations of the product extension. However, in the symbolic semantic type, consumers will make a larger number of associations between the product and things that are unrelated to the brand. These associations may interfere with consumer selections and subsequent evaluations of products. Given the above, we propose:

Hypothesis 3a: In the Chinese market, for sub-brands with a symbolic semantic name, consumers' evaluation after association would be lower than that before association.

Hypothesis 3b: In the Chinese market, for sub-brands with a functional semantic name, consumers' evaluation after association would be higher than that before association.

Method

We performed the current study in two distinct parts. The purpose of Study 1 was to explore the degree to which sub-brand mode is sensitive to the fit between the parent product and the extended product. Specifically, Study 1 explores how participants responded to various brand name structures (that is, parent mode versus sub-brand mode) under two conditions of fit between the parent product and extended product (high versus low). On the basis of the results produced by Study 1, Study 2 explores the optimal method for choosing a Chinese sub-brand name. To determine the optimal method, Study 2 features an explanation of how consumers react to sub-brands with names of different semantic types (that is, symbolic versus functional) under different brand types (symbolic versus functional).

Study 1

Pre-test

Pre-test 1: In this study, we selected Pepsi and Tropicana as the target parent brands for two reasons. First, a large proportion (65 per cent) of participants reported being familiar with the two brands. Second, both Pepsi and Tropicana are beverage brands, thereby negating any effect that may have arisen as a function of the parent-brand product category.

Pre-test 2: The purpose of Pre-test 2 was to identify a pair of extended products in which one has a high fit with Pepsi and a low fit with Tropicana, and the other has a low fit with Pepsi and a high fit with Tropicana. To identify these products, we solicited responses from 56 undergraduates from a local university in exchange for 10 Chinese yuan (RMB). Specifically, these subjects reported their perceptions of fit between the two extended products and the two parent brands (Pepsi and Tropicana). Results of this pilot test showed that potato chips were perceived as having a higher fit with Pepsi and a lower fit with Tropicana; jam was demonstrated to have a lower fit with Pepsi and a higher fit with Tropicana.

Pre-test 3: The objective of Pre-test 3 was to identify a sub-brand name for which the independent portion (that is, not the parent name) conveys more favorable product positioning information. On the basis of the extended products selected from Pre-test 2 (that is, potato chips and jam), we named the potato chips Shu Ni Cui (spelled in Chinese Pinyin, this name suggests that the chips are crisp) and the jam Guo Le Mei (also spelled in Chinese Pinyin, this name suggests feelings of happiness when eating the sweet jam).

Participants, design and procedure

The initial participants in Study 1 were 90 undergraduate students from a local university in northeast China. Following Malhotra's (1999) recommendations, we removed six response sets from the data set on the basis of inconsistent responses. Given this, the final sample consisted of 84 undergraduates (57 females, 27 males) with an average age of 21.5 years. In return for their participation, we provided all respondents with 10 Chinese yuan.

To explore the hypotheses outlined above, we employed a 2 (brand name structure: parent-brand mode versus sub-brand mode) × 2 (fit: high versus low) mixed experimental design. Perceived fit was a between-subjects factor, and brand name structure was a within-subjects factor. All data were collected in a classroom setting. Participants entered the classroom in groups of two and were randomly assigned to one of the two conditions (high fit versus low fit). In total, 41 participants were assigned to the high-fit group and 43 participants were assigned to the low-fit group. After their assignment, they independently completed all the tasks. Specifically, each was asked to evaluate the extended products of the two parent brands. The high-fit evaluated Pepsi-potato chips relative to Pepsi-Shu Ni Cui and Tropicana-jam relative to Tropicana-Guo Le Mei. In contrast, the low-fit group evaluated Pepsi-jam relative to Pepsi-Guo Le Mei and Tropicana-potato chips relative to Tropicana-Shu Ni Cui.

Measures

Participants' evaluations of the extended products were gauged with a 2-item scale adopted from Martínez and Pina (2010). One of the items was related to the participant's intention to purchase the product, and the other related to the extent to which participants liked the product. All items were measured on 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Results and analysis

To investigate the relationships described above, we performed a univariate analysis of variance (ANOVA). First, we contrast coded the perceived fit level (high fit versus low fit), after which, we contrast coded the mode of the extended product (parent-brand mode versus sub-brand mode).

Results of this analysis revealed a significant main effect of perceived fit (Pepsi: $F = 4.817$, $P < 0.05$; Tropicana: $F = 4.242$, $P < 0.05$). In addition, there was a significant main effect of extended product mode (Pepsi: $F = 3.748$, $P < 0.05$; Tropicana: $F = 9.906$, $P < 0.05$). More importantly than these main effects, however, the analysis also showed a significant interaction effect (Pepsi: $F = 7.43$, $P < 0.05$; Tropicana: $F = 5.060$, $P < 0.05$), indicating that extended brand naming mode moderates the relationship between perceived fit and extension evaluation (Table 9.1).

Following the ANOVA, we performed a *t*-test to further analyze the relationship between sub-brand naming and consumer evaluations of extended products. For extended products with high fit, there were no significant differences between evaluations of products named via the parent-brand mode and products named via the sub-brand mode ($M_{\text{Pepsi-potato chips}} = 9.91$, $M_{\text{Pepsi-Shu Ni Cui}} = 9.59$, $P > 0.05$; $M_{\text{Tropicana-jam}} = 9.98$, $M_{\text{Tropicana-Guo Le Mei}}$ 10.32, $P > 0.05$). For extended products with low fit, evaluations of products named via the sub-brand mode were

Table 9.1 Effects of perceived fit and extended mode on extension evaluation

(a) Pepsi

	DF	Mean square	F	Significance
Perceived fit	1	33.181	4.817	0.030
Extended mode	1	25.820	3.748	0.055
Perceived fit * Extended mode	1	51.185	7.431	0.007

(b) Tropicana

	DF	Mean square	F	Significance
Perceived fit	1	25.949	4.242	0.041
Extended mode	1	60.600	9.906	0.002
Perceived fit * Extended mode	1	30.953	5.060	0.026

significantly higher than evaluations of products named via the parent-brand mode ($M_{\text{Pepsi-jam}} = 7.93$, $M_{\text{Pepsi-Guo Le Mei}} = 9.80$, $P < 0.05$; $M_{\text{Tropicana-potato chips}} = 8.34$, $M_{\text{Tropicana-Shu Ni Cui}} = 10.39$, $P < 0.05$). Figure 9.1 provides a visual representation of these results.

Given the limited external validity associated with the exclusive use of student subjects, we sought to increase the generalizability of our findings by inviting an additional 280 non-student subjects participate in our experiment. Participants were recruited from an online professional survey service, and were given 5 Chinese yuan in return for their participation. Sixteen cases were found to be incomplete or contain otherwise unusable data. After removing these cases, the final complementary sample consisted of 264 additional participants. One-hundred and nineteen participants were male, 145 were female. Average age of the complementary participants was 30.8 years.

Results of analyses performed with the non-student sample were similar to those with the student subjects. There was a significant main effect for both perceived fit and extended mode (Perceived fit: Pepsi: $F = 189.395$, $P < 0.001$; Tropicana: $F = 235.354$, $P < 0.001$; Extended mode: Pepsi: $F = 227.680$, $P < 0.001$; Tropicana: $F = 264.885$, $P < 0.001$). Moreover, there is a significant interaction effect (Pepsi: $F = 247.469$, $P < 0.001$; Tropicana: $F = 264.885$, $P < 0.001$), indicating that naming mode of the extended product moderates the relationship between perceived fit and evaluations of the extended product.

We also performed an additional *t*-test to analyze the differences in extension product evaluations as a function of naming mode (that is,

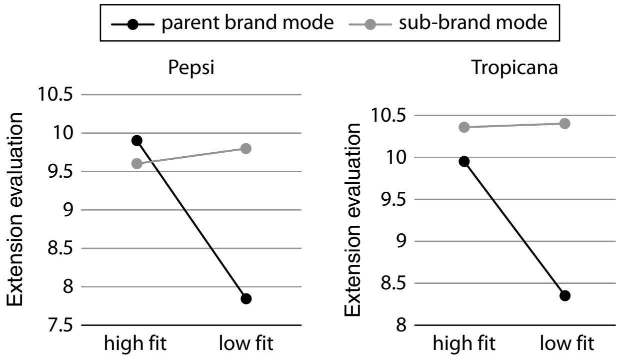

Figure 9.1 Evaluation of brand extension in parent-brand mode versus sub-brand mode – Student subjects

parent-brand versus sub-brand mode). Results of this test showed that for extended products with high fit, there were no significant difference in participant evaluations of products named via the parent-brand mode and the sub-brand mode ($M_{\text{Pepsi-potato chips}} = 5.33$, $M_{\text{Pepsi-Shu Ni Cui}} = 5.27$, $P > 0.05$; $M_{\text{Tropicana-jam}} = 5.32$, $M_{\text{Tropicana-Guo Le Mei}} = 5.32$, $P > 0.05$). For extended products with low fit, evaluations of products named via the sub-brand mode were significantly higher than those named via the parent-brand mode ($M_{\text{Pepsi-jam}} = 2.72$, $M_{\text{Pepsi-Guo Le Mei}} = 5.44$, $P < 0.05$; $M_{\text{Tropicana-potato chips}} = 2.75$, $M_{\text{Tropicana-Shu Ni Cui}} = 5.39$, $P < 0.05$). Figure 9.2 provides a visual depiction of these results.

Results of these analyses revealed the differences in consumer evaluations of products in the context of brand extension. On one hand, evaluations of products named via the parent-brand mode are more heavily contingent on the fit between the extended product and the parent-brand product. Relative to the sub-brand mode, the parent-brand mode is heavily affected by product fit; therefore, when products are named via the parent-brand mode, the evaluations of products with high fit tend to be higher than evaluations of extended products with low fit. In contrast, the sub-brand mode is unaffected by perceptions of fit, indicating that evaluations of extended products with high fit are not significantly different from evaluations of extended products with low fit. These results provide empirical support for Hypothesis 1.

Taken together, the results of Study 1 suggest that the mode through which a product is named (that is, the parent-brand or sub-brand mode)

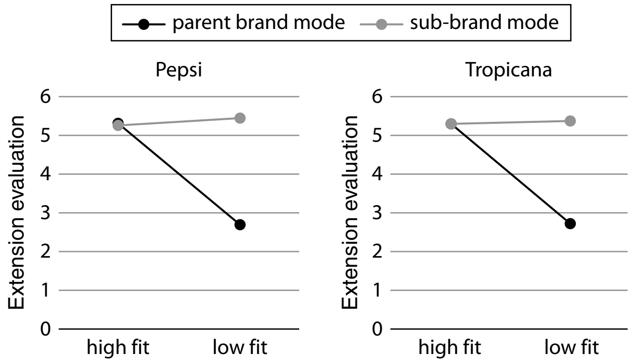

Figure 9.2 Evaluation of brand extension in parent-brand mode versus sub-brand mode – Common subjects

moderates the relationship between perceived fit and consumer evaluations of extended products. Specifically, companies can successfully extend brands with relatively low fit to parent brands with sub-brand naming techniques. In Study 2, we use the extended product with low fit as a stimulus and explore the effects of different semantic sub-brand names on consumer evaluations of brand extensions within the Chinese market.

Study 2

Outline

On the basis of the results produced by Study 1, Study 2 explores the effects of different semantic Chinese sub-brand names on consumer evaluations of extending products when different types of parent brands use sub-branding in Chinese markets. First, we classify the types of parent brands and explore the most suitable semantic sub-brand names for each. Following this, we discuss differences in evaluations before and after consumer associations with the brand.

Pre-test

Pre-test 1: The purpose of Pre-test 1 was to choose parent brands to be used in study. For this study, we chose ice cream as the product category because consumers are very familiar with ice cream brands, and there are a wide array of ice cream products that are capable of extension.

Table 9.2 Brand type analysis

Brand name	N	$M_{functional}$	$M_{symbolic}$	Significance	Brand type
Häagen-Dazs	47	3.13	3.75	0.00	Symbolic brand
DQ	34	3.23	3.47	0.67	Not clear
Tianbing	43	3.89	3.34	0.00	Functional brand
Hong Baolai	36	3.60	2.98	0.00	Functional brand

Thus, for the purpose of Study 2, we chose Häagen-Dazs, Tianbing, Dairy Queen (DQ), and Hong Baolai as the brands of focus. These four ice cream brands are very familiar to consumers, and none of the four brands are significantly more familiar than any of the others. We then tested each of the brands to determine what type consumers perceived them to be. To differentiate brand types, we adopted procedures performed by Bhat and Reddy (1998). We invited 160 undergraduate students to participate in this pre-test in exchange for 10 Chinese yuan. Of these participants (see Table 9.2), 47 subjects evaluated Häagen-Dazs and found it to be of the symbolic brand type. Thirty-four subjects evaluated DQ and although the score for the symbolic type was higher than the score for the functional type, the difference was not significant. Forty-three participants evaluated Tianbing and perceived it to be of the functional type. Finally, a final set of 36 participants evaluated Hong Baolai and like Tianbing, also found it to be a brand with a functional emphasis.

On the basis of the results of these pretests, we chose Häagen-Dazs to be the symbolic parent brand of focus and Hong Baolai as the functional parent brand of focus. Although Hong Baolai and Tianbing were both evaluated as functional brands, we chose Hong Baolai because when translated, the names Häagen-Dazs and Hong Baolai do not allude to the cold. In avoiding parent-brand names with allusions such as this, we can prevent effects of different semantic parent-brand names on the results.

Pre-test 2: The purpose of this pre-test was to choose an extended product that is a poor fit with both parent brands. We invited 112 undergraduate students to participate in this test in exchange for 10 Chinese yuan. On the basis of extended products provided by Nestle, we provided subjects with six extended products related to the parent brands: red wine, mineral water, candy, milk, chocolate and coffee. The results showed among these products, red wine had the lowest fit for both parent brands of focus.

Pre-test 3: The purpose of this pre-test was to choose two Chinese semantic names for red wine products. To perform this task, we invited 53 undergraduate students to participate in the pre-test in exchange for 10 Chinese yuan. First, subjects were asked to select their favorite name for red wine from a list of fictitious options. Following their choice, they judged the semantic quality of each of the names. Results of this analysis revealed Bo Er Ya and Lai Hong Chun Niang to be the most popular names for red wine. Bo Er Ya is a symbolic semantic name that expresses a sense of elegance and class, and Lai Hong Chun Niang is a functional semantic name that emphasizes the purity of the wine. Both names are suitable for Chinese culture.

Participants, design and procedure

Initial participants in Study 2 were 80 undergraduates from a local university in Northeast China. As with Study 1, we deleted six cases (comprised of inconsistent responses) from the data set in accordance with Malhotra's (1999) recommendations. Given these deletions, the final dataset for Study 2 consisted of 74 (49 females, 25 males) usable cases. The average age of the participants was 20.7 years, and all participants received 10 Chinese yuan in exchange for their participation.

We implemented this study via a 2 (brand type: functional versus symbolic) $\times$ 2 (semantic sub-brand name: functional versus symbolic) mixed experimental design in which the brand type served as the between-subjects factor, and the semantic sub-brand name was the within-subjects factor. As in Study 1, data collection for Study 2 occurred in a classroom setting. Participants entered the classroom in groups of two and were randomly assigned to one of the two conditions.

We then invited another set of 80 undergraduate students to participate in the association manipulation test. These participants also received 10 Chinese yuan. First, subjects were randomly assigned to two groups to perform a free association related to the two sub-brand names. Following this, participants were asked to evaluate the extended product. We measured participant evaluations using the same scale we used in Study 1. After screening the data for problematic cases, the final sample size for this pre-test was 72 participants, 47 of which were female and 25 of which were male. The average age of these participants was 20.5 years.

Results and analysis

First, we used a regression model to explore the effects of the different sub-brand names on pre-association evaluations of the extended product. The regression analysis showed that differences in the semantic sub-brand names significantly affect consumer evaluations of the brand extensions for both Häagen-Dazs ($\beta = 0.481$) and Hong Baolai ($\beta = -0.372$). Table 9.3 presents the results of the regression analysis.

Following the regression analysis, we compared consumer evaluations of the two types of semantic sub-brand names for the two different parent-brand types. Results (see Table 9.4) showed that for Hong Baolai, consumer evaluations of the functional semantic sub-brand name are significantly higher than evaluations of the symbolic semantic sub-brand name. In contrast, for Häagen-Dazs, evaluations of the symbolic semantic sub-brand name are more positive than evaluations

Table 9.3 Regression results: Effect of different sub-brand names on consumer evaluations[a]

(a) Häagen–Dazs

	Model	**Non-standard coefficient**		β	t	**Significance**
		B	**Standard error**			
1	(Constant)	4.581	0.150	—	30.567	0.000
	Semantic sub-brand name	0.986	0.212	0.481	4.654	0.000

(b) Hong Baolai

	Model	**Non-standard coefficient**		β	t	**Significance**
		B	**Standard error**			
1	(Constant)	5.068	0.146	—	34.673	0.000
	Semantic sub-brand name	–0.703	0.207	–0.372	–3.400	0.001

[a]Dependent variable: Extension evaluation.

Table 9.4 Evaluation of different semantic Chinese sub-brand names: Student subjects

Parent brand	**N**	**Semantic name type**		**Significance**
		Functional	**Symbolic**	
Häagen-Dazs	37	4.581	5.568	0.000
Hong Baolai	37	5.068	4.365	0.002

Table 9.5 Interaction effects of sub-brand name type and association number on extension evaluations[a]

		DF	**Mean square**	**F**	**Significance**
Symbolic parent brand	Semantic name type * Association number	6	2.111	1.910	0.965
Functional parent brand	Semantic name type * Association number	6	1.001	0.965	0.457

[a]Dependent variable: Extension evaluation.

of the functional semantic sub-brand name. These results collectively provide support for Hypothesis 2.

Finally, we examined the effects of free association. Specifically, we designed and performed a regression analysis to analyze differences in evaluations before and after the free association exercise. Results showed that the number of associations affects consumers' evaluations of brand extensions (symbolic parent brand: $\beta = 0.205$, $t = 1.830$, $P < 0.05$; functional parent brand: $\beta = 0.210$, $t = 1.964$, $P < 0.05$). To avoid interactions between the number of associations and different semantic names, we performed an ANOVA to analyze these interaction effects on brand extension evaluations. Results of this ANOVA (see Table 9.5) showed that for both Häagen-Dazs and Hong Baolai, the interaction between the sub-brand name and number of associations does not significantly affect consumer evaluations of brand extensions.

Given that there were no significant interaction effects, we tested for main effects. To do so, we performed an ANOVA to examine whether the number of associations affected brand extension evaluations. By comparing evaluations before and after the association exercise, we found a number of interesting results (see Table 9.6). Evaluation of extension evaluations for symbolic sub-brand names were not different before

Table 9.6 ANOVA analysis: Pre- and post-association evaluation of different brand names

Brand name	**Semantic type**		**N**	**M**	**Standard deviation**	**F**	**Significance**
Häagen-Dazs	Symbolic sub-brand name	Before association	37	5.568	0.826	1.035	0.312
		After association	36	5.778	0.937		
	Functional sub-brand name	Before association	37	4.581	0.990	1.761	0.189
		After association	36	4.944	1.330		
Hong Baolai	Symbolic sub-brand name	Before association	37	4.365	0.863	2.449	0.122
		After association	36	4.722	1.079		
	Functional sub-brand name	Before association	37	5.068	0.914	8.611	0.004
		After association	36	5.708	0.952		

and after the free association exercise (Häagen-Dazs: $M_{\text{before association}} = 5.56$, $M_{\text{after association}} = 5.78$, $P > 0.05$; Hong Baolai: $M_{\text{before association}} = 4.36$, $M_{\text{after association}} = 4.72$, $P > 0.05$). This result indicates that symbolic semantic names may produce more unrelated associations; but, in the case of these two brands, there was no significant increase. As such, there was no evidence to support Hypothesis 3a. One possible explanation for this result may be that because both parent-brand names are symbolic, they may have influenced respondents in the same manner. Still, free association with symbolic sub-brand names may strengthen perceptions about the parent brand, and these perceptions may transfer to the extended product. If this were the case, evaluations would increase after free association.

In evaluating the functional sub-brand names, we found no significant difference in pre- and post-association evaluations of Häagen-Dazs product extensions ($M_{\text{before association}} = 4.58$, $M_{\text{after association}} = 4.94$, $P > 0.05$); however, the difference in the pre- and post-association evaluations of product extensions for Hong Baolai was significant ($M_{\text{before association}} = 5.06$, $M_{\text{after association}} = 5.7$, $P < 0.05$). This result shows that free association improved consumers' evaluations of functional semantic sub-brand names. This is because the practices of free association with respect to functional sub-brand names would facilitate consumer attention to the product's functions, thereby strengthening their perceptions of those functions. On the basis of this result, it seems that when the parent brand is functional in kind, free association among consumers can improve evaluations of the functional sub-brand. Therefore, these results provide partial support for Hypothesis 3b.

Because the external validity of Study 2 may have been compromised with the use of an exclusively student-based sample, we invited non-student subjects to participate in the study to increase its generalizability. In addition, this new analysis accounted for variation in cultures across China. China's size allows it to be divided into seven areas on the basis of their geographic location and the people that inhabit them. These different areas may contain individuals with differential understandings of semantic sub-brand names. Therefore, we further examined whether research participants from different parts of the country made different evaluations. Using a professional online survey system, we solicited responses from 260 participants from around China in exchange for currency equal to five Chinese yuan. Following the screening of the data, we removed 12 response sets, resulting in a final sample of 248 participants, 115 of which were male, and 133 of which were female. Average age among these participants was 31.4 years.

To examine the effects of different sub-brand names on pre-association evaluations, we again used an ANOVA. Results of this analysis showed that different semantic sub-brand names significantly affected consumers' evaluations (Häagen-Dazs, $F = 105.911$, $P < 0.000$; for Hong Baolai, $F = 35.355$, $P < 0.001$). These results were consistent with the findings derived from student subjects.

Following the implementation of this ANOVA, we compared consumer evaluations of the two sub-brand name types (that is, functional and symbolic) for the two different parent-brand types. Results (see Table 9.7) of this analysis showed that for Hong Baolai, consumer evaluations of the functional sub-brand name were significantly higher than evaluations of the symbolic sub-brand name. In contrast, in the case of Häagen-Dazs, evaluations of the symbolic sub-brand name were higher than that of the functional sub-brand name. These results provide empirical support for Hypothesis 2.

Further, we examined whether educational background and geographic location influenced the effects of different sub-brand names on consumers' evaluations. An ANOVA showed that educational background and geographic location did not moderate the relationship between different types of sub-brand names on consumers' evaluations of extended products. Results of this analysis are summarized in Tables 9.8a and 9.8b.

Table 9.7 Evaluation of different Chinese sub-brand names: Common subjects

Parent brand	**N**	**Semantic name type**		**Significance**
		Functional	**Symbolic**	
Häagen-Dazs	238	4.10	5.33	0.000
Hong Baolai	238	4.86	4.10	0.000

Table 9.8a ANOVA: The effect of educational background

Brand name	**Semantic type**	**N**	**M**	**F**	**Significance**
Häagen-Dazs	High school or below	12	5.04		
	Junior college	48	4.59		
	Bachelor degree	154	4.75	0.691	0.559
	Master degree	24	4.58		
Hong Baolai	High school or below	12	4.25		
	Junior college	48	4.43		
	Bachelor degree	154	4.54	0.571	0.635
	Master degree	24	4.31		

Table 9.8b ANOVA: The effect of geographic location

Location	Häagen-Dazs				Hong Baolai			
	N	M	F	Significance	N	M	F	Significance
East China	61	4.78	—	—	61	4.35	—	
North China	51	4.75	—	—	51	4.48	—	
Central China	22	4.68	—	—	22	4.55	—	
South China	52	4.98	0.516	0.796	52	4.43	1.464	0.192
Southwest	21	4.38	—	—	21	4.26	—	
Northwest	12	4.53	—	—	12	4.54	—	
Northeast	19	4.72	—	—	19	5.10	—	

General discussion

Discussion and implications

Previous studies on brand extension have found that similarity or fit is critical for the success of brand extension efforts (Aaker and Keller, 1990; Boush and Loken, 1991; Broniarczky and Alba, 1994; Jung and Tey, 2010). In addition to the fit between the extended product and the parent product, however, it may also benefit companies to broaden the width of their brands and transcend their traditional market boundaries through extension. Therefore, finding ways for companies to extend their brands to offer products that are dissimilar can be important. Study 1 shows that the mode (parent-brand mode versus sub-brand mode) moderates the relationship between fit and consumers' evaluations of product extension. In our exploration of how sub-branding may be used, we revealed several notable findings. First, in the parent-brand mode, the positive relationship between perceived fit and extension evaluation is robust, suggesting that parent brands are more sensitive to perceived fit. In the sub-brand mode, the positive relationship between perceived fit and extension evaluation is non-significant, indicating products for which the sub-brand does not fit the parent brand are evaluated poorly relative to brands for which that fit exists.

The findings gleaned from Study 1 can help a company increase a brand's width. We encourage marketing managers to consider the use of sub-branding to extend a product that fits poorly with the parent brand. On one hand, sub-branding can break the deadlock that every extended product requires to optimize fit with the parent product. Still, identifying a new product through sub-branding can result in a separate name for that product, allowing both the new product and the brand to retain unique images. Sub-branding may also help to distinguish the extended product from the parent product. When companies extend their product lines, the sub-brand mode may help to avoid brand dilution.

Whereas naming a product via the parent-brand mode involves the direct use the parent-brand name, naming a product via sub-branding generates a separate and independent name. Therefore, the process by which a sub-brand is named is critical. In Chinese markets, naming a product is particularly important, given that nearly every brand name has a unique meaning. Chan and Huang (2001) proposed that Chinese names are meaningful primarily because they are derived from meaningful words. As such, Chinese product names can be created by compounding words with positive connotations. In this study, we classified sub-brand names as functional or symbolic, depending on the semantic meaning of those names. We examined how different Chinese semantic sub-brand names could be matched to different brand types. Through this evaluation, we found that semantic sub-brand names influence consumers' extension evaluations. For functional parent brands, consumers evaluate functional semantic sub-brand names as more favorable. This relationship holds for symbolic parent brands as well. This result is consistent with past research that has shown that congruent brand names yield more favorable attitudes toward the brand's products (Peterson and Ross, 1972; Zinkhan and Martin, 1987). In addition, as the semantic meaning of brand names may cause consumers to make free associations, and the associations may affect consumer evaluation, by manipulating such free association, we found that the consumer's association with functional semantic sub-brand names significantly improved their extension evaluations. Further, consumers' associations with symbolic sub-brand names improved their evaluations of extended products, though the effect is not significant.

Study 2 offers a number of contributions as well. Foremost, it showed that in the Chinese market, it is necessary to match a semantic sub-brand name to its parent-brand name. Because semantic meaning is a major element of Chinese names and/or labels, naming products (particularly those derived from established brands) is a subtle exercise. For instance, for sub-brand names that are perceived to be symbolic in kind, it would be better to use symbolic words and expressions with positive implications (for example, using *Yazhi, Meili* and *Jun* in the clothing industry; using *Tian, Kekou* and *Jin* in the beverages industry; and using *Jiaomei, Liren Qian* in the cosmetics industry). Different semantic Chinese names can arouse different associations within consumers. Following their association with other concepts, consumers would have better perceptions of functional sub-brand products. For symbolic sub-brands, however, consumers' associations do not affect their evaluations of extended products. Therefore, advertisements for products of symbolic sub-brands would not need to emphasize the product's functions, but instead should focus on improving consumer perceptions of the brand's image.

Limitations and future research

In spite of the contributions these two studies offer, they also suffer from some limitations. First, this article focused exclusively on Chinese culture and the Chinese market. As such, we selected brand names based on Chinese semantic meaning. Given this focus on China, it is impossible to know if the findings presented here apply to foreign markets. Further research to this end would be helpful.

Second, in Study 1, we (i) compared the parent-brand and sub-brand modes and (ii) examined whether sub-brand modes can help to extend the parent brand for a product with relatively low fit. However, the use of sub-brand names can cause brand dilution, thereby diminishing the parent-brand's equity. Because we did not explore this possibility, future research can benefit from investigating this dilution effect.

Although the results of this study offer some guidance on the process of sub-brand naming, we did not offer specific recommendations as to how companies can use advertising strategies to strengthen consumer associations. Given this oversight, future researchers can explore how advertising can be used to improve consumer evaluations of brand extensions.

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Section 6
Brand Building in China

10
Country Branding through Olympic Games

Qin Sun and Audhesh Paswan

Introduction

Recent geopolitical and economic events make it very clear that the global market place is highly interconnected and very competitive (Lee and Cull, 2010; Levin, 2010; Yung, 2011). To gain competitive advantage, countries, in conjunction with their own multinational firms, strive to develop and implement creative nation branding strategies and to promote positive country brand images (Anholt, 1998; Paswan *et al,* 2002; Loo and Davies, 2006; Szondi, 2006; Greyser, 2008). Countries compete with each other for foreign investment, for tourists, buyers, overseas students and skilled workers (Beverland and Lindgreen, 2002; Anholt, 2003; Black and Westhuizen, 2004; Dzenovska, 2005; Papadopoulos, 2004; Florek and Conejo, 2006; Dinnie, 2008). Several researchers (for example, O'Shaughnessy and O'Shaughnessy, 2000; Papadopoulos and Heslop, 2000, 2002; Paswan *et al,* 2002) have suggested that a country could be considered as a brand, and that countries can change their national brand image. Strategic and tactical activities have been suggested to influence a country's brand image (Nebenzahl and Jaffe, 1991; Jaffe and Nebenzahl, 1993; Swart and Bob, 2004), including hosting major sporting events. However, to the best of our knowledge, few have examined the effect of hosting a major sporting event on country brand image, and where they have the focus was limited to the impact on the destination's image and tourism

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(Gibson *et al,* 2008). To fill this literature gap, this study empirically investigated the effects of hosting the Olympic Games on a host country's image, specifically the Beijing 2008 Olympic Games.

With a country's image being associated with favorable economic, political and strategic benefits, country branding has been the subject of increasing scrutiny by researchers in the past decade. However, most of the extant work in this area has been predominantly conceptual (Anholt, 1998; O'Shaughnessy and O'Shaughnessy, 2000; Papadopoulos and Heslop, 2002; Yan, 2003; Fan, 2006; Dinnie, 2008), case based, or anecdotal (Gilmore, 2001; Olins, 2002; Dzenovska, 2005; Florek, 2005; Gudjonsson, 2005; Florek and Conejo, 2006; Loo and Davies, 2006). Moreover, the traditional country-of-origin (COO) literature (Dichter, 1962; Verlegh and Steenkamp, 1999) conceptualizes COO in a unidirectional and deterministic manner – that is, country image (CI) influences perceived product quality (Chao, 1993; Insch and McBride, 1998), consumer attitude (Papadopoulos *et al*, 1987; Smith, 1993) and purchase intention (PI) (Wang and Lamb, 1983; Han, 1990; Roth and Romeo, 1992). It does not account for a country's capability to change its brand image using various strategic tools such as enhanced products, services and the hosting of major events. Thus, this study also investigated the impact of hosting the Beijing 2008 Olympic Games on the intention to purchase Chinese products from non-Chinese residents.

This article makes several contributions to the field. First, to the best of our knowledge, this is one of the few attempts to empirically examine the effect of hosting a major international event, such as the Olympic Games, on host CI by comparing pre- and post-event data (exceptions include Jaffe and Nebenzahl (1993) and Nebenzahl and Jaffe (1991) who investigated the effects of hosting the Seoul Olympic Games on South Korea's nation image). The present study is different from the South Korean studies in a number of ways. South Korea is seen as friendly to the Western world and is known for its industrial capability. China on the other hand, although acknowledged as a low cost outsourcing center, has had a roller coaster relationship with Western world. For China, hosting the Beijing Olympic Games was a chance to show its friendly yet capable side to the rest of the world. Second, we test the relationship between country brand image and consumers' intention to purchase products from a host country, an important issue in the nation branding literature (Papadopoulos and Heslop, 2002). In summary, the findings of this study contribute to our knowledge about country branding and how a country can change its brand image using a major sporting event. Given an increasing interest among practitioners and government agencies in enhancing the brand image of their countries, gaining an understanding of how hosting events such as the Olympic Games may influence the host country brand image has significant managerial and public policy implications in the global marketplace.

Country branding

There is increasing awareness that a nation's brand image influences its products' visibility, recognition and reputation in the global marketplace. To change and enhance national brand image in the global market, various nations have undertaken country branding initiatives to position and promote their countries, to increase exports, tourism and foreign direct investment, or to achieve specific political objectives (Kotler and Gertner, 2002; Anholt, 2003; Dzenovska, 2005; Florek and Conejo, 2006; Dinnie, 2008). However, divergent perspectives of country branding exist in the literature. Florek (2005) refers to country branding as the process of establishing positive associations for the nation, its people and its products, whereas Gudjonsson (2005) defines it as the procedure of building positive platforms and an effective environment for a nation's brands to compete in global markets. Country branding is also suggested as a government's practice of remaking its nation's brand identity and shaping the conduct of its people (Dzenovska, 2005). Fan (2006) equates it to the marketing, branding and communicating activities used to promote the image of a nation, whereas Anholt (2008) defines it as 'the management of the country's overall reputation' (p. 265). Despite these differences, country branding is generally seen as the process that leads to a desired nation brand image.

Anholt (1998) classifies brands as either private (for example, product and corporate brands) or public domain brands (for example, the place and nation brands). Regardless of its domain, the essential functions of branding are to create a unique brand personality and to differentiate from competitors. Although the principles of corporate branding can be applied to country branding (Balmer and Gray, 2003), nation branding has expanded stakeholders. Nation branding has also been suggested to represent the intangible assets of a country (Fan, 2006), or the emotional value resulting from consumers' evaluations of the country in question (Shimp *et al*, 1993; Maheswaran and Chen, 2006). In particular, favorable nation branding helps to differentiate the country's corporate or product brands from those belonging to other countries, and can give the country a competitive advantage in the global market (Loo and Davies, 2006).

The nation brand has also been defined not only as the consumer-based image of a country, but also as the image held by other stakeholders such as its citizens, tourists, foreign investors, foreign customers, government agencies and regional economic entities. This image of a country is suggested to be a synergistic total of its geography, history, art and music, its famous citizens, product brands, stereotypes and other factors (Kotler and Gertner, 2002). The literature on CI also reveals three important CI dimensions – the nation's economic development, the general feeling about its people and the desire for closer connection with the specific country (Papadopoulos and Heslop, 2002), all of which are consistent with the dimensions of COO image in the extant literature (Parameswaran and Pisharodi, 1994). In addition, the product branding literature has also alluded to the people and interaction dimensions. Specifically, Aaker (1997, p. 347) defines brand personality as 'the set of human characteristics associated with a brand', whereas Sweeney and Brandon (2006) state it as 'the set of human personality traits that correspond to the interpersonal domain of human personality and are relevant to describing a brand as a relationship partner' (p. 656). This is consistent with Keller (1993, p. 3) who defines brand image as 'perceptions about a brand as reflected by the brand associations held in consumer memory', and argues that brand associations can be classified into three categories: attributes, benefits and attitudes. Others suggest that describing a brand with adjectives is an appropriate method for identifying a brand's personality (Aaker, 1997; Caprara *et al,* 2001; Azoulay and Kapferer, 2003; Bosnjak *et al*, 2007).

On the basis of the discussion so far, we conceptualize nation brand image as the perceptions of the focal country's people (referred to as *people* hereafter) and the perceived comfort with and desire to interact with the people from the focal country (referred to as *interaction* hereafter).

Olympic games and country branding

Major sporting events have been suggested as an important element of country branding strategy (Nebenzahl and Jaffe, 1991; Jaffe and Nebenzahl, 1993; Swart and Bob, 2004; Gibson *et al,* 2008). World-class sporting events such as the Olympic Games attract great media attention and coverage, leading to increased global awareness of the host country. Host countries actively take advantage of such great opportunities to enhance their CIs and competitive positions (Black and Westhuizen, 2004). For example, the Seoul Olympic Games helped to build a favorable nation image of South Korea (Nebenzahl and Jaffe, 1991; Jaffe and Nebenzahl, 1993). Australia also used the 2000 Sydney Olympic Games to promote its nation brand by creating positive associations and experiences for visitors (Nauright, 2004). More recently, China hosted the 2008 Summer Olympic Games and positioned their promotional campaign around three initiatives – the People's Olympics, the High-Tech Olympics and Green Olympics (Berkowitz *et al,* 2007). These efforts seem to have been noticed by many:

> Finally, the biggest brand of Beijing 2008 is China itself. Indeed, to many, China has effectively co-branded with the Olympics to elevate the country's visibility and the salience of its marketplace on the world stage. This is not the first time the Olympics have been a vehicle for country branding; 1936 (Berlin) and 1964 (Tokyo) are examples. But China's 'coming out party' reflects and signals its significance in sports, its magnitude as an economy, and its power in global politics. (Greyser, 2008)

In summary, although the potential impacts of the Olympic Games on host CI have been acknowledged (Jaffe and Nebenzahl, 1993; Black and Westhuizen, 2004; Nauright, 2004; Swart and Bob, 2004; Szondi, 2006; Gibson *et al,* 2008), to our knowledge no systematic empirical investigation has been conducted to assess the impact of hosting the Olympic Games on the host country's brand image. Hence, we use the Beijing 2008 Olympic Games as our focal country branding element.

Theoretical model

Although the topic of country branding has received less than adequate research attention (Gudjonsson, 2005; Szondi, 2006), the notion of country brand image has been utilized in the international marketing literature since Dichter (1962) first suggested that the COO of a product may have a 'tremendous influence on the acceptance and success of products' (Verlegh and Steenkamp, 1999). However, the classic COO perspective views the CI as given and static – something that countries are stuck with. During the past decade, this restrictive view has been challenged by several researchers, who argue that several factors – for example, a country's geography, history, art and music, famous citizens, product quality and hosting mega events – have a strong impact on the nation brand image (O'Shaughnessy and O'Shaughnessy, 2000; Papadopoulos and Heslop, 2000, 2002; Kotler and Gertner, 2002; Paswan *et al,* 2002; Szondi, 2006; Sun, 2008). This alternative view states that nations can and do achieve a favorable CI by undertaking creative country branding strategies (Gilmore, 2001; Dzenovska, 2005; Florek, 2005; Florek and Conejo, 2006; Loo and Davies, 2006). In particular, hosting an important international event such as the Olympic Games is seen as an important element of a country branding strategy (Jaffe and Nebenzahl, 1993; Black and Westhuizen, 2004; Nauright, 2004; Swart and Bob, 2004; Szondi, 2006; Gibson *et al,* 2008).

In order to theoretically anchor our investigation, we rely on attribution theory. Attributions are the result of a cognitive process by which people assign an underlying cause or explanation to an observation (Kelley, 1967, 1973). It helps explain why certain actions have occurred and make causal inferences. For example, when a country, especially one from the developing world or one with a mixed image globally, hosts a major international sporting event such as the Olympic Games, people often wonder how and why this country won the bid to host such a prestigious world-class sporting event, and also how the event will turn out.

Relying on the works of Weiner (2000) and Wong and Weiner (1981), we argue that if the event is successful and the audiences ascribe the cause as stable, internal and controllable by the host country, they may develop favorable views toward the host country. In addition, even if the event is not successful, but the audiences attribute the reason as non-stable, external and uncontrollable by the host country, they may still develop favorable attitudes toward the host country. On the other hand, if the event is successful and the audiences think the cause is not stable, external or uncontrollable by the host country, they would develop unfavorable feeling about the host country. Moreover, if the event is not so successful, and the reason for the failure is thought to be stable, internal or controllable, they will have unfavorable images of the host country, thus reinforcing their prior unfavorable opinions of the country. It is reasonable to presume that a country winning a bid will do everything within its power to ensure that the event is successful because there is so much to be gained and much to lose, including millions of advertising and sponsorship revenues. Thus, the nation image after an event could be directly linked to the success or failure of the sporting event because of internal and controllable attributions. Therefore, a successful event is likely to result in a favorable image of the host country, and thus we argue that the country brand image will be positively impacted by the hosting of the Olympic Games:

Hypothesis 1 (H1): Hosting the Olympic Games has a positive influence on the CI of the host country on (a) *people* and (b) *interaction* dimensions.

Literature on COO effects suggests that a product's CI has a significant influence on consumers' PI (Roth and Romeo, 1992; Tse *et al,* 1996; Knight *et al,* 2007). Wang and Lamb (1983) and Han (1990) observe that consumers have a negative bias against products from developing countries in favor of products from economically developed countries, and are willing to pay premium prices to import goods from these developed countries (Johansson, 1993). In addition, Roth and Romeo (1992) conclude that the fit between the product category and the CI impacts the consumers' intention to purchase imported products from the focal country. As we propose that hosting the Olympic Games influences host CI, which in turn influences PI, we argue that the hosting of the Olympic Games has both direct and indirect impact on consumers' PI, with host CI as the mediating variable. On the basis of this evidence and arguments above, we propose the following hypotheses:

Hypothesis 2 (H2): Hosting the Olympic Games has a direct and positive influence on PI.

Hypothesis 3 (H3): The CI of the host country on (a) *people* and (b) *interaction* dimensions positively influences PIs for products originating in the host country.

Hypothesis 4 (H4): The CI of the host country on (a) *people* and (b) *interaction* dimensions mediates the effect of hosting the Olympic Games on PI.

Figure 10.1 shows the theoretical model of this study.

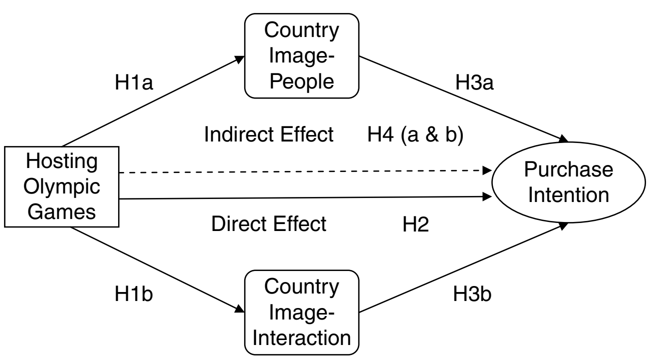

Figure 10.1 The theoretical model

Research method

Data were collected using a self-administered survey, with the same questionnaire being used for both pre- and post-event data collection. The focal country chosen for this study was China and the focal event the Beijing 2008 Olympic Games. The survey was conducted with students at a university in Southwestern United States. Although we acknowledge the concerns about using student respondents, we believe that using a student sample is appropriate for this study. First of all, the event selected is a sporting event – the Olympic Games, an event that epitomizes the youth of the entire world. Second, we selected products that are relevant for the youth market – television (TV) and clothing. Third, this consumer segment is extremely influential in terms of its size and buying power and is suggested to be open to new experiences including new products (Vahie and Paswan, 2006). Finally, selecting student respondents ensures a highly homogeneous respondent set, considered ideal for theory falsification because they permit more exact theoretical predictions than does a heterogeneous group (Calder *et al,* 1981, 1982). A homo geneous respondent sample is also preferred as there is less chance of making false conclusions about the effects of covariation between the variables under the study. Several studies in the field of marketing have used student samples for theory testing (Boulding *et al,* 1992).

First, respondents evaluated China on two dimensions of CI – that is, people and interaction, using a 12-item scale borrowed from Papadopoulos and Heslop (2002). The responses were measured on a 5-point Likert scale anchored between strongly disagree (1) and strongly agree (5). Next, consumers' PI toward products from China in general, and for two specific products (TV and clothing), was measured using the following questions – 'How likely are you to purchase products/TV/clothing made in China'? The responses were measured on a 5-point Likert scale anchored between most unlikely (1) and most likely (5). Finally, demographic information such as gender, age and annual household income were also recorded.

Data collection

Pre-event data were collected 1 month before the opening ceremony of the Beijing 2008 Olympic Games and post-event data were collected 1 month after the closing ceremony. Pre-event sample size was 221 and post-event sample size was 243 usable questionnaires. Although the sampling elements in the pre- and post-event samples were not identical,

Table 10.1 Descriptive analysis of demographics in both pre- and post-event samples

Demographics	**Measures**	**Pre-event**	**%**	**Post-event**	**%**
Gender	Male	80	36.2	115	47.3
	Female	139	62.9	125	51.4
Age	18–20	21	9.5	36	14.8
	21–23	129	58.4	150	61.7
	24–26	45	20.4	30	12.3
	27–29	15	6.8	12	4.9
	30+	11	5.0	14	5.8
Annual income	Below US$40k	120	54.3	136	56.0
	US$40k–US$59k	28	12.7	31	12.8
	US$60k–US$89k	18	8.1	22	9.1
	US$90k–US$119k	17	7.7	22	9.1
	US$120k +	36	16.3	27	11.1

they were taken from the same sampling frame – thus resembling an omnibus sampling procedure. The descriptive statistics for these two samples are presented in Table 10.1. By and large, the two samples were similar. Both samples (pre and post event) had more female respondents (63 per cent and 51 per cent), although the post-event sample had relatively more male respondents (36 per cent versus 47 per cent); the largest percentage of respondents were in the 21–26-year age group (78 per cent and 74 per cent); and the largest percentage in the below US$59 K income group (69 per cent).

Data analysis

First, confirmatory factor analyses were conducted to examine the dimensionalities of the CI scale in both pre- and post-event samples. The 12 items did load on two factors, and consistent with Parameswaran and Pisharodi (1994) we named the two factors country image-people (CIPL) and country image-interaction (CIIN). Next, the items on the CIPL and CIIN scales were checked for internal consistency, and convergent and discriminant validity (Table 10.2). The α scores ranged from 0.74 to 0.81, suggesting acceptable internal consistency (Nunnally, 1978). Moreover, the inter-factor correlations were less than the respective scores and more than the covariance estimates (Table 10.2), indicating acceptable levels of discriminant and convergent validity (Churchill, 1995). The scale items measuring CIPL and CIIN were next averaged for hypotheses testing.

Table 10.2 Discriminant and convergent validity for country image constructs

	CIIN	CIPL	Mean	Standard Deviation
Pre-event				
CIIN	*(0.81)*	0.02	3.51	0.50
CIPL	*0.10*	*(0.75)*	3.07	0.42
Post-event				
CIIN	*(0.80)*	0.05	3.61	0.53
CIPL	**0.20**	*(0.74)*	3.10	0.42

Note: Diagonal numbers in parentheses are Cronbach's α. Left lower section is correlations with significant (at the 0.01 level) ones in bold. Right upper section is covariance estimates.

Table 10.3 One-way ANOVA test of Hypotheses 1 and 2

Hypothesis	DV	Event	Mean	Standard Deviation	F	Significance
H1(a)	CIPL	Pre-	3.07	0.42	0.38	0.538
		Post-	3.10	0.42	—	—
H1(b)	CIIN	Pre-	3.51	0.50	4.65	0.032*
		Post-	3.61	0.52	—	—
H2	PI-General Product	Pre-	3.52	0.97	11.66	0.001*
		Post-	3.83	0.89	—	—
	PI-TV	Pre-	3.34	0.93	3.43	0.065
		Post-	3.51	1.02	—	—
	PI-Clothing	Pre-	3.44	0.99	2.64	0.105
		Post-	3.59	0.96	—	—

*Denotes significance at 0.05.

Hypothesis testing

One-way ANOVA was used to test Hypothesis 1 and Hypothesis 2 (Table 10.3). Consistent with Hypothesis 1 (b), the post-event CIIN score was significantly higher ($M_{post} = 3.61$) than the pre-event CIIN score ($M_{pre} = 3.51$; $F = 4.65$; $P = 0.03$). However, the pre- and post-event scores ($M_{pre} = 3.07$ and $M_{post} = 3.10$) for CIPL were not significantly different from one another ($F = 0.07$; $P = 0.38$), and thus Hypothesis 1 (a) was not supported. Regarding the PI (Hypothesis 2), the post-event score for PI-General Product ($M_{post} = 3.83$) was significantly higher than pre-event PI score ($M_{pre} = 3.52$; $F = 11.66$; $P = 0.00$). How ever, for specific products such as TVs and clothing, the pre- and post-event

Table 10.4 Regression results of Hypotheses 3

Event	DV	IV	B	t	Significance
Pre-	PI-General Product	CIPL	0.01	0.03	0.974
		CIIN	0.79	6.26	0.000*
	PI-TV	CIPL	0.15	1.03	0.304
		CIIN	0.67	5.58	0.000*
	PI-Clothing	CIPL	–0.09	–0.57	0.571
		CIIN	0.32	2.32	0.020*
Post-	PI-General Product	CIPL	0.24	1.76	0.080
		CIIN	0.53	4.79	0.000*
	PI-TV	CIPL	0.09	0.57	0.568
		CIIN	0.43	3.34	0.000*
	PI-Clothing	CIPL	0.08	0.49	0.624
		CIIN	0.36	2.83	0.001*
All	PI-General Product	CIPL	0.12	1.15	0.253
		CIIN	0.68	8.13	0.002*
	PI-TV	CIPL	0.11	1.01	0.315
		CIIN	0.55	6.28	0.000*
	PI-Clothing	CIPL	0.00	–0.03	0.975
		CIIN	0.35	3.85	0.001*

*Denotes significance at 0.05.

PI were statistically the same (for PI-TV: $M_{post} = 3.51$; $M_{pre} = 3.34$; $F = 3.43$; $P = 0.06$; and for PI-Garments: $M_{post} = 3.59$; $M_{pre} = 3.44$; $F = 2.64$; $P = 0.105$). Therefore, Hypothesis 2 was only supported for Chinese products in general, but not for specific products such as clothing and TVs.

We used regression analyses to test the influence of perceived CI on respondents' PI toward the products in general, as well as toward TVs and clothing made in China. The results (Table 10.4) from the pre/post-event and the aggregated data show a significant consistent impact of CIIN on the PI toward the general products ($P < 0.05$), TVs ($P < 0.05$) and clothing made in China ($P < 0.05$). However, no significant relationships were found for CIPL and PI toward the general products, TV or clothing. Therefore, Hypothesis 3 (b) was supported, but not Hypothesis 3 (a).

Next, the Sobel test was used to test Hypothesis 4 – that is, mediation effect of CIIN on the relationship between hosting the Olympic Games and PI (Baron and Gary, 1986; Preacher and Hayes, 2004). The mediation analysis was conducted in four steps (Table 10.5). First, the direct effects of hosting the Olympic Games (dummy coded) on the PI toward general products from China using the aggregated data were examined. The results showed that all the direct effects were significant (*P = 0.00*). Second, we regressed the independent variable – hosting the Olympic Games, on mediating variable – CIIN, to check for any relationship between these variables. The results were significant (*P = 0.02*). Finally, the mediating variable and independent variable were regressed on the PI, which were significant (*P = 0.00*).

The results showed that CI did have a mediating effect. To confirm the significance of the mediation effects, the Sobel test statistic was calculated in the final step. The results indicated that CIIN had a complete mediation effect between hosting the Olympic Games and PI toward general products from China (*Sobel statistic = 2.17, P = 0.03*). We replicated the same procedure with PI toward TVs and clothing from China. The results (Table 10.5) indicated that the mediation effect of CIIN on the relationship between hosting the Olympic Games and PI-TV (*Sobel statistic = 1.93, P = 0.05*), and PI-clothing (*Sobel statistic = 1.73, P = 0.08*) were marginally significant. Therefore, Hypothesis 4 was supported for CIIN with overall PI as the dependent variable, but only marginally supported with PI-TV and PI-Clothing as dependent variables.

Finally, Sobel tests were used to assess the mediation effect of CIPL (Table 10.6). The results in Step 2 indicated that CIPL had no effect on all three measures of PI (*P > 0.10*). Thus, Hypothesis 4 was not supported when CIPL is the mediating variable.

Discussion and conclusion

This study empirically investigated the effects of hosting a major international event such as the Beijing 2008 Olympic Games on the host country's image and the PI of non-residents toward products from the host country. The results indicate that hosting the Olympic Games improved China's image outside of China. In other words, by hosting the Olympic Games, China was seen as a country that was becoming part of the international community and seemingly getting closer to the United States. This finding substantiates and extends the previous assertion that the sponsored event may enhance the host country's image (Nebenzahl and Jaffe, 1991). However, only the interaction aspect of China's CI was found to have a significant impact on the PI toward products in general, and TVs and clothing that were made in China in particular. This provides additional insights to previous product-CIs literature (Han, 1990).

Table 10.5 Sobel test: CIIN as the mediator

DV	Steps		Variables	B	t	Significance	Sobel Statistic	Significance
PI-P	First	DV	*PIP*	—	—	—		
		IV	*Event*	0.3	3.42	0.0007*		
	Second	Mediator	*CIIN*	—	—	—		
		IV	*Event*	0.11	2.25	0.0248*		
	Third	DV	*PIP*	—	—	—		
		Mediator	*CIIN*	0.64	7.92	0.0001*		
		IV	*Event*	0.23	2.78	—		
	Fourth						2.166	0.030*
PI-TV	First	DV	*PITV*	—	—	—		
		IV	*Event*	0.17	1.85	0.0646		
	Second	Mediator	*CIIN*	—	—	—		
		IV	*Event*	0.1	2.02	0.0437*		
	Third	DV	*PITV*	—	—	—		
		Mediator	*CIIN*	0.56	6.45	0.0001*		
		IV	*Event*	0.12	1.3	0.1927		
	Fourth						1.93	0.054
PI-C	First	DV	*PIC*	—	—	—		
		IV	*Event*	0.15	1.63	0.1047		
	Second	Mediator	*CIIN*	—	—	—		
		IV	*Event*	0.1	1.95	0.0516		
	Third	DV	*PIC*	—	—	—		
		Mediator	*CIIN*	0.33	3.73	0.0002*		
		IV	*Event*	0.12	1.3	0.1958		
	Fourth						1.729	0.084

*Denotes significance at 0.05; DV denotes dependent variable.
PI-P: purchase intention toward general product made in China;
PI-TV: purchase intention toward TV made in China;
PI-C: purchase intention toward clothing made in China.

Table 10.6 Sobel test: CIPL as the mediator

DV	Steps		Variables	B	t	Significance
PI-P	First	DV	*PIP*	—	—	—
		IV	*Event*	0.3	3.42	0.0007*
	Second	Mediator	*CIPL*	—	—	—
		IV	*Event*	0.03	0.63	0.5295
PI-TV	First	DV	*PITV*	—	—	—
		IV	*Event*	0.17	1.85	0.0646
	Second	Mediator	*CIPL*	—	—	—
		IV	*Event*	0.02	0.53	0.5974
PI-C	First	DV	*PIC*	—	—	—
		IV	*Event*	0.15	1.63	0.1047
	Second	Mediator	*CIPL*	—	—	—
		IV	*Event*	0.16	0.41	0.6797

*Denotes significance at 0.05; DV denotes dependent variable.
PI-P: purchase intention toward general product made in China;
PI-TV: purchase intention toward TV made in China;
PI-C: purchase intention toward clothing made in China.

In addition, the hosting of the Olympic Games did not change the people dimension of China's CI, despite the fact that one of the Beijing Olympic Games' three initiatives was the 'People's Olympics' (Berkowitz *et al*, 2007). A possible explanation could be that people outside of China do not interact directly with people from China. Their impressions about China may be formed mainly by what they see in the media and not based on real interactions. This may also be a possible explanation for the lack of significance in the relationship between the people dimension of CI and the PI toward products made in China.

The results also show that hosting the Olympic Games significantly impacts the American consumer's PI toward products made in China in general. However, it had only a marginal effect on the PI toward TVs, and no effect on PI toward clothing, which are a major part of China's exports. A possible explanation could be that as clothing is a common export from China, consumers already have preconceived notions about clothing from China, and thus the short bursts of TV coverage of the Olympic Games probably have little effect on that perception. As there is no Chinese TV brand in the US market, however, American consumers had no preconceived notions about TVs made in China. Hence, the Olympic Games, with its emphasis on technology, seems to have had some effect on the PI toward Chinese TVs. High technology-oriented coverage of the Olympic Games seems to have had a positive influence on previously non-existent TVs from China, but not on the preexisting well-established Chinese clothing (Han, 1990).

The results also suggest that hosting the Olympic Games has both direct and indirect impacts on the PI toward products made in China in general, mediated by the interaction dimension of CI. This finding contributes significantly to the literature as few extant studies examined the mediating influence of CI and used host country as the unit of analysis in Olympic marketing (Xing *et al,* 2008).

Managerial implications

The findings of this study have significant managerial implications for trade organizations, international marketers and policy makers responsible for promoting country brands and international trade. Hosting world events such as mega sports events could help promote the host country's image, especially the interactions dimension, and the foreigners' purchase propensity toward its export products in general. It is also reasonable to say that hosting world events could help reposition the host country brand image. Therefore, confirming and extending Nebenzahl and Jaffe's (1991) findings, this study provides a reason for international marketers to promote their flagship export products or brands more vigorously during the event. In addition, the policymakers and practitioners have to take into consideration the CI perceived by foreigners and be aware of the impact of hosting a mega world event on the host CI, as well as on foreigners' product evaluation and PIs. Hosting a mega world event could be an effective way of boosting the host country's image and perceived image of its export products. However, hosting such a global event is not the end of the process. Anholt (2008) suggests that the success of Beijing 2008 Olympic Games was just the beginning of China's rebranding.

A caveat should be noted that not every country has the resources and capabilities to host a world-class event. The consequent positive CI may be due to the reasonably successful implementation of the Beijing Olympic Games. On the contrary, if the Olympic Games did not go smoothly and successfully, the event could hurt the country's image more adversely than not hosting the event at all. As each country has different historical and economic backgrounds, country branding strategies may vary among different countries. Developing countries usually face greater challenges in finding enough resources for an adequate branding program because of much smaller resource base and subsequent lower international attention toward the event (Papadopoulos and Heslop, 2002; Florek and Conejo, 2006).

Limitations and research implications

Although this study establishes the fact that hosting an international event such as the Olympic Games does have an impact in the short run, at least on the products that the consumers in other countries are not familiar with, future studies should examine the long-term influence of such an event. Actual economic and export data should be incorporated into the study in order to examine the longitudinal influence a world event. In addition, the longitudinal data could also provide additional information on the cause stability of Weiner's (2000) attribution theory.

Extant research has showed the positive impacts of the Olympic Games on the CI of major developing nations such as China and South Korea, but no study has been directed at developed countries with existing more favorable images. A comparative study would be helpful to substantiate the persistent effects of the Olympic Games on country branding initiatives.

Finally, a major limitation of this study is that we did not use actual Chinese brands such as Haier, Tsingtao beer and Lenovo to examine the event's impacts on the participants' willingness to purchase these brands. Future research on mega events should use actual brands from the host country to provide more meaningful results.

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11

A Configurational Perspective of Branding Capabilities Development in Emerging Economies: The Case of the Chinese Cellular Phone Industry

Na Ni and Fang Wan

Dynamic competition between local firms and MNCs: Need for a configurational approach

When the world's markets converge with globalisation, firms are competing within and beyond national boundaries. In a global market, the multinational corporations (MNCs) from developed economies enter emerging economies, and local firms compete within or outside their domestic markets.[1] Research on emerging economies has increasingly gained attention of researchers because the unique political, economic and institutional factors in these economies generate interesting research questions and provide rich contexts for theory development and theory testing.[2,3] However, previous research in this domain tends to focus on MNCs with a static view of global competition.[4–6] Research with a focus on the dynamics of global competition is needed in order to address the following three questions: First, what are the competitive advantages of MNCs that give rise to their market dominance when first entering emerging economies? Secondly, how do local firms develop and reconfigure their capabilities to compete with financial and marketing juggernauts like MNCs? Thirdly, how do MNCs and local firms

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learn from each other and develop their capabilities in response to rapid market and institution changes in emerging economies?

To address these questions, this research intends to develop a conceptual framework and analyse the branding capabilities of the firms engaged in competition in the changing environments of emerging economies. To the best of our knowledge, this is one of the first endeavours to integrate research from strategic management, emerging economies and brand management into one overarching framework. The conceptual framework developed in this paper can contribute to the international marketing and brand management literature in two ways. First, our configurational framework incorporates concepts from research on capability differentials,[7] dynamic capabilities[8,9] and branding strategies.[10–13] More specifically, it enables future researchers and brand managers to identify the unique branding capabilities of MNCs and local firms in the complex and fast changing market conditions in emerging economies. It also develops important insights for local and global firms in leveraging their unique and existing branding capabilities. More importantly, it provides directions for firms to reconfigure their branding capabilities to improve performance in global competition.

Secondly, our research enriches current understanding of the complexity of global competition in China. The past decade has witnessed the Chinese government's efforts to eliminate barriers to a free market and open the door to foreign firms as well as domestic private investors. With its entry into the World Trade Organization (WTO) in 2001, the Chinese government accelerated the marketization[13] of its economy by eliminating regulatory policy and rules formulated to protect the national economy in industries such as banking, auto manufacturing and telecommunications. These dramatic changes in the institutional and regulatory environments in China provide researchers with a rich context to study the dynamic processes of global competition between MNCs and local firms. However, previous research has either focussed on MNCs' strategies in China without taking the evolution of local firms into consideration,[14] or examined Chinese firms' strategies in a particular function area (eg market-orientation[15]) without addressing how firms evolve and reconfigure their capabilities in response to market changes.[16] Therefore, the configurational framework in this research may help unravel the dynamic process of global competition between MNCs and local firms in emerging economies such as China.

This paper is structured as follows. First, we differentiate four types of branding capabilities. We then develop the configurational framework of branding capabilities development in emerging economies. Next, we define and conceptualise each of the four archetypes of global competition resulting from the framework, put forth specific propositions and provide supporting data from the Chinese cellular phone industry. Lastly, we discuss the implications of our research and future research directions.

A typology of branding capabilities

Capabilities refer to both what firms 'have' and what firms 'do'.[17] What firms have can be defined as a firm's existing possessions and assets. What firms do indicates a firm's ability to create, coordinate and use assets in relation to competition and the changing market environments.[18–22] Branding capabilities are associated with a dynamic process of creating and growing brand value in the firm.[23] Limited research on the relationship between brand management and firms' dyamic capabilities[24] suggests that a firm's dynamic branding capabilities can be sources of 'sustainable' competitive advantage because they are not easy to replicate, imitate or learn. In this paper, we focus on the analysis of *branding capabilities* of both MNCs and local firms in a global competition context with a more recent view that branding capabilities can provide an overarching framework to understand the competitive advantages of MNCs and local firms in emerging economies.[25,26]

In this section, we introduce a typology of branding capabilities based on which we develop our propositions (see Table 11.1). There is little existing research providing an integrative framework to understand a firm's branding capabilities as a dynamic process. In this study, we propose that a firm's branding capabilities can be understood along two dimensions: external-driven and internal-related.

First, a firm needs to grow and configure capabilities to match the external environment in order to attain sustainable competitive advantage.[27] Generally speaking, a firm perform in two types of external environments: task environment and institutional environment, which, respectively, stimulate a firm's growth in market-driven (matching task environment) and institution-driven branding capabilities.[28] Market-driven branding capabilities refer to a firm's assets, skills or knowledge of dealing with the major stakeholders (eg competitors, suppliers, employees and customers) in the market. In contrast, institution-driven branding capabilities are associated with a firm's abilities to address the constraints posed by the institutional environment, such as regulatory policy, political rules, economic constraints (eg import quotas) or social norms embedded in culture and ideology.[29,30] The external-driven dimension allows us to capture the dynamic process of developing and configuring brand

Table 11.1 Four types of branding capabilities

External-driven	**Internal-related**	
	Asset-related (What the firm 'has')	**Knowledge-related (What the firm 'does')**
Market-driven		
	I: Positional • Reputation • Brand equity • Technical standards • Manufacturing facilities	II: Functional • Knowledge of key stakeholders (eg distributors, employees, customers and suppliers) • Distribution network • R&D skills • Brand management skills • Marketing skills
Institution-driven		
	III: Regulatory • Government regulatory policy • Import quotas • Patent and property rights • Operating licenses	IV: Cultural • Understanding of the implication of policy change on market conditions • Understanding of local culture • Ability to innovate, adapt or change

capabilities in a competitive framework, which has been understudied by previous research.[31,32] In addition, in emerging economies where social, institutional and market changes take place rapidly, this dimension is particularly important in defining a firm's branding capabilities.

Secondly, along the internal-related dimension, a firm's branding capabilities can be further categorised into asset-related and knowledge-related capabilities. This dimension has been well studied in previous research.[33–35] Specifically, asset-related capabilities are associated with what the firm 'has', that is, its possession of particular factors, capital or organisational skills, whereas knowledge-related capabilities, which are more dynamic than asset-related capabilities, refer to what the firm 'does'.[36]

Firms develop their branding capabilities and address their differences along the two dimensions (ie external and internal) which helps us to establish a typology of the branding capabilities of the firm. We assume that a particular type of branding capabilities is primarily associated with specific internal and external conditions. Here, we briefly define each type of branding capabilities as follows.

I. Positional branding capabilities: Market-driven/asset-related

Positional branding capabilities are classified as an asset and something that a firm 'has'.[37] Typical positional branding capabilities result from firms' prior performance, endeavours, decisions and circumstances which are fundamentally associated with market conditions. Examples of positional capabilities include reputation, brand equity, technical standards, brand equity and manufacturing facilities.[38,39]

II. Functional branding capabilities: Market-driven/knowledge-related

Functional branding capabilities result from the effective use of the skills and expertise of the firm.[40] Therefore, they are more dynamic and harder to be replicated or imitated.[41] This enables firms to attain and maintain competitive advantage. Functional branding capabilities are something that a firm 'does' and are associated with the market rather than the institutional environment.[42] Examples of functional capabilities include a firm's knowledge of the distributors, employees, customers and suppliers, a firm's distribution network, a firm's research and development (R&D) skills, brand management expertise and marketing techniques such as promotion and advertising.

III. Regulatory branding capabilities: Institution-driven/asset-related

Regulatory branding capabilities refer to a firm's capabilities associated with the government protection, regulation and legal protection.[43,44] They are also asset-related but different from positional branding capabilities because of their direct relation with the institutional environment (ie government policies) rather than the growth of market conditions (ie market development, competition and consumer needs). As a result, regulatory capabilities are more evident in emerging economies because the formal rules, import quotas or regulatory policy in these economies are set up to foster local firms' competitive advantage. For example, the Japanese government protected its local firms from competition with foreign firms through establishing high barriers of entry enforced by the Ministry of International Trade and Industry (MITI).[45] Typical examples of regulatory branding capabilities consist of import quotas imposed by the local government, patents and property rights, legally protected trade name and logo, operating licenses and preferential taxation policy to local firms.

IV. Cultural branding capabilities: Institution-driven/knowledge-related

Cultural branding capabilities reside in the fourth quadrant of knowledge-related and institution-driven capabilities. Cultural branding capabilities are contingent upon the aptitudes and abilities of the firm.[46]

In this framework, the first component of the cultural branding capabilities is related to a firm's understanding of the market changes in policy, social norms and ideology. For example, local firms have the innate advantages over MNCs of knowing their domestic customers. The second component of cultural branding capabilities refers to a firm's ability and propensity to innovate, adapt or change more quickly than its competitors. Research in entrepreneurship provides substantive examples that a firm's cultural capabilities of being proactive and taking risks are particularly important in the emerging economics.[47] It is important to note that these four types of branding capabilities may be complementary as they are nested or interconnected by local and structural networks.[48–52] For example, positional capabilities enable a firm to realise economies of scale, which will contribute to a firm's functional capabilities such as R&D skills. Similarly, regulatory capabilities will be helpful for a firm to grow positional capabilities over time and build up its reputation, which in return will help the firm to establish its relationship with different stakeholders (ie functional capabilities). Further, within each type of branding capabilities, different components may complement each other. For example, a firm's R&D skills and marketing skills are supplementary and thus enhance its overall functional capabilities.[53]

A configurational framework to understand competition in emerging economies

In the next section, we develop a configurational framework in emerging economies building on the proposed typology of branding capabilities. In this framework (see Table 11.2), we propose that a firm's competitive advantage regarding particular types of branding capabilities is determined by their coalignment with the market and institutional environment.[54,55] As rapid changes in the market and institutional constraints become the hallmarks of emerging economies, this framework provides a dynamic, holistic and comparative perspective to understand the competition between MNCs and local firms. While most extant literature on the topic mainly focuses on MNCs,[56] little research has addressed how local firms cope with the entry and competition of MNCs, how they leverage their existing branding capabilities (eg regulatory and cultural capabilities) and how they acquire, develop, or reconfigure new branding capabilities (eg functional and positional capabilities). In addition, no research has addressed how external environments inhibit or facilitate the reconfiguration of certain types of branding capabilities in MNCs or local firms.

Table 11.2 A configurational framework of branding capabilities in emerging economies: Four archetypes

Task/market environment	**Institutional environment – regulations**			
	High		**Low**	
Stable Homogeneous Munificent	Archetype 1: Leverage of regulatory capabilities		Archetype 2: Dominance of positional capabilities	
	MNC: *Positional* *Functional* (standardisation; brand equity; R&D)	Local: *Regulatory* *Functional* (regulation enabling access to MNC's functional capabilities)	MNC: *Positional* *Functional* (standardisation; brand equity; R&D)	Local: *Functional* *Cultural* (distribution network)
Dynamic Heterogeneous Scarce	Archetype 3: Positional vis-à-vis cultural capabilities		Archetype 4: Dominance of functional capabilities	
	MNC: *Cultural* *Positional* *Functional* (excelling in brand equity, brand management skills; catch-up on distribution and localisation)	Local: *Cultural* *Regulatory* *Positional* *Functional* (leveraging the role of culture insider; gaining access to MNC's functional capabilities; catch-up on R&D and brand management skills)	MNC: *Functional* *Cultural* *Positional* (excelling in R&D, brand management skills; catch-up on distribution and localisation)	Local: *Functional* *Cultural* *Positional* (Catch-up on R&D, brand management skills)

Accordingly, we use the concept of configurations (or gestalts, archetypes[57]) to integrate the four types of branding capabilities and parameters of environment in one framework. As posited,[58] configurations are 'commonly occurring clusters of attributes or relationships … that are internally cohesive'. We employ the configurational framework to identify congruent or dominant patterns of competition between MNCs and local firms in different coalignments of external environments. As specified in Table 11.2, we propose four archetypes that are useful to understand the coalignment between different types of branding capabilities and the two types of environments (ie task and institutional). In each archetype, firms may configure the branding capabilities based on their strengths related to external market and institutional conditions in order to defeat competitors. For example, in emerging economies, local firms' dependence on regulatory capabilities may decrease when the institutional environment changes over time (ie when the industry is deregulated). Similarly, firms may evolve across archetypes when environmental conditions change.

Task or market environment is characterised by munificence, complexity and dynamism.[59] Munificence concerns the growth rate of the industry with industries with higher growth rate labelled as high munificence. Complexity/heterogeneity relates to the presence of dissimilar elements in the market such as firms' ownership structure, management styles and product differentiation. Dynamism centres on changes in the behaviours of suppliers, customers and competitors. Conditions in task/market environment have important implications for a firm's performance on various branding capabilities.[60–63] For example, it was found that asset-related capabilities gave rise to a firm's superior performance in a stable environment, whereas knowledge-based capabilities were more valuable in a dynamic and uncertain environment.[64] Similarly, technological capabilities and marketing capabilities may be complementary only in a turbulent environment.[65]

In mature markets, the task/market environment is the major source of threats or opportunities to any firm. However, in emerging economies, the institutional environment can overshadow the task environment to pose challenges for firms, especially MNCs.[66] For example, inconsistent government policies and ambiguous property rights were found to be the major barriers for MNCs' entry and establishment in China.[67] Meanwhile, these regulations and policies were reported to give instant advantages to local firms so that they may collaborate with MNCs to gain access to their functional capabilities.[68] Nevertheless, these institutions in emerging economies evolve over time due to internal and external pressures. For example, governments sometimes need to deregulate particular industries in emerging economies to meet specific requirements of international protocol. Researchers characterise these emerging economies as transitional because of unpredicted changes related to such institutions.[69–71] Therefore, to understand global competition between MNCs and local firms in emerging economies, we include another dimension – institutional environment, which is characterised by being either highly regulated or deregulated.

Within the parameters of the task and institutional environment, we propose the following four archetypes in which the distinctive branding capabilities of both MNCs and local firms are identified. We then illustrate examples of each archetype with evidence from multiple players in the Chinese cellular phone industry. We hope the case study within a single industry at its different development stages may provide ample evidence supporting our archetypes and provide conceptual tools for future studies.

Four archetypes of global competition and propositions

Archetype 1: Leverage of regulatory capabilities/high regulation and stable market

As illustrated in Table 11.2, Archetype 1 is defined by a configuration of a highly regulated industry within a stable, less complex and high-growth market environment. In this case, we propose that regulatory branding capabilities will play a key role for local firms to compete with MNCs. Extant literature in emerging economies has demonstrated that local governments would step up protective policies to develop their own high-tech industries or protect local economies.[72–74] Accordingly, local firms may benefit from less tax burden with the protection provided by preferential taxation policy. Therefore, local firms have a more efficient cost structure compared to MNCs. Similarly, local governments may implement special grants to support local firms' R&D activities. For instance, operating licenses and import quotas are common methods that local governments use to ward off MNCs and protect local firms in competition.

Further, local firms' history in the local market grants them an established distribution network, an important lead of functional capabilities over MNCs, as it takes some time for MNCs to develop their own network and logistic system. Therefore, functional capabilities (ie distribution network) complement local firms' regulatory capabilities, which are empowered by the highly regulated institutional environment to grow and develop their branding capabilities.

On the other hand, in an emerging market where the growth rate is high, MNCs only need to extend their existing positional and functional capabilities, well established in home or foreign markets, to the new market.[75] This may compensate for MNCs' lack of regulatory capabilities which are evident for local firms in the emerging market. For example, the R&D skills help MNCs to become technically sophisticated and offer high value-added products. MNCs' established brand equity can help them claim higher profit margin. Marketing skills allow MNCs to promote new products efficiently to local consumers. Therefore, these positional and functional capabilities can give MNCs an instant advantage of using economies of scale. Additionally, these capabilities, which have been established over time, are not easily imitated by local competitors within a short time frame. Therefore, we present the first proposition as follows:

Proposition 1: *When the market is regulated and characterised by high munificence, less complexity and less dynamism, MNCs are more likely to compete with positional and functional capabilities, whereas local firms are more likely to compete with regulatory and functional capabilities.*

Examples from the Chinese cellular phone industry: Leverage of regulatory capabilities

A supporting example of Archetype 1 comes from local firms who benefited from the Chinese government's protective policy implemented in the national cellular phone industry between 1999 and 2003. To encourage local firms to rival MNCs in this growing high-tech industry, the Ministry of Information Industry of China (MII) introduced the regulatory policy in 1999 that cellular phone manufacturing firms needed to obtain operating licences.[76] Specifically, MII only granted licenses to Chinese manufacturers and stopped giving licenses to MNCs after 1999. MII also required MNCs to export at least 60 per cent of their products to other global markets outside China, whereas it allowed local firms to sell 100 per cent of their products in the domestic market. Therefore, local firms (eg Chang-hong, Panda, Haier, Konka) were able to rely on regulatory capabilities to establish their competitive advantages in a munificent and high-growth environment. Additionally, local handset makers were equipped with their sales skills and well-established distribution channels through national and regional retail chain stores or via the internet, enabling them to further leverage their unique regulatory capabilities.[77] As a result, the market share of local cellular phone brands was less than 3 per cent in 1999 but dramatically, reached 58 per cent by the end of 2003.

In this case, when the market is still lucrative with high growth rate and relatively fewer competitors, MNCs are able to make profits mainly through extending their global strategies and providing standardised products to local consumers. Adaptation to local markets is not necessary for MNCs at this stage. For instance, in the same time period from 1999 to 2003, major global cellular phone manufacturers targeted at homogeneous consumer segments in emerging economies – white-collar class in metropolitan areas such as Beijing, Shanghai and Guangzhou. At this stage, MNCs competed with local firms with their superior brand images (ie advertising, promotion and country of origin) and technological developments.[78] Therefore, MNCs were able to leverage their existing positional (eg brand equity) and functional capabilities (brand management skills, R&D) in the new market without any adaptations. Offering standardised products and marketing campaigns helped them reduce the cost of global branding activities. They simply treated the Chinese market as an extension of their global competition grounds.

Archetype 2: Dominance of positional capabilities/low regulation and stable market

Compared to Archetype 1, Archetype 2 results from a more benign environment for MNCs, because the industry is a deregulated one; therefore, MNCs are able to compete without excessive regulatory constraints. The industry is characterised by its high growth, less complexity[79] and homogeneity (ie similar consumer segments and product offerings). In such a market, the key success factors are the entry timing and the achievement of scale economies. Therefore, MNCs can rely on their existing business models and proven positional capabilities,[80] such as a global reputation, benchmarking technical standards and the existing brand equity in pursuing competitive advantages in emerging economies. Further, MNCs can apply preexisting functional capabilities such as product design, promotion, advertising skills, or supplier relationships that are used in their native markets, to the new emerging economies as in Archetype 1.

For local firms, there are no regulatory capabilities to leverage. Nor do they have equivalent positioning capabilities (ie possessing established brand names and brand equities) to achieve the economy of scale or claim high profit margin. Consequently, the asset-related capabilities such as regulatory and positional capabilities do not make significant contributions to high performance of local firms. Instead, local firms may grow and reconfigure knowledge-related capabilities in the high-growth market. For example, local firms may develop the cultural capabilities by learning from scratch or establishing joint ventures with MNCs. The knowledge acquired through the learning process enables local firms to either imitate MNCs' products or design their own.

Furthermore, local firms are superior to MNCs in terms of their cultural knowledge of various consumer segments. Other firms may utilise their functional capabilities (promotions, market segmentation, pricing skills, supply chain, distribution network and access to regional markets) to differentiate themselves in the market. Thus, our second proposition will be:

Proposition 2: *When the market is deregulated and characterised by high munificence, less complexity and less dynamism, MNCs are more likely to compete with their superior positional and functional capabilities, whereas local firms are more likely to compete with their cultural capabilities and functional capabilities.*

Examples from the Chinese cellular phone industry: Motorola (MNC) vs BIRD (Local)

Archetype 2 can be best exemplified by the Chinese cellular phone market between the late 1980s and 1990s. During this time, the industry was at its initial stage, where there were few competitors. The cellular phone market was dominated by a few global cellular phone manufacturers such as Motorola, Nokia, Ericsson, Philips and Siemens. Among these major MNC players, Motorola mustered almost the entire market share before 1995 (ie 20 million subscribers). The reputation of Motorola in the telecommunications market helped it gain access to local customers easily.[81] Furthermore, since the Chinese market adopted the Total Access Communications Service (TACS) standard, Motorola has dominated the market by supplying both the system equipment and cellular phones using it.[82] Therefore, existing positional capabilities (ie company reputation, brand equity, manufacturing facilities and technical standards) made Motorola more competitive than other MNCs (eg Nokia and Ericsson) who became the followers in the market.

By contrast, BIRD, a premier local mobile phone brand, had very different configurations of branding capabilities. At the stage of market entry, without any in-house R&D skills or prior experiences in the industry, BIRD built up its functional and cultural capabilities to distinguish itself from its competitors. Rather than competing with MNCs head-to-head, BIRD leveraged its understanding of the need for cellular phones in rural markets and small cities (cultural branding capabilities) and focused on a niche market ignored by MNCs. In contrast with the hierarchical distribution systems MNCs adopted at the time, BIRD invested heavily in building a self-service (cost-saving) distribution system, and therefore successfully penetrated into the mass market.[83] For example, BIRD had 28 provincial calling centres, over 1,000 regional service centres and over 50,000 retail stores which blanketed virtually every city and rural area in China. BIRD also had over 200 'mobile service cars' that drove around rural regions to offer more flexible services to customers. BIRD's 'blanket' distribution strategy proved to be effective. In 2003 alone, the company sold 11.2 million cellular phones to the local market and 500,000 to overseas markets.[84]

Archetype 3: Positional *vis-à-vis* cultural capabilities/high regulation and dynamic market

In a less turbulent environment evidenced in Archetypes 1 and 2, it is viable for firms to develop standardised products and primarily compete on their existing positional, functional or regulatory capabilities. However, when markets and industries develop rapidly with much shorter product cycles, a firm's ability to configure dynamic capabilities and address changes becomes crucial to determine its success.[85] In this situation, a firm's cultural branding capabilities increasingly determine the outcome of global competition. Archetypes 3 and 4 exemplify global competition in a turbulent market environment.

In Archetype 3, a turbulent market is first characterised by saturation of a larger number of competitors and product offerings. It is further marked by the low growth rate, heterogeneous consumer segments and unpredictable changes in consumer preference as well as supplier relationships.[86,87] In this market condition, it is hard for a firm to forecast industry trend. To compete successfully, firms need two types of cultural capabilities – the knowledge of local consumer culture and market conditions, and the ability to innovate and change. The more sophisticated knowledge of local consumers and market conditions a firm obtains, the more likely it is to adapt its products accordingly. Therefore, by adapting and reconfiguring their cultural capabilities quickly, firms are able to establish their differentiated competitive advantage.

Local firms are innately advantageous in configuring the cultural capabilities. Compared to MNCs, they have longer history in the market and a more sophisticated understanding of local consumers. Thus, local firms can leverage their cultural capabilities to reconfigure and adapt the functional and positional branding capabilities such as R&D, manufacturing, sales and marketing, and customer service. Further, in a regulated environment as specified in Archetype 3, local firms are empowered with regulatory capabilities. To a certain extent government supports and preferential treatments can shield local firms from global juggernauts like MNCs and allow local firms to recuperate resources necessary to establish and develop other branding capabilities.

In a volatile market, MNCs need to grow their cultural capabilities to reconfigure positional capabilities (eg brand equity, brand reputation) and functional capabilities which by themselves contribute to the high performance of MNCs in a stable, homogeneous and munificent market. The conditions are now challenged by local firms' superior cultural capabilities demonstrated by the customised products and services designed for heterogeneous consumer segments and quick responses to market changes. Additionally, standardised products and services need to be redesigned or localised to address the unique consumer preferences in emerging economies.[88,89] If MNCs do not configure their cultural capabilities and adapt their positional and functional capabilities to local markets, they may easily lose the fight to their local competitors who are protected by industry regulatory policies. To be successful, MNCs need to treat emerging economies as important learning laboratories[90] to reconfigure their branding capabilities by starting joint ventures, licensing, franchising or using local employees and R&D technicians. Therefore, our third proposition will be:

Proposition 3: *When the market is regulated and characterised by low munificence, more complexity and higher dynamism, MNCs are more likely to compete with newly established cultural capabilities and reconfigured positional and functional capabilities, whereas local firms are more likely to compete with configured cultural capabilities, regulatory capabilities and newly established positional and functional capabilities.*

Examples from the Chinese cellular phone industry: Nokia: An MNC with reconfigured branding capabilities

Nokia sets an example of how MNCs reconfigure their branding capabilities to address unique situations in the emerging market. In this case, as the market was inundated with local imitators of Nokia products, Nokia strengthened their cultural capabilities to maintain a competitive advantage. Nokia noticed that Chinese consumers were fashion-oriented but very price sensitive, and their tastes changed rapidly.[91] Beginning in 2004, Nokia had adopted new routines or processes to respond to fast changes in consumer tastes.[92] Rather than manufacturing standardised products as most of the MNCs did in Archetypes 1 and 2, Nokia launched new products such as camera phone, colourful screen, Bluetooth, MP3 and MP4 to feed technology-savvy Chinese consumers. In this case, Nokia provided an example for MNCs operating in a complex and scarce market by reconfiguring its cultural capabilities (ie increased understanding of local customers and willingness to adapt to local market).

When market conditions were complex and turbulent, Nokia reconfigured its functional capabilities by restructuring its distribution networks. For example, Nokia extended its distribution networks to small cities and rural areas. It also flattened the hierarchical distribution system to meet new market conditions.

TCL and others: The local firms with established cultural capabilities

In Archetype 3, where the market is mature, complex and heterogeneous, local firms are more likely to win an upper hand if they respond to market opportunities quickly and provide customised products and services to local consumers. For example, local firms such as Haier and Panda noted that Chinese consumers in metropolitan cities paid a lot of attention to the physical design and ring tones of their handsets. To address this, these firms customised their product offerings by selling handsets with expensive features in bigger cities and handsets with very basic features to less demanding rural consumers. TCL, another local cellular phone manufacturer, focused on a niche market of consumers to whom cellular phones were not just technical products but also symbols of social status, personality and fashion. Based on its research on the upper Chinese market segments such as white-collar business class in metropolitan cities, TCL has been aggressively developing high-end products and experimenting with new product designs. For example, TCL developed the first diamond-encrusted cellular phone to attract the upper market segments with huge success. It sold more than 12 million jewelled handsets in less than two years ($2,400 per unit) and the revenues grew by 263.3 times over the subsequent financial year.[93]

At the same time, the regulatory capabilities also give local firms ample opportunities to recuperate resources to develop positional and functional capabilities. For example, the Chinese government required that handset manufacturers with foreign investment establish R&D centres in China. This protective policy facilitated the technology transfer from MNCs to local firms. Therefore, local firms such as TCL aggressively recruited and lured engineers and technicians formerly working in those R&D centres. This regulation-driven technology transfer restricts MNCs' competitiveness and makes them reluctant to implement the newest R&D knowledge in their local production plants.

Archetype 4: Dominance of cultural and functional capabilities/ low regulation and dynamic market

Deregulation in Archetype 4 brings out more complexity and turbulence in the market than Archetype 3. Without government protection and regulations, local firms are stripped of their regulatory capabilities. Both MNCs and local firms competing with their preexisting branding capabilities yet need to outperform and out-innovate each other by either reconfiguring old capabilities or establishing new ones in a complex, low growing and dynamic market. In a market such as this, the pre-existing positional and functional capabilities are no longer the sustainable sources of competitive advantage.[94] Instead, cultural capabilities such as a firm's ability to adapt, change and innovate become the most sustainable elements.[95] Coupled with cultural capabilities, a firm's reconfigured functional capabilities (eg R&D, new brand and product development, and customised or innovative brand management skills) and positional capabilities become the most important factors in determining a firm's success in a complex and turbulent market.

Proposition 4: *When the market is deregulated and characterised by low munificence, more complexity and higher dynamism, both MNCs and local firms are likely to compete with the cultural capabilities and reconfigured functional and positional capabilities.*

Examples from the Chinese cellular phone industry: LM: A local firm competing with strong cultural capabilities and reconfigured functional and positional capabilities

LM (Lenovo Mobile Communication Technology Ltd.) provides an example of how local firms can survive the fierce competition specified in Archetype 4 by capitalising on strong cultural capabilities. LM is a subsidiary of Lenovo Group, a leading global personal computer maker excelling in the manufacturing of desktop computers, laptops, cellular phones, servers and peripherals with approximately $13bn in annual revenue. As a late comer in the cellular phone market, LM seemed to have missed the opportunity of high growth. However, unlike other local firms, LM inherited its strong cultural capabilies (ie an innovative organisation culture), functional capabilities (ie strong R&D capabilities) and positional capabilities from its parent brand Lenovo. Lenovo's accumulated R&D skills in personal computer, internet, personal digital assistants and digital equipment helped fund the R&D research required to upgrade the technology of its cellular phones. When first entering the market, LM abadoned the saturated market of black and white screen cellular phones and quickly spotted opportunities with colour screen phones. When other local firms were busy with the price war, LM focused on out-innovating its competitiors. As a result, in 2004, LM's colour screen phones, developed in house, accounted for over 80 per cent of its total cellular phone products.

LM's strong cultural capabilities were also exemplified by its quick learning and fast knowledge transfer. For example, LM learned from its MNC rivals that shortened product development cycle resulted in faster market turnover and higher profit margins. Therefore, it has strengthened its R&D skills to substantially reduce new product development cycle. LM manufactured the flip phone two years after its rival Motorola. However, the lag shrank to two months when LM introduced its V850 camera phone in October 2004.[96]

Coupled with strong cultural capabilies, LM's reconfigured functional capabilities, especially in the areas of R&D and new product developments, won the company a leading place in the Chinese handset market. By October 2005, LM sold over 1.9 million units and obtained a market share of 6.42 per cent, ranking fourth place in the Chinese market.[97]

Motorola: An MNC competing with strong cultural capabilities and reconfigured functional and positional capabilities

Motorola illustrates how MNCs can lead the competition in Archetype 4 with strong cultural and functional capabilities. After dramatically losing market share to its global and local competitors since 2001, Motorola decided to upgrade its product offerings. It started to reconfigure its functional branding capabilities such as product adaptations and local distribution networks and further strengthen their capabilities in R&D and brand management.

For example, Motorola focused on using innovative technologies in handsets. It first added 3G to its handsets. In 2005, Motorola put MP3 technology and ring tones in all products including the low-end product line. It then introduced fashion phones in 2004 to attract fashion-conscious Chinese consumers.[98] In addition, Motorola's strong cultural capabilities prepared itself to adapt quickly to the market environments and respond to competitors' strategies. With the reconfigured functional capabilities, the firm was able to shorten R&D and product development cycle and aggressively launch new products. In 2004 alone, it developed over 40 new products, ranging from below $40 to over $800. In the end, Motorola reaped the benefits of its fast response to the market and its innovation in product offering by observing a triple-digit growth rate in the first quarter of 2004 (compared with 2003) in the Asia-Pacific area.[99]

Firms lacking in strong cultural capabilities in Archetype 4

In a deregulated and turbulent market, a lack of the coalignment between environment and branding capabilities can quickly impair a firm's competitiveness. This partly explains the rapid decline of the majority of local firms in the deregulated cellular phone market (between 2004 and 2007) in China. Stripped of regulatory capabilies such as the government's preferential tax policy and import quota, most local firms primarily relied on their preexisting functional and positional capabilities such as extensive distribution network, low price, and low profit margin tactics and localised promotional activities. However, these capabilities were easily imitated and configured by MNCs and other local firms and unable to provide the sustainable competitive advantages for local firms. Instead of establishing sustainable cultural capabilities (innovation and change) and reconfiguring the functional capabilities (eg R&D), most local firms leveraged their existing capabilities by pursuing high market share with a razor-thin profit margin. For example, to persuade distributors to sell their products, most local firms topped up profit margin for distributors by at least 100 per cent higher than that of MNC brands.[100] This aggressive distribution strategy was best described by the industry observers: 'They (the local Chinese handset makers) don't control the technology. They don't control the R&D. They own only a very small piece of the value chain'.[101] The only solution to local firms was to reconfigure the functional capabilities. Otherwise, local firms would gradually lose the market share to MNC brands empowered with innovative products, a superior quality, a wide range of pricing points and an outstanding brand image. That was what happened with Chinese local firms when their market share started to stumble in 2004 (ie 41.3 per cent by 2005 and 25 per cent by 2006). Some local firms (eg Kejian, Panda, South Hi-tech) were even forced out of the competition and transformed themselves into local distributors for the late-coming MNCs from Japan and Korea (ie NEC, Samsung, Panasonic).[102]

From the MNC side, Siemens is an example of how a lack of strong cultural capabilities could hamstring a capable MNC in a complex and deregulated market. Siemens was one of the first few MNCs entering China. In 2001, it ranked as the number three firm with a market share of 13 per cent in the Chinese handset industry.[103] However, its market share fell down rapidly after 2002. This was attributed to Siemens' lack of ability to innovate and to respond to change in a highly competitive market. For example, Siemens was at least six months slower compared to its competitors when introducing new phones. As one of the first few firms introducing colour screen cellular phones, Siemens stepped back from the market immediately after its initial setback. Then, when the colour screen cellular phones were regaining popularity with more innovative features, Siemens decided to jump on the bandwagon, only to find itself too scrambled to lead its competitors in the more advanced colour screen technology. Without reconfiguring its functional capabilities in R&D, Siemens was unable to develop high-margin handsets with innovative features. Lack of reconfiguration in other functional capabilities severely damaged the brand and its market share. For example, quality problems with its low-end products considerably eroded Siemens' reputation and customer trust. In the end, the cellular phone division of Siemens was sold to Acer, a Taiwanese electronics maker in 2005.[104]

Important lessons for MNCs and local firms

The main purpose of the paper is to provide a conceptual framework to identify the unique branding capabilities that MNCs and local firms can leverage, establish or reconfigure to obtain competitive advantages. Based on the limited research on this topic and our secondary data from the Chinese cellular phone industry, we identify four archetypes of global competition. These four archetypes are aligned with different market and institution environments. Specifically, when a particular industry in an emerging economy is highly regulated, local firms will be empowered with regulatory capabilities. These regulatory capabilities can shield local firms from the competition of MNCs, enable them to gain access to functional capabilities of MNCs (such as R&D skills, brand management skills) and buy out time and resources to develop their own positional (eg brand name) and functional capabilities (eg R&D skills).

The market environment at the same time, however, determines how much leverage the regulatory capabilities can provide for local firms. As specified in Archetype 1, when the market is benign, local firms can gain competitive advantage with heavy reliance on their regulatory capabilities. MNCs can obtain their competitive edge by relying on their existing positional and functional capabilities established elsewhere (ie home market or other foreign market). In this case, MNCs and local firms can avoid a head-to-head competition because they can focus on different market segments.

As market conditions deteriorate, regulatory capabilities alone cannot grant local firms enough leverage to survive and thrive among the competition. Therefore, as proposed in Archetype 3, local firms need to leverage cultural capabilities (ie their sophisticated understanding of local markets) and provide customised products and services. Additionally, local firms need to configure their functional capabilities by establishing distribution networks and localising their market strategies to reach market segments and captivate market opportunities that MNCs may be unaware of, or ignore. In the meantime, MNCs need to reconfigure their positional and functional capabilities to adapt their products and services to the local market, and to establish the distribution networks in the local market place.

We also propose Archetypes 2 and 4 to address global competition between MNCs and local firms when government regulation is lifted. In this case, local firms are stripped of the regulatory capabilities which can no longer shield them from the competition of MNCs. To a certain extent, global competition takes place on a level playground in terms of privileges and entry barriers. Therefore, sources of competitive advantage for both MNCs and local firms vary depending on the market conditions of the competition. As specified in Archetype 2, when the market is stable, growing and less complex at its embryonic stage, local firms can fully leverage their existing cultural capabilities and functional capabilities to build a brand indigenous to its consumers. At the same time, MNCs can continue leveraging their superior positional and functional capabilities by offering standardised products and relying on a global strategy to approach emerging economies. However, in Archetype 4, when government regulation is absent and the market reaches a mature stage (as in the developed economies), sources of competitive advantage shift to reconfigured cultural capabilities and functional capabilities for both MNCs and local firms combined with the positional capabilities. We propose that firms with abilities to out-innovate and outpace their competitors in terms of responses to market change will win an upper hand in global competition.

In this paper, we illustrate these propositions with supporting data from MNCs and local firms in the Chinese cellular phone industry. Our analysis of the cellular phone industry in China provides several insights for both researchers and practitioners. First, the branding capabilities of firms in the emerging economy should be configured and reconfigured to meet the changing market and institutional environments. This dynamic and evolutionary perspective is crucial for firms. As the branding capabilities that bring a firm initial competitive advantage can be obsolete in changing market and institution environments, the archetypes we develop in the paper can evolve from one to the other. In this case, firms need to be forward looking and maintain strong cultural capabilities (ie willingness and ability to innovate and change) so that the up-to-date positional and functional capabilities can be timely and effectively reconfigured.

Secondly, as the market in emerging economies becomes gradually more dynamic and turbulent, firms who outperform competitors in terms of cultural capabilities and functional capabilities could win an upper hand in global competition. This has important implications for local firms in the emergent economies who aspire to be future MNCs. As indicated by the Chinese cellular phone industry, most local players focus on branding capabilities that gain them temporary advantages over competitors, such as the regulatory capabilities, functional capabilities (eg focused on imitating products and brand strategies of MNCs, distribution) and cultural capabilities (eg understanding of local culture). However, these capabilities will soon lose their sustainability as soon as MNCs configure and reconfigure their cultural, functional and positional capabilities to adapt their brands to the local market. In the end, as prescribed in Archetype 4, what matters most in global competition is a firm's sustainable cultural and functional capabilities. To prepare to become future MNCs, local firms in emerging economies need to take a long-term perspective, cultivate an organisation culture of innovation, nurture strong brand equity and invest heavily in R&D and new product development. Only by focussing on these value-adding activities can local firms successfully expand to overseas markets without carrying the stigma of possessing low quality or being harmed by the negative connotations country of origin.[105]

Thirdly, when entering new markets such as emerging economies, MNCs should avoid an egocentric perspective in their expansion strategies in order not to lose a strong foothold in global competition. As illustrated by the data from the Chinese cellular phone industry, despite the significant gaps in the positional and functional branding capabilities between MNCs and local firms, local firms can quickly establish their cultural capabilities (ability to respond to market changes). In our research context, Chinese firms' capabilities of imitation are outstanding. Therefore, MNCs' initial positional and functional capabilities may not be sustainable without being reconfigured to address local particularities. In this case, coupled with their unique advantage of cultural understanding of domestic market and sometimes protected by the regulatory capabilities, local firms can quickly erode the market share of MNCs. We suggest that MNCs should take a more active approach in the adaptation, localisation and reconfiguration of their capabilities at the early stage of the competition to preempt the loss.

Finally, firms' strategies are influenced not only by their own historical activities but also by practices of their competitors.[105] There are strategic interactions between and coevolution among competitors. A firm's capabilities should constantly be reconfigured because competitors can learn from each other and the branding capabilities can be imitated. However, in this paper, we focus on the external environment as key parameters in the four archetypes of global competition. Future research should also address the role of interactions among competitors in the configuration of the branding capabilities. Furthermore, the proposed four configurations of global competition between MNCs and local firms also need to be tested in other industries. Although our current analysis is focused on different market development stages within one single industry, we hope the framework will provide a comprehensive picture of competition based on firms' branding capabilities and therefore could be used and compared across different industries in emerging economies. A further empirical study will be helpful to test the framework and related propositions. This research area will add a nuanced dimension to our understanding of the dynamic, complex and fast changing nature of global competition.

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12

B2B Brand Extension to the B2C Market—The Case of the ICT Industry in Taiwan

Ying-Chan Tang, Fen-May Liou and Sheng-Yao Peng

Introduction

Brand extension has been recognised as a strategic asset by most companies. Since the original study of Aaker and Keller,[1] research on brand extensions has mostly focused on what causes an extension's success.[2,3] Analogous to consumer marketing, branding is considered as a leverage of sustainable competitive advantage in business-to-business (B2B) environments.[4,5] In addition to consumer-based brands such as Coca Cola, Nokia and Nike, industrial brands such as Intel, AMD and GE are considered on the top brands as well.[6] The inherent attractiveness of an industrial brand allows the customer–manufacturer or the customer–artisan to acutely identify and select a supplier brand, especially where repeat purchase decisions rely heavily on past performance.[7]

Brand identity is a set of brand associations that the brand strategist aspires to create or maintain.[8] In the consumer markets, the emphasis is usually on the products or a cluster of products, whereas in industrial markets the company name itself is often the brand name.[9] Chernatony[10] argued that brand concept is context independent; thus, the concept of the corporate brand is the same as the concept of the product or service brand (it is the enactment that is different). Since the last decade, the focus of branding research has been extended from consumer products to corporate brands.[11,12] Empirical studies showed that

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industrial companies have recognised the benefits from using brand names[13] such that a price premium can be obtained due to high brand equity.[14] The 'halo effect' of brand equity, in which brand evaluations transferred from one category to another, was explored in the personal computer, copier, fax machine and floppy disk industries.[15]

Brand extension is defined as a current brand name used to enter a completely different product class.[16] Most brand extensions have been in the consumer markets, though there are consumer brands that are extended from their original B2B brands such as Microsoft (BASIC computer programming language), IBM (tabulating machines), Nokia (forestry), Philips (carbon-filament lamps) and Caterpillar (heavy equipment). Nowadays, many B2B corporate brands, such as Intel, Dupont, Lycra, Kingston, Micron and Qualcomm are as famous as many consumer product brands.

For many Asian information communication technology (ICT) companies, especially those from four small tigers (Hong Kong, Korea, Singapore and Taiwan), the primary issue is not to extend product specialties but rather to build a strong brand name. Those 'born globals' from SMOPEC (small and open economies) in general lack financial, marketing and managerial capabilities to expand into the global market.[17,18] For example, Taiwan manufactures 80 per cent of notebook PCs, 78 per cent of IP phones and 70 per cent of liquid crystal display (LCD) monitors on the worldwide market,[19] yet most of their finished products are under globally recognised names such as Dell, HP, Motorola, Apple, Sony and Microsoft. For those original equipment manufacturer (OEM) or original design manufacturer (ODM) companies, the challenge is whether they can extend their excellent manufacturing capability to market acceptance under their own brand names.

In this study, our goal is to gain a better understanding of the aforementioned issues. Past literature has suggested different paths for those born globals to reach business space include product distributions, collaboration networks, internet infrastructure and channel branding such as OEM, ODM and private labels.[20,21] Our focus is on the critical role of channel branding, as well as the capability of manufacturing and product-brand extensions, for this unique breed of SMOPEC-born globals. The approach we adopt here is to replicate the brand equity model of Aaker and Keller[22], which aims to investigate a consumer's attitude toward B2B brand extension on the business-to-consumer (B2C) market (hereinafter called the brand extension from B2B-to-B2C) for the ICT industry. We begin with a review of previous literatures on brand extensions and then generate hypotheses for B2B-to-B2C brand extensions. We then describe the methodology (including selection of brand extensions) and measures of acceptance before conducting our empirical investigation. Subsequently, we report on the transferability of B2B brand extensions at both the aggregate and individual extended levels, and end with a discussion and concluding remarks.

Literature review and research hypotheses

Brand extension links the new product with a known brand or company name so as to generate consumer acceptance for a new product.[23] The success of a brand extension is therefore determined by how consumers evaluate the brand.[24] The use of the established brand name on the new brand extension product provides a signal to the consumer about the qualities or characteristics of that new product.[25]

Keller and Aaker[26] argued that corporate marketing activities affect consumer evaluations of extensions through their impact on corporate credibility. They examined brand extensions outside the current brand offerings in three types of attributes, that is, marketing activities related to product innovation, environmental concern and community involvement. Their findings suggest that corporate marketing efforts can bring benefit by improving perceptions and evaluations of a corporate brand extension. Therefore, creating a positive image and executing a corporate brand strategy can thus facilitate new product acceptance.

Aaker and Keller[27] further acknowledged three factors in the consumers' brand extension evaluation model: brand attitude association, similarity or 'fit' between the parent brand and the extensions, and perceived difficulty of making the extension. Cognitive consistency and categorisation theory have been mentioned to support the importance of similarity or 'fit' between the original brand and the extensions. The categorisation theory suggests that a consumer would evaluate a brand extension either by piecemeal processing (an extension evaluation is a function of inferred brand attribute beliefs and their evaluation importance) or by category-based processing (an extension evaluation is a function of some overall attitude toward the original brand). Specifically, if consumers perceive a 'fit' between the original and extension product classes, with category-based processing they would transfer quality perceptions to the new brand extension. Likewise, if consumers perceive a similarity between the industrial company parent brand and the extended consumer product, with the piecemeal processing they tend to transfer the quality of the parent brand to the new extensions. Although the above theories are used to explain the evaluation process of the brand extension, most studies were exploratory and hypothesised that brand extension attitudes are influenced by the perceived quality of the brand name, the fit between the two product classes and interaction of the two.

Research on brand extensions explores the perceived success factors of an extension at the aggregate and individual levels.[28-30] Such factors centre on (1) the consumer's overall brand attitude, which is usually conceptualised in terms of the perceived quality of the extension; (2) the perceived fit between the parent and the extended product categories; (3) the difficulty in designing and making the extension; (4) the extent to which the perceived applicability of the skills and assets can be transferred; and (5) the interaction between the perceived quality of the parent brand and the relationship or fit between the parent brand and the extension product categories. In their thorough literature review, Völckner and Sattler[31] have identified ten potentially success factors that influence brand extension. These include retailer acceptance, marketing support and history of previous brand extension, among others.

Industrial company brands are primarily established on their brand identity over the distribution networks rather than on the specific product.[32] Because of frequent transactions, brand awareness was found to have no direct relationship with subsequent evaluations.[33] Other factors such as brand width (eg number of brand categories), strength (eg discounted brand earnings), emotion (relationship between the potential user and the brand) and function (including positioning, information abstracts, security and value added), which were used in the previous brand extension studies, are irrelevant to the B2B-to-B2C extensions, and are therefore excluded from this study.

Perceptions of quality toward the parent brand

Perceived brand quality is the global consumer assessment of a product's superiority or excellence of a product.[34] Aaker and Keller[35] found no significant correlation between the perceived quality of the parent brand and brand extension. Sunde and Brodie[36] and Bottomley and Holden[37], however, replicated Aaker and Keller's model and instead found a direct positive relationship between quality perceptions of the parent brand and its extensions. Bottomley and Holden argued that Aaker and Keller's model ignored the problem of multicollinearity, namely that cultural differences will influence the relative importance of evaluation factors. Keller and Aaker[38] (1997) suggest that corporate brand equity lies in the association of consistent delivery of superior functionality and performance such that consumers or suppliers are allegiant with the firm's offering. As the perceived quality of the corporate brand is higher, the transfer of positive attitudes toward the extension is expected to be higher. Therefore, we propose here that the perceived overall quality or superiority of the parent brand is an important factor in B2B brand equity, and that this perception might affect consumer evaluations in the B2C extensions. Therefore, we hypothesise the following:

H_1: *Consumers will evaluate the B2C extension product in a favourable manner if the perceived quality of the parent B2B brand is high.*

Factors associated with perceived competency of the parent brand

Keller and Aaker[39] examined different types of corporate marketing activities and found that activities related to product innovativeness provided the most valuable enhancements to a corporate brand extension while activities related to environmental concern had only a modest impact. Many industrial brands, however, are often thought of as the source of environmental pollution: waste and pollution contaminates and byproducts of producing industrial components such as semiconductor wafers and LCD panels. This negative image might perpetuate an unfavourable attitude toward the industrial brand. Therefore, we formulate the following two hypotheses:

H_2: *The perceived innovativeness toward the parent B2B brand is positively associated with the attitude toward the B2C extensions.*

H_3: *The perceived environmental friendliness toward the parent B2B brand is positively associated with the attitude toward the B2C extensions.*

Difficulty factor related to the extension product

The other brand-associated factor that influences consumer evaluations of brand extension is the perceived difficulty that the firm may have in designing and producing the extension. Aaker and Keller found that the consumers' perceptions of the difficulty of making the extension had a positive relationship with evaluations of an extension.[40] As a B2B company devotes into the consumer products that is outside its current offerings, the new investment is riskier than a 'normal' brand extension. Under such uncertainty, it is reasonable to assume that the consumer might perceive oppositely on the success or good quality product the company will offer and hence decrease the B2C brand image. Therefore, we hypothesise that:

H_4: *The perceived difficulty of the parent B2B brand in extending to the B2C market is negatively associated with the attitude toward the B2C extensions.*

Factors associated with the fit

The fit between the parent brand and the extension refers to the consumer's judgment of whether the new product will be accepted as a valid alternative to existing products.[41] This perceived product class fit can be measured in three dimensions: (1) complementarity, or the extent to which the parent and the extension categories are jointly employed to satisfy the same particular need; (2) substitutability, or the extent to which products are interchangeable in use and satisfy the same needs; and (3) transferability, or the extent to which the skills and assets associated in making the parent product can be transferred to the extension product category.[42] Transferability and complementarity were found to be more important as predictors of class fit than substitutability. Moreover, there is a negative relationship between complementarity and substitutability. Therefore, a fit on either transferability or complementarity is adequate. Only transferability is used in the present study.

Brand concept refers to the image that consumers hold regarding a particular core brand and affects consumer's perception of fit between the brand and the extensions.[43] Product features are attributes that can vary from concrete levels to abstract levels. Brand concepts are brand-unique abstract meanings (eg Rolex, a symbol of luxury and high status) that typically originate from a particular configuration of product features (high-price, expensive-looking design) and a firm's efforts to create meanings from these arrangements.[44] Therefore, consumers' evaluations of brand extensions are influenced not only by feature similarity but also by brand concept consistency. Whether an extension product is concept-consistent depends on how it can accommodate a certain brand name concept, and in turn, on consumers' perceptions of whether the brand concept associations are potentially relevant and/or desirable in connection with a particular product.

Furthermore, the effect on consistency of brand concept increases with the prestige of the brand (ie self-image or value expressions such as status symbols, wealth, luxury, fashion, etc) rather than on the functions of the brand (ie durability, reliability, practicality, utilitarian, value, etc.). The positive association between the B2B brand and the

B2C extension could contribute to the success of a brand's extension.[45] Although the consistency of brand concept seems transferable to the industrial product, the dimension of similarity is irrelevant. This yields the following two hypotheses:

H_5: *Consumers will evaluate the B2C extension product in a favourable manner if the perceived brand consistency between the B2B product and the B2C extension is high.*

H_6: *Consumers will evaluate the B2C extension product in a favourable manner if the perceived transferability of the parent B2B brand toward effectively designing and producing the B2C extension is high.*

Interaction factors

Other than direct effects of factors influencing the attitude toward the brand extensions, Aaker and Keller also found that the perceptions toward the parent brand and the fit between the parent and extension product classes had an interactive effect on the final evaluations of a brand extension as well.[46]

The fit between the parent B2B brand and the new B2C extension classes might also have a positive effect on the attitude toward brand extensions. As a complementary or substitutive relationship between the parent product and the extension categories is not applicable in the B2B-to-B2C extension, we consider the interaction effect with the factor of brand concept consistency instead. In addition, the interaction between transferring skills and assets from B2B-to-B2C products and the perceived quality during the transfer are also examined. We formulate the following two hypotheses related to these interactive effects:

H_7: *The interaction effects of perceived brand quality and brand concept consistency between the parent B2B brand and the B2C extension will influence consumers' evaluation on the perceived quality of the parent brand and the B2C extension product.*

H_8: *The interaction effects of perceived brand quality and the perceived transferability of the parent B2B brand to effectively employ its skills and assets in designing and producing the B2C extension will influence consumer's evaluation on the perceived quality of the parent brand and the B2C extension product.*

The above two interaction effects state that consumers' evaluations of the perceived quality will be affected by the brand concept consistency between the parent B2B brand and the B2C extension (H_7) or perceived transferability of the parent B2B brand to effectively employ its skills and assets in designing and producing the B2C extension (H_8). These two hypotheses describe the interaction effects.

Methodology

We first conducted pretests aimed at selecting appropriate stimuli to investigate and then developed questionnaires for the selected stimuli that measured the hypotheses discussed in the previous section. The test subjects were national university graduate students in Taiwan. The data collected from the survey were then used to model the consumer evaluations of brand extensions.

Selection of stimuli

Taiwan ranks as the world's third most competitive economy in terms of innovation according to the 2005–2006 WEF competitive survey.[47] The electronic industry comprises a third of Taiwan's national production. Most of the electronic manufacturers in Taiwan are export-oriented and are known as OEMs, ODMs or outsourcing contractors with high production flexibility and efficiency. These manufacturers are familiar to the Taiwanese public in spite of their primarily B2B environment; indeed, very few have marketing products with their own brand names.

Pretests were conducted to identify possible B2C product categories from the parent B2B company names. The criteria used to select these stimuli were (1) a test item's relevancy to the subject, (2) the perception of a parent brand's quality and (3) the ability of the parent brand to elicit relatively specific associations.[48] Four industrial brands were selected: (1) AUO, Taiwan's largest and the world's third largest manufacturer of thin LCD; (2) Hon Hai (registered trade name of Foxconn), the largest manufacturer of connectors (used in PCs and notebooks) in China; (3) Media Tek, a worldwide leading supplier of IC chipsets and digital televisions; and (4) Quanta Computer, the largest notebook manufacturer in the world.

These four companies have many similar features. All are concerned with a high standard of product quality and with their ability to innovate. Each company also ranks in the top 50 of Taiwanese companies in terms of annual sales (with Hon Hai ranked first, Quanta third, AUO twelfth and Media Tek 35th in 2005).[49]

Open-ended associations were obtained for the extensions for each of the four parent brands. A pretest was conducted using 33 subjects. Respondents were asked to list the associations for each of the four

Table 12.1 Fit measure of brand extensions

Extension products	Average score	Extension products	Average score
Hon Hai (Foxconn)		*Media Tek*	
Notebook computer	**4.16**	**DVD recorder**	**4.21**
MP3 personal stereo	**3.27**	Liquid crystal television	3.71
Laser printer	2.43	MP3 personal stereo	3.31
Stereophonic	2.01	**Digital set-top box**	**2.96**
Digital camera	**1.65**	**Compact disc**	**1.79**
AUO		*Quanta*	
Liquid crystal television	**4.68**	**Personal computer**	**4.45**
Digital camera	**3.11**	PDA	3.52
Intelligent mobile	2.63	**WEB CAM**	**3.06**
Scanner	2.32	Base station for wireless network	2.54
GPS satellite positioning system	1.52	**Computer screen filter**	**2.01**

Bold: Selected extension products with high, medium and low scores.

brands and score these associations using the five-point Likert scales (1 = low fit, 5 = high fit). To widen the differences of fit measures among product categories, associations with high, medium and low fits for each of the four brands were selected (Table 12.1).

According to our respondents' extension fit association, Hon Hai can extend to notebook computers, MP3 players and digital cameras; AUO can extend to liquid crystal televisions, digital cameras and GPS satellite positioning systems; Media Tek can extend to DVD recorders, digital set-top boxes and compact discs; and Quanta can extend to personal computers, web cameras and computer screen filters.

Measurement of brand extension

All measurement items of brand extension were taken from previous studies[50,51] and used a seven-point scale Likert scale. *Quality perception* (*Q*) indicates a consumer's perception toward the overall quality of each parent brand (ranging from 1 = inferior to 7 = superior), that is, the overall brand attitude. The dimension of *transfer* (*T*) indicates the perceived ability (1 = strongly disagree, 7 = strongly agree) of the firm operating in the first product class to another product class. *Brand concept consistency* (*C*) measures the extent to which the consumer perceives the extension to be consistent with the parent brand (1 = very inconsistent, 7 = very consistent).

Product innovation (I) denotes the consumer's perception of the parent brand as an innovator in research, design, new technology and services (1 = low innovation, 7 = high innovation). *Environmental concern* (E) refers to the consumer's perceptions of the B2B firm's environmental concern during the production process and use of material inputs (1 = total neglection of environmental protection, 7 = emphasis on environmental protection). *Difficulty* (D) presents the perceived difficulty of making the extension (1 = not at all difficult, 7 = very difficult).

Finally, *consumers' evaluation* (EVALUATION) of the brand extension is measured with two variables: the perceived overall quality of the extension (1 = inferior, 7 = superior) and the likelihood of purchasing the extension (1 = not at all likely, 7 = very likely). The average of these two variables is used to represent the *consumers' evaluation* of the extension.

The questionnaire consisted of the four industrial brands (Hon Hai, AUO, Media Tek and Quanta) and 12 plausible extensions (MP3 player, liquid crystal televisions and digital cameras, etc). A subject's overall perception of the quality, innovativeness and environmental concern of each of the four parent brands was measured first. Then the fit, difficulty and overall evaluation of the brand extension were measured for each company.

To avoid confounding the reactions with the extensions, the only information given to the subjects was the brand name. No information about the quality of the brand or specific product was provided.[52] Pretests with 15 subjects confirmed that the test contents, description, phrasing and sequence of questions were appropriate.

Similar to Aaker and Keller and other replicated studies, the subjects in the study were university graduate students in Taiwan. The questionnaire was posted on the university's laboratory website and was easily accessible to the students. Each subject was asked to answer the questions about the four industrial brands and their associated extensions. The reliability of the measurement scales was justified with Cronbach's alpha (most $\alpha > 0.6$), and their validity was verified by factor analysis.

Modelling consumer evaluations of brand extensions

The regression model with residual centering can be written as

$$\begin{aligned}\text{EVALUATION} = {} & \beta_0 + \beta_1 Q + \beta_2 I + \beta_3 E + \beta_4 D + \beta_5 C + \beta_6 T \\ & + \beta_7 QC_{[\text{residual}]} + \beta_8 QT_{[\text{residual}]} + \varepsilon\end{aligned}$$

where EVALUATION is the average of the perceived quality of the extension and the likelihood of purchasing the extension, Q (for testing H_1)

is the overall perceived quality toward the parent brand, *I* (H_2) and *E* (H_3) are the perceived innovativeness and environmental concern of the parent brand company, *D* (H_4) is the perceived difficulty of making the extension, *C* (H_5) and *T* (H_6) are the fit measures for consistency of brand concept and transferability of skills and assets, respectively, and *QT* (H_7) and *QC* (H_8) are interaction or moderator terms between the perceived quality and brand concept transferability or consistency, respectively.

As some terms interact with each other, we first examine the multicollinearity of the regression model. The variance inflation factors (VIF) indicate a high degree of multicollinearity among variables (VIF>10, the critical cutoff suggested by NKNW[53]). Therefore, the 'residual centering' approach, as suggested by Lance,[54] was adopted to diminish the degree of multicollinearity.[55] During the first stage, each interaction term (say, *QT*) was treated as an independent variable regressed by the two respective component variables (*Q* and *T*). The residuals ($QT_{[residual]}$), which capture the variance associated with the interaction term that is not explained by the respective component variables, are then used to replace the interaction term (*QT*) in the regression model during the second stage. In the present study, multicollinearity was eliminated after the residual centering process (all VIF values between 1.0 and 1.9).

Results and findings

We have collected 162 subject responses on 12 product extensions, making for a sample size of 1,512. The results of the aggregated regression model including both main and cross effects are presented in Table 12.2; individual brand levels are reported in Table 12.3.

Regarding H_1, we find that the perceived quality (*Q*) toward the parent brand is significantly high (beta coefficient of 0.11; $p < 0.000$). This supports hypothesis H_1, namely that the inferred attribute beliefs enhance the evaluations of a B2B-to-B2C brand extension. At the individual brand level, there is also a positive correlation between the perceived quality of the parent B2B brand and the attitude toward the B2C extension for all four parent brands except for Media Tek. For H_2 and H_3, our results indicating perceived innovativeness (*I*) is significant (0.12, $p < 0.001$), but that the environmental concern (*E*)[56] is not (0.002). At the individual level, the perceived innovativeness is significant for Media Tek and Quanta but insignificant for Hon Hai and AUO, and the environmental concern is insignificant for all four brands.

Table 12.2 Aggregate regression model of the consumers' evaluation of the B2B-to-B2C brand extension

Independent variable	Standardised regression coefficient	Regression coefficient	*t*-value
Q (perceived quality of parent brand)	0.116	0.129	5.39***
I (perceived ability in product innovation)	0.127	0.130	5.83***
E (commitment to environment protection)	0.002	0.003	0.15
D (difficulty of making extension)	−0.157	−0.126	−9.03***
C (brand concept consistency between the parent brand and the extension)	**0.541**	**0.423**	26.70***
T (transfer of skills/assets from parent to extension product class)	0.149	0.120	7.16***
QC (interaction term between quality perception with brand concept consistency)	0.062	0.044	3.40***
QT (interaction term between quality perception with transfer)	0.006	0.004	0.31
Sample size = 1512			
Adjusted $r^2 = 0.63$			

***$p < 0.001$
Bold values represent highest influential factors.

This indicates that consumers are more impressed with Hon Hai's product quality (with a substantial beta coefficient of 0.207) but not with its innovativeness (0.121). As for AUO, consumers may perceive the company as only moderately innovative (0.025) because Japanese (Sony) and Korean (Samsung) firms own the key technologies in LCD panels.

With respect to H_4, the perceived difficulty of making the extension (*D*) has a significant negative beta value (−0.157, $p < 0.001$). This finding is opposite to our hypothesis and also to the results of Aaker and Keller's results.[57] For industrial companies, this implies that leveraging B2B brands to produce B2C products can be an arduous process. Consumers believe that the difficulty of designing and producing the new product class would hinder the B2B brand from achieving a quality extension.

With respect to H_5 and H_6, the results suggest that there is a significant fit between the parent brand and the extension when it comes to the consistency (*C*) and transferability (*T*) of the brand concept. In particular, the consistency of brand concept (*C*) is much more substantial (0.541, $p < 0.001$) than all other variables. This suggests that the close

Table 12.3 Regression results for individual industrial brands

Independent variable	**Standardised regression coefficient**			
	AUO	**Hon Hai**	**Media Tek**	**Quanta**
Q (perceived quality of parent brand)	0.129**	0.207**	0.064	0.121**
I (perceived ability in product innovation)	0.056	0.121	0.091**	0.235***
E (commitment to environment protection)	0.025	0.017	−0.010	0.002
D (difficulty of making extension)	−0.152***	−0.011***	−0.077	−0.176***
C (brand concept consistency between the parent brand and the extensions)	**0.597*** **	**0.423*** **	**0.712*** **	**0.473*** **
T (transfer of skills/assets from parent to extension product class)	0.155***	0.205***	0.096*	0.094*
QC (interaction term between quality perception with brand concept consistency)	−0.002	0.022	0.115*	0.123**
QT (interaction term between quality perception with transfer)	0.015	0.019	−0.042***	0.037
Sample size = 378				
Adjusted $r^2 = 0.63$	0.69	0.67	0.74	0.50

*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$
Bold values represent highest influential factors.

associations between the parent B2B brand and the extensions may equate to more consumer confidence with new cross-sector extensions. At the individual level, the coefficients of fit-related variables for the four industrial brands are all significant.

Finally, with regard to interactions H_7 and H_8, we find a significant interaction between perceived brand quality and consistency of brand concept (*QC*; 0.062, $p < 0.01$) but not between brand quality and the transferability (*QT*). The results suggest that the effect of high perceived quality for the original brand on the acceptance of a brand extension will be strengthened if there is brand concept consistency between the parent B2B brand and the B2C extensions; yet the effect is not affected by the perceived transfer between the two categories. At the individual level, there is significant interaction between perceived brand and concept consistency (*QC*) for Media Tek and Quanta, whereas the interaction between brand quality and transferability (*QT)* is only significant for Media Tek.

Conclusions

Consumers are familiar with a firm's strategy of introducing new products through brand extension.[58] The coefficients of determination for brand extension models in previous studies have been increasing since Aaker and Keller (0.26), Sude and Brodie (0.48), Nijsen and Hartman (0.49), Bottomley and Doyle (0.48) and van Riel *et al.* (0.58).[59–63] In the present study, the resulting high coefficients of determination (>0.50) at both the aggregate and the individual levels indicate that a positive attitude toward a consumer-based brand extensions is indeed transferable to industrial brand-consumer product extensions. The findings are, however, mixed when compared to traditional consumer-based brand extensions (Table 12.4). At the aggregate level, the fit variables have the most substantial impact on the extendibility for industrial

Table 12.4 Factors affecting consumer evaluations at the aggregate level: a summary

Factors/brand extension	**B2B-to-B2C**	**A&K***	**K&A****	**Park *et al.*******
Perception toward quality of parent brand	(+)	×		
Perceived innovativeness of the competent company	(+)		(+)	
The extent of environment concern	×		×	
Difficulty of making extension	(−)	(+)		
Brand concept consistency	(+)			(+)****
Transfer of skills/assets	(+)	(+)		
Interaction term between quality perception with brand concept consistency	(+)			
Interaction term between quality perception with transfer	×	(+)		

(+) significantly positively correlated; (−) significant negatively correlated; and × insignificantly correlated.
*Aaker and Keller (1990).[1]
**Keller and Aaker (1997).[38]
***Park *et al.* (1991).[41]
****For prestige products

brand to consumer products. This is similar to the findings of Völckner and Sattler,[64] which assert that consistency of brand concept (*C*) is more effective on consumer evaluations toward the B2B-to-B2C brand extensions than is the transferability (*T*) of skills or assets. In addition, the perceived image of quality for the parent B2B brand extended to B2C products was strengthened when there was a high brand concept consistency. The extent of transferring skills or assets in producing the extension, however, had little effect on the image of perceived quality for the parent B2B brand extending to B2C products. This contrasts to that of the consumer-based brand extension. It appears that brand concept consistency is more important as a dimension of fit than the transferability of skills or assets in consumer evaluations of B2B-to-B2C brand extensions.

The difficulty of making the extension (*D*) shows a negative relationship with the attitude toward the B2B-to-B2C brand extension. This exhibits the consumer's concern of the capability of the B2B brand to enter into consumer markets, which might require other complicated skills. In other words, consumers tend to accept the cross product-class extension only if the extended consumer product is easy to produce and to market.

At the brand's individual extension level, the brand concept is the dominant factor that affects consumer evaluations of the B2B-to-B2C brand extension. In addition, brand concept consistency and the transferability of assets from the parent to the extension are the only two factors that influenced a respondent's attitude toward the B2B brand to B2C extension across all four industrial brands. This indicates that the fit is the most important factor for brand extension. The results show that there is an opportunity for industrial companies to leverage brand equity to consumer markets if the concept of the extension product is consistent with the parent brand.

We applied the regular B2C brand extension model in a special case in the ICT industry in Taiwan where consumers are familiar with the selected leading OEM/ODM firms. There is a constraint for those OEM/ODM firms to establish their own B2C brand names outside the industrial channel networks. For the fierce business space such as USA and EU, the end-user markets are controlled by the global brand names such as Dell, HP and Apple, and consumers do not have any clue to associate those suppliers with the end products. Nevertheless, this paper suggests that Aaker and Keller's[64] brand extension model can be a possible path for B2B firms to expand into B2C extensions.

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Section 7
Brand Buying Behaviour in China

13

The Images of Foreign Versus Domestic Retailer Brands in China: A Model of Corporate Brand Image and Store Image

Zhibin Lin and Xinming He

Introduction

China has a growing middle class with an increasing purchasing power, and the newly rich are 'hungry' for global luxury products (Zhan and He, 2012). These changes in consumption power have driven many international retailers to open stores directly in China, particularly in the high-end department sector. While retailers in developed countries are struggling to get customer traffic back to their stores, there has been vast expansion of the retailing market in China. According to Euromonitor (2014), despite the slowdown in China's macro-economic performance in 2013, the disposable income level of Chinese consumers continued to rise and retail sales have grown at a double-digit rate. The retail sales volume is expected to continue to grow at around 10 per cent rate over its forecast period. Beijing, the capital city of the country, has become the main battleground for major international retailer brands. For example, to seize this opportunity, the French department store chain Galeries Lafayette has recently opened its store in Beijing, the biggest of its flagships outside Paris. According to a report by Deloitte (2014), among the top 100 retailers, business turnover of single store foreign retailers has been much higher than Chinese domestic retailers over the last 3 years. Yet, not all foreign retailers are doing well in China, for

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example, Home Depot, Best Buy, Carrefour and Tesco have stumbled in the Chinese market, while others have experienced strong growth, such as Walmart, Metro and Ikea (Gupta and Wang, 2013). Thus, to strengthen their intangible assets and attract Chinese customers, both foreign and domestic retailers will need to effectively manage both their corporate brand image and their store image. The strategic importance of retail brand building and management has therefore come to the fore in China.

Branding in retailing poses unique challenges for retailer managers. Retailer branding is somewhat different from product branding in that retailing services are typically more multi-sensory in nature than products (Ailawadi and Keller, 2004). Corporate branding of retailing organisation involves management of corporate identity, heritage, image, reputation and communications with multiple stakeholder groups (Gray and Balmer, 1998; Balmer, 2012). Retailer corporate branding also needs to consider developing a strong store image, for example, by developing unique offerings of merchandising, product assortment, pricing, services, store design, atmospherics and so on. However, the extant literature of retailer corporate branding seems to mix corporate brand image with store image (for example, Burt and Sparks, 2002; Da Silva and Alwi, 2007; Martenson, 2007). As a result, little is known about the relationship between corporate brand image and store image and which of these makes a greater contribution to consumer patronage intention.

As the pace of retailing internationalisation increases, many researchers have started to examine host country consumers' acceptance of retailer brands of foreign origin, but very few of them have investigated the impact of retailers' corporate brand origin on consumer patronage intention (Alexander *et al*, 2010). The extant country-of-origin literature has been dominated with studies of tangible products, and limited attention has been given to services (Javalgi *et al*, 2001; Samiee and Leonidou, 2011). Moreover, within the limited research on retailing service, participants were explicitly exposed to a retailer's country-of-origin cue (for example, Straughan and Albers-Miller, 2001; Zarkada-Fraser and Fraser, 2002). However in the real world shopping environment, consumers may not know the brand origin of a retailer or do not bother to know about it (Agrawal and Kamakura, 1999; Liefeld, 2004). Therefore, it is not yet known whether retailers' corporate brand origin plays a role in consumers' daily shopping activities.

This study attempts to address the above knowledge gaps by collecting empirical evidence of corporate brand image and store image's influence on patronage intention, in the context of fast expansion of international department store brands in China. Our main contributions are: (i) advancing our understanding of consumers' perceptions of the corporate brand image and store image of both foreign and domestic retailers operating in China; (ii) advancing the conceptualisation of corporate brand image and store image in retail context, based on cognitive information processing theories; (iii) proposing and testing a conceptual model that links corporate brand image, store image and patronage behaviour, with corporate brand origin as a moderator; and (iv) providing important advice on how international and local retailers can improve their corporate branding and store image marketing strategies.

In the following sections, we first briefly review the relevant literature on corporate brand image, store image, the theories of categorisation and associative cognitive networks, and corporate brand origin, from which we develop a research model linking the two constructs with customer patronage intention with corporate brand origin as a moderator. Next, we present the methodology and empirical results testing the hypotheses. Finally, we conclude with a discussion of the managerial implications, research limitations and suggestions for future research.

Conceptual background and hypothesis development

Corporate branding

The importance of corporate branding in creating competitive advantage has been well-recognised today (Keller and Aaker, 1998; Balmer and Gray, 2003; Balmer and Greyser, 2006; Balmer, 2012). Academic work alluded to corporate branding can be traced back to as early as 1920s (Balmer and Gray, 2003). Largely managerially inspired, interest in corporate branding emerged in the 1970s (Fetscherin and Usunier, 2012). It was around the early 1990s that several leading branding and communications consultants explicitly mentioned the term 'company brand' (Balmer and Gray, 2003). Since then, there have been a wide range of approaches to corporate branding research from disciplines, such as marketing, organisation, strategy, communications and graphic design (Balmer and Gray, 2003), with a variety of concepts and frameworks appeared in the literature (Gyrd-Jones *et al*, 2013). A review of the literature by Fetscherin and Usunier (2012) indicates that research has now started to empirically investigate whether corporate brand image actually has impact on a firm's financial performance (for example, Roberts and Dowling, 2002). The current study thus is timely in addressing some of the unresolved issues in the corporate branding literature, such as the conceptual clarity of corporate brand image, its theoretical foundation, its relations with store image in the retail context, and empirically testing their impacts on consumer patronage intention.

Corporate brand image

There is a lack of a widely agreed definition of brand image in the literature (Dobni and Zinkhan, 1990). The term brand image is often used interchangeably with terms, such as brand associations, brand identity or brand personality, which has been a conceptual problem in the branding literature (Patterson, 1999; Hosany *et al*, 2006). Similarly, some researchers define corporate brand image as the corporate associations, or the perceptions, inferences and beliefs about a corporation (for example, Martenson, 2007; Mann and Ghuman, 2014). Some define it as the credibility of the corporate identity as claimed by the organisation (for example, Cretu and Brodie, 2007; Kim and Hyun, 2011). Others define corporate brand image as the brand personality of the corporation (for example, Spector, 1961; Davies and Chun, 2002). However, the blanket definitions of brand image tend to be more commonly accepted, refering to the total impressions of a brand, or everything associated with the brand. Because of their 'simplicity and compressive totatilty', these blanket definitions are most 'felicitous', 'effective expressions of the general sense of brand image as an abstraction' (Dobni and Zinkhan, 1990). At the corporate branding level, Gray and Balmer (1998) suggest that corporate brand image is the 'mental picture' about the corporation. This mental picture is a 'gestalt', overall impression on the minds of the stakeholders (Dowling, 1986; Barich and Kotler, 1991; Souiden *et al*, 2006).

Further to the complication of the corporate branding literature, there is often a confusion of the term corporate image with similar terms, such as corporate identity and corporate reputation, because of their interrelatedness and conceptual overlaps. Abratt and Kleyn (2012) propose a framework that synthesises and reconciliates the concepts of corporate identity, corporate image and corporate reputation. They suggest that corporate identity is an organisation's strategic choice, including the organisation's mission, vision, strategic intent, values and corporate culture, and its expression of these choices. While a company can define and communicate its identity (Urde, 2013), its image and reputation result from constituency impressions of a company's behaviour and are less within the company's direct control (Argenti and Druckenmiller, 2004). According to Balmer (2012), corporate brands are identity-based, that is, from the firm's purposes, values, activities, quality standards and so on (Balmer, 1995), and the 'voracity' of a corporate brand depends on whether it is authentic, believable, sustainable, profitable and responsible (Balmer, 2012). Many researchers use the corporate brand image and reputation interchangeably (for example, Martenson, 2007) because of the subtle distinction between corporate brand image and reputation, as both of them refer to stakeholders' overall evaluation of an organisation. While corporate reputation is the aggregate stakeholders' evaluation of the firm over time (Fombrun and Shanley, 1990; Gotsi and Wilson, 2001; Walker, 2010; Abratt and Kleyn, 2012), corporate brand image is stakeholders' perception of the firm at a point in time (Balmer, 1998; Gray and Balmer, 1998), usually the current and immediate reflection (Bick *et al*, 2003). Given that our study examines consumer's perception of the retailing corporation at a point in time, we use the term corporate brand image instead of corporate reputation.

Despite the diversity of definitions and disciplinary approaches, it is widely agreed that positive corporate brand image is a valuable asset (Dowling, 1986; Abratt and Kleyn, 2012). Previous research has indicated the effects of a favourable image on positive organisation outcomes, such as the attraction and retention of investors, employees and customers (Dowling, 1986; Fombrun and Shanley, 1990; Nguyen and Leblanc, 2001; Walsh *et al*, 2009). Therefore, we hypothesise:

Hypothesis 1: Corporate brand image has a positive effect on patronage intention.

Store image

Retail store image can be broadly defined as consumer perceptions of a retailer's store, which is developed from consumers' objective and subjective evaluations based on their experience of the store over time (Zimmer and Golden, 1988). Researchers, such as Dichter (1985) and Zimmer and Golden (1988) define store image as a global construct, that is, the 'gestalt' view of store image, while other researchers (for example, Martineau, 1958; Kunkel and Berry, 1968; Keaveney and Hunt, 1992; Bloemer and De Ruyter, 1998) believe that store image is primarily determined by the attributes of a store. We adopt the later definition in this study, which treats the store image construct as a multi-attribute model, consisting of both tangible and intangible attributes, such as merchandise quality and assortment as well as the store atmosphere (McGoldrick, 2002; Hartman and Spiro, 2005). Past research has shown that customers often evaluate and select retailers on the basis of store image (Chang and Luan, 2010), and that store image is as an important antecedent of store satisfaction and loyalty (Bloemer and De Ruyter, 1998; Martenson, 2007), store preference (Thang and Tan, 2003) and the frequency of store visits (Pan and Zinkhan, 2006). Thus, we have

Hypothesis 2: Store image has a positive effect on patronage intention.

Corporate brand image versus store image

Studies of retailer corporate image often do not differentiate retailer corporate brand image from store image (for example, Burt and Sparks, 2002; Da Silva and Alwi, 2007; Martenson, 2007), which could hinder theoretical development and the establishment of managerial implications. We draw on relevant cognitive theories to clarify the differences between the two important constructs.

An image is the set of meanings or associations by which an object is known and through which people describe, remember and relate to it (Myers and Aaker, 1982). From a cognitive psychological perspective, image is formed through cognitive information processing, which can be category-based or piecemeal, depending on different conditions (Keaveney and Hunt, 1992; Hadjimarcou and Hu, 1999). Category-based processing involves the evaluation of an incoming stimulus on the basis of existing memory structures or schemata, while in piecemeal processing, a consumer pieces together the evaluations of individual attributes (Sujan, 1985; Goodstein, 1993; Hadjimarcou and Hu, 1999). Individual cognitive schemata consist of associative networks that are hierarchically organised, from specific categories at the bottom, to general ones at the top (Fiske and Pavelchak, 1986; Krishnan, 1996; Swoboda *et al*, 2013). Accordingly, image is also described as a hierarchical network of meanings stored in memory (Nguyen and Leblanc, 2001). The building block of an associative network (as shown in Figure 13.1) is a node representing any piece of information, which could be the country of origin of a retailer corporate brand (for example, foreign or Japanese), the corporate brand (for example, Sogo), a store (a specific store in Xicheng, Beijing) or an attribute of a store (for example, convenience), and links between any two nodes suggest an association in the consumer's mind (Krishnan, 1996; Henderson *et al*, 1998).

The distiction of the two constructs lies in the differences of focus. One views the retail corporation as a whole, and the other focuses on its major components (stores). Corporate brand image is the perception of the retailer as an organisation or corporation, which is based

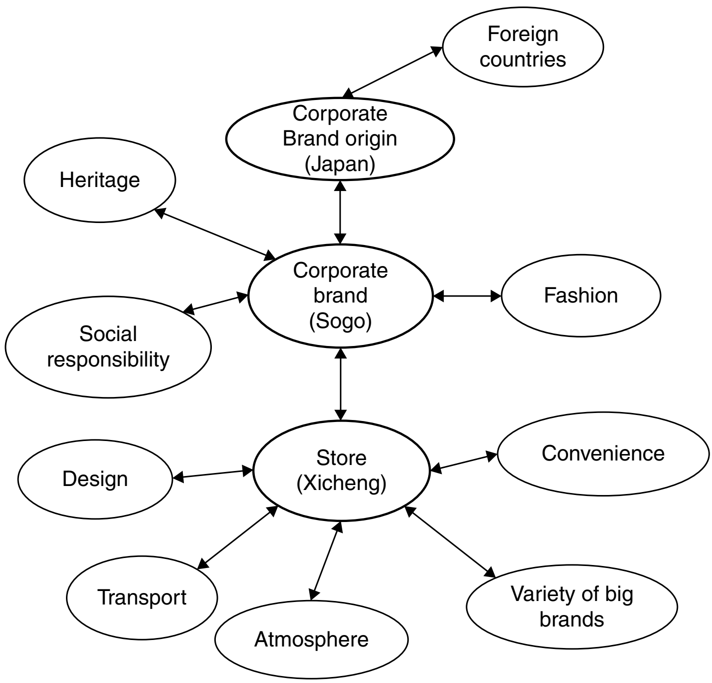

Figure 13.1 Cognitive associative network and categorisation

on holistic, global perceptual processing (Förster and Dannenberg, 2010; Förster, 2012), or category-based processing (Hadjimarcou and Hu, 1999). In constrast, store image is the perception of the retailing organisation's offerings, that is, the store and its associated products and services, which is developed through consumer experience of the store attributes over time, such as store design, brand assortment, price, location, transport and parking, and so on (Zimmer and Golden, 1988). Store image is a local processing of the individual stores as the parts of a retailer (Förster and Dannenberg, 2010; Förster, 2012), and is developed or formed through piecemeal processing of store attributes (Keaveney and Hunt, 1992). This distinction is similar to that of corporate brand image and product brand image (Balmer and Gray, 2003). This distinction has important practical implications, as there are fundamentally different managerial emphases between corporate branding and store image management: (i) corporate branding is managed at the top level, while store image management needs more operational inputs, and (ii) corporate brands have a multi-stakeholder rather than customer orientation at store image level.

Research in cognitive psychology reveals that global image can be formed through customer experience of specific attributes of a product or service, whereas customer beliefs about brand performance on specific attributes may be affected by a halo effect from the global image (Balzer and Sulsky, 1992; Sonnier and Ainslie, 2011). As retail corporate brand image is a global image construct, and store image as a local image is developed through specific retail service attributes, the relationship between the two image constructs should be positively correlated. In other words, consumers may form a general impression of the retail corporation through their shopping experience or through their interaction with the retailer's corporate communications. When confronted with a new store openned by the retailer, they then use the retailer's corporate associations previously stored in their memory to evaluate the new store (Swoboda *et al*, 2013). Refering to cognitive associative network (Krishnan, 1996) as we described previously, the relationship between the two constructs can be explained as: the activation of a corporate node will affect related store nodes through associative network linkages, and vice versa. Recent research by Swoboda *et al* (2013) confirms that corporate repuation and store equity have bidirectional links. Therefore we propose:

Hypothesis 3: Retailer corporate brand image and store image are positively correlated.

The strength of activation of a node depends on pratice (Anderson, 1983). In our context, the practice is the shopping experience. The store node is activated each time with every shopping experience, whereas the corporate node may not be so frequently activated (Swoboda *et al*, 2013). The associations based on personal experience are more vivid, self-relevant and held with more certainty (Krishnan, 1996). Rindell *et al* (2010) argue that image is constructed and updated in consumer daily consumption lives. They propose the concept of 'image-in-use', which represents all the consumption events. It is likely that store image is the 'image-in-use' rather than corporate brand image in determining patronage intention. Furthermore, according to Förster (2012), global processing systems deal with novel events, and local system processes familiar events and threatening information. This study asks shoppers to report their perceptions of the retailer where they usually do their shopping. As the retailer is a familiar entity to the respondent, local processing system will supercede the global processing system in forming patronage intention. In other words, store image will be a better predictor of patronage intention than corporate brand image. Emperical evidence provided by Swoboda *et al* (2013) indicates that retail store equity has a stronger influence on customer loyalty. Therefore, we hypothesise:

Hypothesis 4: Store image has a stronger effect on patronage intention than corporate brand image.

Foreign versus domestic corporate brand origins

Corporate brand origin refers to the country where corporate headquarters of the company is located (Johansson, 1989). According to the categorisation theory (Fiske and Pavelchak, 1986), country of origin is a category cue information stored in consumer's memory as country image or stereotype (Hadjimarcou and Hu, 1999). When processing information, an individual would normally attempt to categorise incoming stimuli, whether new or previously categorised, on the basis of existing knowledge schemata. In the case where categorisation is successful, the presentation of the new object will first activate the category label along with its associated knowledge structure or schema. As a result of this activation, the evaluation of the category label (for example, country stereotype) will also come to mind and will be used as input in the evaluation of the new object (Hadjimarcou and Hu, 1999). Empirical studies in international marketing confirm that when the country of origin is identified, the country image could influence consumer perceptions of the country's products and brands (Klein *et al*, 1998; Diamantopoulos *et al*, 2011), as well as corporate reputation (Amine, 2008).

In emerging countries, consumers usually perceive foreign products/brands more favourably than domestic ones (Verlegh and Steenkamp, 1999; Pappu *et al*, 2007; Usunier and Cestre, 2007; d'Astous *et al*, 2008; Sharma, 2010). However, the effects of country image vary across products or consumer groups (Usunier and Cestre, 2007). The activation of country of origin effects is dependent on whether the cue of country of origin is available, and the degree of its salience. The salience of the country of origin cue declines if other extrinsic or summary cues and intrinsic attribute information are available to consumers (Peterson and Jolibert, 1995). Past studies show that most consumers do not know the country of origin of many often well-known brands (Balabanis and

Diamantopoulos, 2008; Samiee and Leonidou, 2011). Hence, country image does not appear to be 'image-in-use' in consumption decision making (Rindell *et al*, 2010). If categorising retailers based on their corporate brand origin is not possible, consumers will resort to piecemeal processing by assessing retailing service attributes (Hadjimarcou and Hu, 1999).

Companies of foreign origin could outperform their local counterparts in many aspects, such as productivity and efficiency (Bellak, 2004). As summarised by Bellak, this is because foreign-owned companies have firm-specific advantages as well as advantages of being multinational. In terms of firm-specific advantages, foreign-owned firms tend to have: (i) high levels of research and development; (ii) a large number of highly skilled workers; (iii) latest technologies; and (iv) high levels of product differentiation and advertising. Being part of a global network within an multinational enterprise, foreign-owned firms have: (i) scale economies; (ii) better access to foreign markets and suppliers; (iii) benefit from their parent's managerial expertise; (iv) benefit from the insights gained by fellow subsidiaries in other markets; and finally, (v) a more extensive set of information and better capacity for evaluating different market situations. Given that brands of foreign origin have the above advantages, it is possible that their corporate brand image as perceived by consumers will perform better than their domestic counterparts. Therefore, we propose:

Hypothesis 5a: Brands of foreign origin have more positive corporate brand image than those of domestic origin.

Hypothesis 5b: The relationship between corporate brand image and patronage intention is stronger for brands of foreign origin than for domestic brands.

On the basis of the same reasoning, the store image of foreign retailers should perform better than domestic ones. Empirical studies so far tend to be mixed. Chaney and Gamble (2008) reveal that in a developed city in China (Shanghai), young, educated and wealthy consumers rate the foreign stores higher than domestic ones. Liu *et al* (2006) found that Chinese consumers perceive store signs with both English and Chinese languages and identifying retailer's foreign corporate brand origin more favourably than those with Chinese language only. However, as China's economy develops, there is also evidence that the status of foreign brands is decreasing, while that of domestic brands is increasing (Zhou and Hui, 2003; Zhuang *et al*, 2008). Moreover, many domestic brands use foreign-sounding names, and foreign brands localise their brand name in Chinese language, consumers are confused about the origins of brands in terms of local versus foreign brands, which could benefit the local brands yet may have negative impact on foreign brands (Zhuang *et al*, 2008). The findings of studies by Chaney and Gamble (2008) and Liu *et al* (2006) could be biased because of country stereotype effect, as both studies provided corporate brand origin cues to study participants. In a natural setting as in this study, retailer corporate brand origin cue is often not available or not salient to consumers. Store image perception is then largely dependent on piecemeal processing of store attributes (Fiske and Pavelchak, 1986), and is constructed by consumers through their daily consumption experience (Rindell *et al*, 2010). It is therefore not clear whether brands of foreign origin will outperform their domestic counterparts in store image without further empirical evidence. Therefore, we tentatively propose:

Hypothesis 6a: Brands of foreign origin have more positive store image than those of domestic origin.

Hypothesis 6b: The relationship between store image and patronage intention is stronger for brands of foreign origin than for domestic brands.

Figure 13.2 summarises the conceptual model.

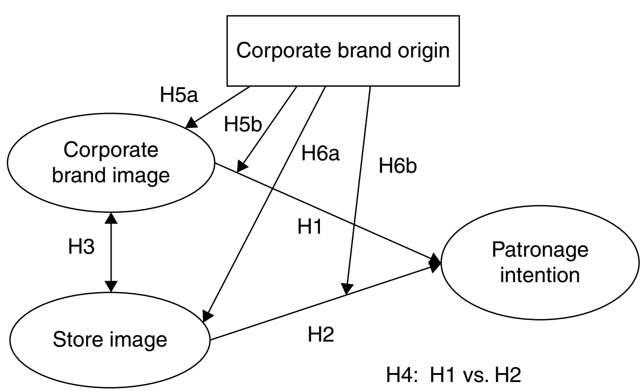

Figure 13.2 Conceptual model

Research design and methods

Research context

China's retail market historically has been highly fragmented and composed of many small- and medium-sized retailers concentrated in the economically well-developed eastern provinces, particularly in major cities, such as Beijing, Shanghai and Shenzhen. With economic growth over the past decades came retail sector growth that has continued to the present day. Modern retail formats, such as supermarkets and department stores have been well-received by Chinese consumers. Major international department store chains in Beijing include Parkson, Golden Eagle, Watson, New World and Ito-Yokado. In response to this strong new competition, Chinese domestic retailers have been quick to imitate and emulate the latest marketing and management pratice. Many domestic retailer brands in Beijing, such as Wangfujing Cui-wei, Dangdai and Xidan have started to focus on creating an engaging customer experience and building a strong brand image. This study therefore has implications for both international and domestic retailers currently operating in China.

Sampling and data collection

This study uses a store intercept method based on the procedure used by Babin and Darden (1995) to collect data directly from shoppers in a real world shopping environment. This method has the capability of reaching a large number of shoppers in a cost-efficient manner. The data were collected at the point of purchase, thus avoiding the deliberate exposure of corporate brand origin cue to respondents (Josiassen and Harzing, 2008). To increase the response rate and get better cooperation from potential respondents, we secured collaboration from a high-end department store chain in Beijing. Six customer service assistants who regularly conduct the company's in-house customer satisfaction surveys approached customers on a random basis when they were browsing in the store, and a small gift (value = 10 CNY, or about 1 GBP) was provided to respondents as an incentive (funded by the collaborating department stores). The response rates were about 70 per cent, comparable to those obtained by Han *et al* (2008) in similar settings. Store managers confirmed that the demographic profile of the samples was representative of the store's clientele (see Table 13.1): aged between 26 and 45, mostly female, have a bachelor's degree and middle-level income. The data cover more than 15 major department store retailer brands in Beijing. The sample size for corporate brands of domestic

Table 13.1 Sample profile

	Count	%
Age		
18–25	13	3.8
26–35	85	25.1
36–45	142	42.0
46–55	70	20.7
56 and above	28	8.3
Gender		
Male	94	27.8
Female	244	72.2
Education		
Below degree level	79	23.4
Bachelor's degree	195	57.7
Masters and above	64	18.9
Income (CNY)		
50K and below	67	19.8
51K–10K	118	34.9
11K–15K	100	29.6
16K–20K	22	6.5
21K–25K	15	4.4
26K and above	16	4.7

origin is 199 (59 per cent), which include Wangfujing (consists of two store brands, 56), Cuiwei (59), Dangdai (28), Xidan (46) and others (10); and the sample size for corporate brands of foreign origin is 139 (41 per cent), which include brands, such as Sciteck (12), Sogo (23), Yansha (24), Shinkong (36), Parksons (21) and others (23).

Questionnaire

The questionnaire starts with a question asking respondents to name a department store where they usually do their shopping. A list of 10 major department store brands was provided (containing 5 domestic department store brands and 5 foreign ones, as described above), but respondents were allowed to name their own department store retailer brands outside the list. The question that follows asked respondents to identify whether that retailer brand is of foreign or domestic origin. If the option 'foreign' was selected, respondents were requested to further identify what specific country the retailer originated from. Subsequent questions regarding corporate brand image, store image and patronage intention were raised with reference to that focal retailer brand. Thus the corporate brand origin information was treated 'naturally', without manipulating corporate brand origin, tackling the weakness in the prior country of origin research (Josiassen and Harzing, 2008; Samiee and Leonidou, 2011). Sixty per cent of the respondents were able to correctly identify retailers' brand origin as foreign or domestic. Respondents were more accurate in identifying domestic retailers (accuracy rate 64 percent) than foreign ones (accuracy rate 47 per cent). When asked the specific country of origin of the foreign retailers, the accuracy rate falls drastically to 15 per cent.

Construct measures

The scales used to measure the three latent constructs are shown in Table 13.2. Items measuring corporate brand image were adopted from Kim and Hyun (2011) on a 7-point Likert scale, where 1 = strongly disagree, 7 = strongly agree. To adapt the items for the current study context,

Table 13.2 Scale items and convergent validity

Constructs/items		**VIF**	**Weight**	**Loading**
Store image				
SI1	Availability of big brands	1.95	0.02	0.62**
SI2	Atmosphere	2.56	–0.26	0.56**
SI3	Pricing	1.30	0.05	0.50**
SI4	Location	1.44	0.23	0.54**
SI5	Customer service	2.14	–0.19	0.51**
SI6	In-store facilities	1.84	0.17	0.66**
SI7	Variety of products	2.20	0.22	0.76**
SI8	Merchandise quality	2.08	0.47	0.83**
SI9	Staff friendliness	2.25	0.51	0.81**
Corporate brand image		CR = 0.85, AVE = 0.58		
CB1	It is a socially responsible retailer	—	—	0.78**
CB2	It is a reputable retailer	—	—	0.78**
CB3	This retailer is customer-oriented	—	—	0.73**
CB4	This retailer is fashionable	—	—	0.75**
Patronage intention		CR = 0.92, AVE = 0.85		
PI1	I would visit this department store	—	—	0.94**
PI2	I would consider shopping at this department store	—	—	0.90**

Note: $**P < 0.01$; VIF = variance inflation factor, CR = composite reliability, AVE = Average variance extracted.

we presented the five corporate image items developed by Kim and Hyun (2011) to store managers in panel interviews to make necessary modifications. 'Being fashionable' was considered by store managers as an important attribute of department store retailers, the 'fashionable' item was used to replace the 'high-tech' item in Kim and Hyun (2011). Store managers suggested that customers look at the retailer's name as a symbol of quality assurance for the merchandise they sell. This is an essential function of a brand (Aaker, 2009; Kapferer, 2012), hence the 'reputable' item was used to replace the 'leading' and 'representative of the IT industry' items in Kim and Hyun's (2011) list. As there is an increasing concern of Chinese consumers on corporate social responsibility (CSR) in recent years, and concurrently there is a rise of academic interest in the west in the CSR image of a corporate brand (for example, Melo and Galan, 2011), it was deemed vital to include an item of 'socially responsible' to replace 'the long experience' item. Finally, the 'customer-oriented' item remained unchanged. For store image measurement, items were drawn from Theodoridis and Chatzipanagiotou (2009), as recommended by the interview panel. Respondents were asked to rate the performance of each of the retailer attributes from 1 to 10, where 1 equals to 'very poor', 10 represents 'excellent'. Patronage intention was measured by two items adapted from Grewal *et al* (1998): 'I would visit this department store' and 'I would consider shopping at this department store' based on a 10-point scale, where 1 = definitely no, 10 = definitely yes.

Results

We used SPSS and Partial Least Square (PLS) structural equation modelling for our data analysis. Using PLS in path modelling to establish causal relationships is advantageous because it requires no assumption of normal distributions and also allows for smaller sample size requirements, and is suitable for handling both formative and reflective measures (Hair *et al*, 2011). The software used in this study is SmartPLS 2.0 M3 (Ringle *et al*, 2005). Unlike covariance-based structural equation modelling, PLS path modelling does not optimise a unique global scalar function, and subsequently does not have global goodness-of-fit (GoF). There have been attempts to develop overall model fit indices in PLS, such as the GoF index and the relative GoF index, but recent methodological research suggests that these indices are not suitable for PLS model validation (Henseler and Sarstedt, 2013). We therefore follow the commonly adopted guidelines as set by Hair *et al* (2011), using a two-step procedure to assess the adequacy of the model. First, we assess the measurement model with regard to reliability and validity. Second, we examine the structural model parameters and the explanatory power of the model. To test the significance of model estimates, we compute the *t*-statistics using 5000 bootstrap samples (Hair *et al*, 2011).

Measurement model

Corporate brand image and patronage intention are treated as reflective constructs. Following the recommendations of Hair *et al* (2011), we evaluated the reflective measurement model by examining item loadings, composite reliability (CR), convergent validity and discriminant validity: all item loadings are significant and above the recommended 0.7. The CR exceeds the recommended level of 0.7, and the average variance extracted (AVE) values are above the recommended level of 0.5. We treat items measuring store image as formative indicators. Following Hair *et al*'s (2011) recommendation, we examined multi-colinearity among the indicators, and each indicator's weight (relative importance) and loading (absolute importance). As shown in Table 13.2, all indicators' variance inflation factors (VIFs) were lower than 5, thus multicolinearity was not a concern. Not all the item weights were significant, but all their factor loadings were, thus all items of store image were included for further analysis.

Results in Table 13.3 indicate that the square roots of the AVE (where applicable) exceed the construct's correlations with the other factors, thus discriminant validity can be established (Fornell and Larcker, 1981).

Structural model

Table 13.4 illustrates the model estimation results. The aggregate PLS path coefficients are statistically significant: R^2 values for endogenous latent variable 'patronage intention' are fairly good (43 per cent). As

Table 13.3 Latent variable correlations and square roots of AVE

	CB	SI	PI
CB	**0.76**		
SI	0.25**	**NA**	
PI	0.35**	0.52**	**0.92**

Notes: **$P < 0.01$; Boldface numbers on the diagonal are the square root of the average variance extracted.
AVE = Average variance extracted, PI = patronage intention, CB = corporate brand image, SI = store image.

Table 13.4 Structural model

	PI		
	Direct effect	**Total effect**	**SI**
CB	0.21**	0.33**	0.25**
SI	0.48**	0.53**	—
Origin	−0.03	—	—
CB×Origin	0.11	—	—
SI×Origin	−0.13**	—	—
Age	−0.07**	—	—
Gender	−0.12**	—	—
Education	0.08**	—	—
Income	0.21**	—	—
R^2	0.43	—	—

Notes: ***P* < 0.01; PI = patronage intention, CB = corporate brand image, SI = store image, Origin = corporate brand origin, (0 = domestic, 1 = foreign); Control variables: age, gender (0 = female, 1 = male), education and income.

hypothesised, both corporate brand image and brand image are positively linked to patronage intention, providing support to Hypotheses 1 and 2. The correlation between corporate brand image and store image is positive and significant ($\beta = 0.48$, $P < 0.01$), thus Hypothesis 3 was supported.

The coefficient of the total effect from corporate brand image to patronage intention through store image as a partial mediator is 0.33 (direct effect $\beta = 0.21$, both *P*'s < 0.01), while in the reverse direction, the coefficient of total effect from store image through corporate brand image as a partial mediator is 0.53 (direct effect $\beta = 0.48$, both *P*'s < 0.01). Thus it can be confirmed that store image effect on patronage intention is higher than that of corporate brand image, supporting Hypothesis 4.

The interaction term 'corporate brand image×origin' is not significant, suggesting that the relationship between corporate brand image and patronage intention is not stronger for foreign brands than domestic brands, thus rejecting Hypothesis 5b. Although the interaction term 'store image×origin' is significant but the β value is negative, as we coded 0 = domestic origin, 1 = foreign origin, it suggests that the relationship between store image and patronage intention is stronger for domestic brand origin than foreign brand origin. Thus Hypothesis 6b is not supported.

Table 13.5 presents the SPSS independent samples *t*-test results of comparing corporate brand image and store image by corporate brand image,

Table 13.5 Comparison of corporate brand image and store image by corporate brand origin

Items		**Corporate brand origin**		***P***
		Foreign (n = 139)	**Domestic (n = 199)**	
Corporate brand image				
CB1	It is a socially responsible retailer	4.87	4.68	0.320
CB2	It is a reputable retailer	4.75	4.34	0.042
CB3	This retailer is customer-oriented	5.03	4.33	0.000
CB4	This retailer is fashionable	5.19	4.47	0.000
CB	Overall (average)	4.96	4.45	0.001
Store image				
SI1	Availability of big brands	7.80	7.51	0.187
SI2	Atmosphere	7.70	7.62	0.732
SI3	Pricing	6.94	7.28	0.165
SI4	Location	7.71	8.01	0.186
SI5	Customer service	7.21	7.73	0.027
SI6	In-store facilities	7.50	7.05	0.045
SI7	Variety of products	7.40	7.40	0.977
SI8	Merchandise quality	7.76	7.89	0.510
SI9	Staff friendliness	7.02	7.35	0.162
SI	Overall (average)	7.45	7.54	0.575

which indicates that foreign retailers' corporate brand image more is positively perceived than that of domestic retailers (overall $M_{foreign} = 4.96$, $M_{domestic} = 4.45$, $P < 0.001$), in support of Hypothesis 5a. The table also shows that there is no significant difference between the two types of retailers in store image performance ($P = 0.575$), inconsistent with Hypothesis 6a.

Table 13.6 summarises the results of hypothesis test.

Discussion and conclusions

The main purpose of this study was to investigate Chinese consumers' perceptions of corporate brand image and store image of both foreign and domestic retailers in China, and to provide a conceptual clarification of retailer corporate brand image versus store image by proposing and testing a conceptual model that links corporate brand image and store image to patronage intention with corporate brand origin as a moderator. The study has important theoretical and managerial implications.

Table 13.6 Summary of hypothesis test

	Hypotheses	**Results**
Hypothesis 1	Corporate brand image has a positive effect on patronage intention	Supported
Hypothesis 2	Store image has a positive effect on patronage intention	Supported
Hypothesis 3	Retailer corporate brand image and store image are positively correlated	Supported
Hypothesis 4	Store image has a stronger effect on patronage intention than corporate brand image	Supported
Hypothesis 5a	Brands of foreign origin have more positive corporate brand image than that of domestic origin	Supported
Hypothesis 5b	The relationship between corporate brand image and patronage intention is stronger for brands of foreign origin than for domestic brands	Rejected
Hypothesis 6a	Brands of foreign origin have more positive store image than that of domestic origin	Rejected
Hypothesis 6b	The relationship between store image and patronage intention is stronger for brands of foreign origin than for domestic brands	Rejected

Theoretical implications

This study has several theoretical implications. First, this study has clarified the interconnections and differences between corporate brand image and store image underpinned by cognitive theories. Our findings show that although both corporate brand image and store image drive patronage intention, store image's effect is stronger than that of corporate image. Thus, we extend the recent corporate branding research in retailing, for example, Burt and Sparks (2002); Da Silva and Alwi (2007); Martenson (2007); Rindell *et al* (2010); Swoboda *et al* (2013), and provide empirical evidence to support that the store-related node in consumer cognitive schemata is frequently activated through past and current shopping experiences (Fiske and Pavelchak, 1986; Krishnan, 1996; Swoboda *et al*, 2013). Our study confirms that in consumer's everyday shopping life, the image-in-use is more about store attributes than the retail corporation as a whole, that is, it is the local or piecemeal processing not the global or category-based processing that is in operation in consumer department store shopping decision making (Sujan, 1985; Goodstein, 1993; Hadjimarcou and Hu, 1999; Förster, 2012).

Second, our empirical results show that retailers of foreign origin have a more positive corporate brand image than their domestic counterparts, but there is no significant difference between foreign and domestic retailers' store image performance, and nor is there significant differences between foreign and domestic retailers in the relationships of corporate brand image and store image on patronage intention. This finding is significant as it extends the literature on comparing firm's performance based on foreign versus domestic ownership by revealing that in addition to productivity and efficiency, corporate brands of foreign origin outperform their local counterparts in building a positive corporate brand image in the absence of a country of origin stereotype effect. The difference can be attributed to the foreign brands' firm-specific advantages and the advantages of being multinational (Bellak, 2004). However, at store level, the store image distinction between brands of foreign versus domestic origins becomes blurred, indicating that piecemeal processing is at work, as neither of the two category nodes of corporate brand origin and corporate brand image seem to have been activated to generate an impact on store image (Fiske and Pavelchak, 1986; Krishnan, 1996).

Furthermore, this study reveals the insignificant moderation effect of corporate brand origin, which can be explained by: (i) evidence that consumers do not know or are confused about the retailers' brand origin (Samiee and Leonidou, 2011); (ii) lack of accurate corporate brand origin cue, because domestic retailers attempt to market themselves as foreign retailers, while foreign retailers use adaptation marketing strategies to be perceived as local (Zhuang *et al*, 2008); (iii) peculiarity of retailer corporate brands: unlike physical products, most retailing services do not have a 'made-in' or 'originated from' country label attached to them; and the major retailing attributes are almost the same for both foreign and local retailers, for example, locations where the retail services are delivered are local, the people who deliver the retail services are local and their merchandise mix may include the same manufacturers' brands. All of these factors reduce the salience and usefulness of retailer corporate origin as an extrinsic cue for retailing quality evaluation and decision making (Samiee and Leonidou, 2011).

Managerial implications

The findings of this study have implications for retailer corporate branding management in general, and for both international and domestic retailers operating in an emerging market, such as China in particular. First, corporate branding of retailers need to consider the differences and interconnections between consumer perceptions of corporate brand image and store image, because as this study reveals, the two images involve different managerial foci, and have differential impacts on consumer patronage behaviour, nevertheless the two constructs are closely, positively interrelated. Specifically, for the development of a positive corporate brand, managers will need to consider a clear corporate identity, engagement with CSR and corporate communications activities with all stakeholder groups. A positive corporate brand image will help build a favourable store image in the minds of consumers, because of the halo effects. Providing excellent retailing services such as product assortment, pricing and convenience helps build a strong store image, which not only directly lead to increased sales, but also to a more positive corporate brand image. Therefore, retailing managers should take both images into consideration in the corporate branding efforts.

Second, foreign retailers operating or planning to operate in China can benefit from the fact that Chinese consumers in general still perceive a favourable image towards foreign brands. It is recommended that foreign retailers retain and showcase their international associations, and avoid over-localisation. But being perceived as a foreign retailer alone will not provide a competitive advantage. Foreign retailers should consider exploiting the opportunities in the emerging markets by exploiting their multinational network to expand sourcing channels; adopting innovative store format; stocking wider selection of lifestyle products; and adopting more advanced technology, that is, exploiting both the firm-specific advantages and multi-nationality advantages to build a stronger image at store attribute level. Foreign retailers will now need to reassess their customers' changing requirements. The corporate brand image and store image measurement scales used in this study can be a very useful benchmarking tool for foreign retailers to find areas for improvement, because Chinese domestic retailers are quick learners – they are particularly good at imitating and emulating foreign retailer's strategies at an incredibly short time length.

Third, for Chinese domestic retailers, the results of this study are encouraging, as they actually perform as well as if not better than their foreign rivals after years of struggling for survival given the enormous competition generated from foreign retailers' vast expansion in the Chinese market. The empirical results in this study suggest that strategies of domestic retailers to emulate their foreign counterparts certainly have paid off. For the time being, the negative country of origin stereotype will probably remain for a while. Domestic department store will need to continue creating an image of being international rather than domestic. Partnership with strong international product brands is proved to be a good strategy to expand product assortment and to generate store's international image.

Limitations and further research

There are several limitations of this study, which lead to further research opportunities. First, we make one of the first attempts to advance corporate branding research in the retailing sector by clarifying the interrelationships and differences between corporate brand image and store image, future research could investigate the interactions between image-building activities at the two different levels. Second, we rely on cognitive theories in explaining the phenomenon, while further studies could consider additional social psychological theories to provide richer insights. Finally, the study was conducted in Beijing, a developed city of China. Thus the results may not be generalised to the whole population in the country or the rest of the world. Further research could investigate consumer perceptions of corporate brand image versus store image in different cities using a larger sample size.

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14

Hedonic Shopping Value and Impulse Buying Behavior in Transitional Economies: A Symbiosis in the Mainland China Marketplace

Chunling Yu and Mike Bastin

Introduction

Impulsive consumer buying behavior is a widely recognized phenomenon. Considerable academic research has taken place in order to identify its antecedents. This research has led to the widespread acceptance that impulse buying behavior is a result of emotional or hedonic motivations (Basin *et al*, 1994). This account of hedonic shopping value (HSV) provides insights into impulse buying. However, the phenomenon of impulse buying is more complicated and multifaceted than we have assumed (Hausman, 2000). We need to identify different types of HSV that cause impulsive buying, and which most triggers impulse purchases.

In addition, considering other factors' influence on consumer behavior, we should also take into account local market conditions and various cultural forces, which could impact the way consumers operate on impulse purchasing (Kacen and Lee, 2002; Mai *et al,* 2003; Vohs and Faber, 2007). However, extant research studies on impulse buying behavior are largely based on interviews and surveys of Westerners. Economic growth and increasing consumer-orientation of many societies around the world offer increasing opportunities for impulse purchasing, but

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little is known about it in non-Western societies. As Jacqueline and Lee (2002) demonstrated, cultural factors significantly influence consumers' impulsive buying behavior. Specifically, the theory of individualism and collectivism holds important insights about consumer behavior that can help us gain a better, more complete understanding of the impulsive buying phenomenon. China represents a typical collectivist country (Hofstede, 1980), in which interdependence, emotional control and moderation, and group needs and desires would seem to discourage impulse buying behavior. However, growing research suggests that as its national economy has experienced fast development for approximately 30 years, China has been changing (Child and Tse, 2001) and the Chinese have become less collectivistic (Yang, 2004; Reardon *et al,* 2005; Lu and Yang, 2006). A recent study of Generation X in Mainland China illustrates that these young people are bicultural (Zhang, 2009). Therefore, in emerging markets and developing consumer societies, will consumers increasingly seek out hedonic value in their shopping activities? Furthermore, will it become one of the core features of a commercial and market society in the contemporary retail environment (Wood, 2005)? Studying this behavior in a transitional economy will contribute to the literature.

The purpose of this article is to gain a general understanding of consumers' impulse buying behavior in the transactional market from the aspect of HSV. We try to answer these three questions: (1) In the emerging markets and developing consumer societies, will consumers increasingly seek out hedonic value in their shopping activities? What motivations allow consumers to justify their impulse buying behavior and override societal pressures to make purchase decisions rationally? (2) What dimensions does HSV have? (3) And what kind of HSV most drives impulse purchases, especially under the collectivism culture?

To address the complex issues raised in this study, a combination of qualitative and quantitative methods is used. First, impulse buying behavior and HSV are found in Chinese consumers, and a set of scales to measure HSV are developed and validated. Then, the relationship between HSV and consumers' impulse buying intention (IBI) is tested. Specifically, Chinese consumers might engage in impulse buying behavior in order to experience feelings of fun and novelty, more importantly, to gain praise from others owing to its apparent relatedness to 'face', a major distinctive characteristic of Chinese culture. The study ends with suggestions for international retailing firms' branding strategy.

Review of the current literature

Two types of shopping values

Several researchers acknowledge the importance of utilitarian and HSV. The overwhelming majority of research has focused on utilitarian shopping value (USV) (Basin *et al,* 1994). Studies have described USV as an example of task-oriented, goal-directed and rational consumer behavior. Such utilitarian product purchase is often completed in an efficient, mechanical and perfunctory manner throughout which a deliberate, directed state of mind is maintained. HSV is far more subjective, personal and experiential than its utilitarian counterpart. A far more emotional experience, HSV reflects shopping's potential entertainment value and the possibly symbiotic and/or synergistic relationship between the consumers and their shopping reference group(s). In general, USV reflects the task-related value of a shopping experience, whereas HSV reflects the value found in the shopping experience itself, independent of task-related activities (Overby and Lee, 2006).

Previous in-store research (Basin *et al,* 1994) has shown that utilitarian and hedonic value dimensions play nearly equal roles in predicting outcomes such as buying intentions. However, Jones *et al* (2006) point out that critical outcome variables, such as satisfaction with the retailer, word-of-mouth and re-patronage anticipation, are influenced more by the non-product-related hedonic aspects of shopping than traditional utilitarian orientations. Meanwhile, it is widely accepted that impulse buying behavior contains hedonic motivation, yet few have examined it and yet fewer have attempted any investigation into the possible multifaceted nature of the hedonic shopping construct and have not produced any valid measurement scale.

Impulse buying behavior

Impulse buying is defined as an unplanned purchase that is characterized by '(1) relatively rapid decision-making, and (2) a subjective bias in favor of immediate possession' (Rook and Gardner, 1993). It is described as more arousing, less deliberate and more irresistible buying behavior compared to planned purchasing behavior (Kacen and Lee, 2002). The research questions addressed on impulse buying have changed significantly throughout the decades. Early research concentrated on 'what' products could be best classified as impulse items and 'where' (that is, whether attributes of certain retail environments promoted impulse buying). This concern has generated a body of research that ignores the behavioral motivations leading to impulse buying behavior (Hausman, 2000).

Beginning in the 1990s, researchers began taking a look inside the consumer. The work of Shiv and Fedorikhin (1999) brought about an examination of the role of cognitive versus affective factors in determining product choice. More recently, researchers have begun to ask the questions of 'when' and 'why' impulse buying occurs (Vohs and Faber, 2007). This study contributes to this viewpoint by focusing on the motivations that cause impulsive buying behavior.

Research into the causes or triggers of impulse buying can be separated into two areas: external environmental influences and internal, personal-related factors. Examples of environmental influences are: product appearance, and background music (Verplanken and Herabadi, 2001). Other external or non-personal-related influences may include actual or perceived, time available and spending power (Beatty and Ferrell, 1998). Internal, personal-related factors thought to influence the act of impulse buying are: educational experience (Wood, 1998) and mood states (Rook and Gardner, 1993). Specifically, certain mood states may elicit impulse purchase behavior owing to consumer association of mood state with impulse buying (Rook and Gardner, 1993). The most salient emotions, which usually accompany an impulse purchase, are pleasure and excitement (Verplanken and Herabadi, 2001). In addition, research into the influence of shopping with others on impulsive purchasing (Luo, 2005) revealed that the presence of peers increases the urge to purchase, and that the presence of family members decreases it. Further research into person-related factors is needed in order to gain a better understanding of impulsive buying behavior.

Study 1

The primary purpose of this study is to gain a general understanding of Chinese consumers' impulse buying behavior. More specifically, do Chinese consumers consider impulse buying behavior socially acceptable? The secondary purpose is to investigate Chinese consumers' purchase process and the values they seek in the shopping experience itself. The third purpose is to develop a scale to measure HSV.

Methodology

Qualitative study: Depth interviews

In order to address these complex issues, we decided that only methodological triangulation represented a suitable approach. First of all, we conducted 15 semi-structured interviews to explore the existence of impulse buying behavior among Chinese consumers. Participants consisted of a convenience sample of consumers from a university community, with a student population representative of all demographic strata in China, for example gender, income, occupation and age brackets. All interviews lasted about 40 min and full transcripts were recorded. Soon after, three trained and experienced research assistants interpreted the data separately. Only where there was unanimous agreement among the three research assistants on the interpretation of interview findings was interview output retained.

Quantitative study: Survey

A survey was conducted to analyze shopping needs among Chinese consumers. A pool of items was obtained from the depth interviews, as well as the academic literature. In total, 54 items were generated. Two marketing professors evaluated the items for representativeness of the scale domain. A definition of HSV was then given to these professors to enable them to exercise their expert judgment. Judges were asked to sort the items into two groups: hedonic or other. As a result, 19 items were classified as representative of hedonic value by the two judges.

In addition to the HSV items, the author added some demographic items, such as age, gender and income to the questionnaire. A total number of 500 students participated in the questionnaire survey and 455 valid questionnaires were collected.

Results

Pervasiveness of impulsive buying

The depth interviews reveal some parallel findings with research conducted in Western countries. A large proportion of respondents did express a positive attitude towards impulse buying behavior. Nearly three-quarters of the sample considered impulse buying behavior appropriate, especially under certain circumstances.

> When I see something new I would buy it during my travelling. (50, M)

> I love shopping and often buy things on the spot, even though I would not use some of them. (36, F)

> I like shopping on impulse because it makes shopping fun and exciting. (24, F)

> I find that things I buy on impulse always become my favorite while things I buy as a result of forethought I end up disliking. (35, F)

There are some respondents who consider acting on impulse not appropriate/desirable. About a quarter of respondents indicated that they should, and have tried to, decrease impulse buying. A common reason cited is the purchase of unneeded items and overspending. They value traditional Chinese cultural values: frugality, thrift and simplicity.

These findings show that given the changes in the marketing environment, impulse buying behavior is becoming more pervasive and widespread in China. A possible reason for the emergence of this relatively new aspect of Chinese consumerism is the apparent shift in some traditional Chinese cultural values such as the belief in an economical and simple life. More specifically, what respondents buy on impulse varies across a broad range of product categories, such as clothes, books and exercise equipment.

Hedonic shopping value

Given the apparent pervasiveness of impulse buying behavior among Chinese consumers, what conditions allow them to justify their impulse buying behavior and override traditional culture and societal pressures to make purchase decisions rationally? Our study detected a variety of hedonic needs that appeared to motivate consumers in their impulse buying behavior, such as enjoyment and fun, novelty and escapism. These findings replicate the findings of extant studies conducted in developed countries (Dittmar and Drury, 2000; Wood, 2005).

> I consider shopping as one kind of therapy. When I feel depressed, shopping can get me out. Especially if I look through my bags and see what I have bought, I feel good immediately. (32, F)

> If I like something, I always buy it immediately, rather than spend more time thinking and comparing. This is one of the reasons I enjoy shopping (45, M)

> I often go shopping if I have free time. I can experience fashion and new things. Even if I have no money to spend, I still feel excited. (26, F)

Respondents also reported that the shopping experience satisfied some need for social interaction. Some of them consider the shopping experience to be an opportunity to enhance and further enrich personal friendships. To this end, they often go shopping with close friends. Moreover, respondents appreciate compliments and praise from others.

This increases the likelihood of impulse buying considerably. Typical statements made by respondents were:

> Going shopping with my close friends is a really good experience, it makes me happy, so I often buy more things. (26, F)

> While trying on new clothes, if I receive compliments or praise from others, e.g. accompanying friends and/or salespeople, who tell me it fits well and/or I look so elegant, something like that, I always buy it, no hesitation. (26, F)

On the basis of our respondents' reports, the following facets of hedonic value were identified: need for fun, novelty, escapism and social interaction.

Dimensions of HSV

A factor analysis was carried out on the survey data. Principle components were extracted based on the determination rule of eigenvalues of more than 1. Four items with loading for their respective factors below 0.50 were deleted. The result shows the remaining items of HSV could be interpreted by the five factors well. Cumulative percentage of variance accounted for by theses factors reached 69.3 per cent. The result is expected to be acceptable. The overall alpha value is 0.93, which is fairly desirable. The final items for each factor can be seen in Table 14.1.

Discussion

As expected, a multidimensional HSV construct emerges. The percentage of variance of novelty is 16.2 per cent. This indicates that Chinese consumers seek novelty, excitement and surprise during the shopping process, which comes from both the product and shopping experience. In terms of novelty, shopping becomes a way to explore the new world. Fun is the factor that contributes most to the interpretation of consumers' HSV (the percentage of variance is 16.5 per cent). Chinese consumers satisfy the need for fun, joy and a positive mood state throughout the shopping experience. The percentage of variance of praise from others is 13.4 per cent. Consumers want to keep in touch with fashion trends. They desire praise from others when they try on something new, which sometimes determines whether they buy it. These findings provide evidence in support of the current study by Dittmar and Drury (2000) that impulse buying might express symbols of self-identity. The percentage of variance of pressure-off or escapism is 11.6 per cent.

Table 14.1 Items of five dimensions of hedonic shopping value

	Items	**Cronbach's α**
Novelty	Finding unique things makes me excited It seems that I explore a new world when I go shopping	0.786
Fun	This shopping is a wonderful experience Compared to others, spending time on shopping is so enjoyable During shopping, I feel excited This shopping activity makes me happy	0.723
Praise from others	I enjoy compliments and words of praise from others when I shop I imagine others' reactions when I try on something	0.777
Escapism	I can escape from reality I feel excited taking risks while shopping I can forget my troubles during shopping Shopping is a way to relieve pressure from myself	0.782
Social interaction	I like to observe others in the store Shopping with others is a good way to enhance friendship I like to go shopping with others	0.811

Shopping enables consumers to escape from reality, put the pressures of life behind them and forget their worries. While shopping, consumers experience the passion of doing what they want to. Sometimes they relax by means of spending money. The last factor, social interaction, contributes 11.6 per cent. This indicates the consumers' willingness to go shopping with others such as family members and friends. In this, shopping is a way to communicate and enhance friendships.

It is more worthwhile to explore the new values other than fun and novelty, which earlier literature covers more. These new values, such as praise from others and social interaction, may provide us with more meaningful insights into understanding Chinese consumers' impulse buying behavior.

Study 2

The main purpose of this study is to explore the relationship between consumers' HSV and IBI and to test the nomological validity of the

HSV construct. Moreover, study samples may lack generalization owing to the use of a student sample only in study 1. In study 2, we use non-student sampling to investigate further impulse buying behavior. In addition, given that HSV includes five dimensions, if there is a relationship between impulsive buying behavior and HSV, which dimension of HSV is the main trigger?

Methodology

Questionnaire design

In addition to the 15-item measure used in study 1, the authors add two items to measure consumers' IBI. Following Rook and Fisher (1995), an imaginary situation was described to the respondents. Moreover, taking into account the influence of gender on this fictitious purchase decision, two scenarios were created, one for female (Mary) and one for male (Tom):

> Mary (Tom) is a 21-year-old college student with a part-time job. It is two days before Mary receives her next paycheck and she has only $25 left for necessities. In addition to food, Mary (Tom) needs to buy a pair of warm socks (a tie) for an outdoor party this weekend. After work, she goes with her friend Susan (Andy) to the mall to purchase the socks (tie). As they are walking through M Store, Mary (Tom) sees a great looking sweater on sale for $75.

After reading their scenario, respondents were instructed to select which one of five decision alternatives would Mary/Tom make. These alternative choices were designed to represent varying levels of IBI. From low to high, these alternatives were: (1) buying the socks/tie only, (2) desirous of the sweater but not buying it, (3) deciding not to buy the socks/tie, (4) buying both the socks/tie and sweater with a credit card, and (5) buying these plus matching slacks and a shirt, also with a credit card. The other item is self-reported IBI. Finally, a 17-item scale was developed and used in this further study.

Sample

Study 2 collects data through a convenience, non-student sample. Respondents participated in the executive training programs, which are held by the business school, where one of this article's authors works. A total of 296 respondents were surveyed during a 6-month period. The sample was evenly divided between men (49.5 per cent) and women

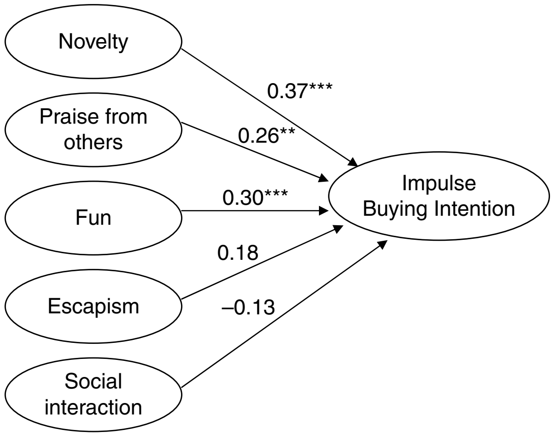

Figure 14.1 Path analysis estimates
Note: **significant at 0.01, ***significant at 0.001.

(50.5 per cent). Eighty per cent of the respondents were in the age group of 25 and 45 years and 70 per cent of respondents earn a monthly income of more than 3000 RMB (about 75 USD). All the respondents claimed to engage in impulse buying of some kind.

Results

We used LISREL8.7. to perform path analysis for directly observed variables. The fit estimates for the overall model ($chi^2 = 187.25$, with 104 df ($P < 0.001$), GFI = 0.93, AGFI = 0.90 RMSEA = 0.052, NFI = 0.90, CFI = 0.95) are within accepted standards. The results of the path analysis appear in Figure 14.1. As expected, positive correlation estimates exist between the four dimensions of HSV (novelty, praise, fun and escape) and IBI. This suggests that hedonic experiences may lead to more impulse purchases.

Discussion

It is no surprise that novelty is the most influential reason behind consumers' impulse buying. Furthermore, it would appear impulse buying makes consumers happy and excited. In addition, praise from others shows positive correlation with IBI. It is an interesting and perhaps distinctive finding in China. Chinese consumers constantly appreciate the importance of 'face', that is, the frequent need to 'save face', but also the value associated with ‘gaining face’. This kind of psychology influences their purchase behavior. Praise or praise from others – such as the in-store salesperson, accompanying friends or even someone passing by – may cause (in particular) the Chinese consumers to experience increased self-esteem and increase the likelihood of impulse purchase. This is similar to the phenomenon of ‘peer group pressure’ (Luo, 2005).

Escapism is related to IBI positively, but not significantly. In our interviews, many respondents expressed the desire to satisfy the need for escaping from reality, especially everyday life pressures, troubles and so on. It follows logically then that escapism is correlated with IBI positively. However, as other researchers have pointed out, as well as pleasure and excitement, there may also be a sudden and immediate urge to buy before an impulse purchase, which might be considered a mild form of compulsion. Regret might be experienced afterwards, for instance concerning the wastefully spent money (Rook and Fisher, 1995). For now, this remains conjecture, which requires further investigative research.

Social interaction is related to IBI negatively, not significantly. It could indicate that consumers attempt to control their impulse buying behavior sometimes because they do not want to be perceived as immature or irrational. Although there are differences between impulsive and prudent people (Ramanathan and Menon, 2006), we propose that everyone has hedonic goals and self-control goals at the same time, whether people buy on impulse depends on which goal dominates.

Conclusion

The results of this research suggest that given the changes in the marketing environment, impulse buying behavior is becoming more pervasive and widespread in China. A possible reason for the emergence of this relatively new aspect of Chinese consumerism is the apparent shift in some traditional Chinese cultural values such as the belief in an economical, frugal and simple life. More specifically, our study also indicated that Chinese consumers seek to satisfy hedonic value during their shopping experience, such as need for fun, novelty, escapism, praise from others and social interaction. Chinese consumers appear most interested in the need for praise and social interaction owing to its apparent relatedness to ‘face’, a major distinctive characteristic of Chinese culture. Owing to the need for social interaction, major branding implications include: the relative importance of brand community (Schau *et al,* 2009) where Chinese consumers are concerned and the need for experiential branding/marketing (Schmitt, 1999) in the Chinese marketplace.

In addition, our study of the relationship between HSV and IBI reveals that impulse purchases are closely associated with hedonic responses. More specifically, fun, novelty and praise from others are significantly related to IBI. This gives strong evidence to support our proposition. Moreover, closer consideration of the relationship between HSV and IBI has involved much more than the usual causality issue. Indeed, further scrutiny of our depth interview transcripts appears to point towards the possibility of a symbiotic relationship here. Initially, however, our hypothesis centered only on IBI as the dependent variable and dimensions of HSV as possible independent variables. Perhaps possible symbiosis might be partially explained by the fact that impulse buying is still relatively new among Chinese consumers. Western consumerism's impulse buying may not necessarily have such a relationship with HSV.

Implications

The findings of this research provide several managerial implications for branding strategy for global retailing firms. First, for Chinese living in the first-tier cities, HSV is becoming ever more important during their shopping experiences. International retailers should try to integrate the dimensions of HSV into their brand positioning and promotion message. Retailer brands are typically more multisensory in nature than product brands, and can rely on rich consumer experiences to impact their equity. HSV provides retailers with more space to create their brand images in different ways, for example, by attaching unique associations to the quality of their service, their in-store atmosphere, product assortment and merchandising, and so on. Even if the products and brands stocked by a retailer are similar to others, the ability to create rich experiences can play a crucial role in building retailer brand equity (Morrison and Crane, 2007).

Second, in addition to creating an attractive physical shopping environment, it is even more important to enhance salespeople's role in providing consumers with immediate, anticipated compliments and praises. We refer, specifically, here to the need among Chinese consumers to 'gain face', especially when in the company of 'significant others'. The concept of 'face' does not just involve the need to 'save face'. Furthermore, given increasing sophistication among Chinese consumers, 'gaining or giving face' may not be as easy as simply providing praise about a shopper's appearance; instead more intellectually thoughtful comments regarding a shopper's 'taste' and 'fashion awareness' or even 'aesthetic appeal' or 'artistic sense of color co-ordination' may well be more effective. Therefore, retailing firms must recruit the right employees and train them well. However, in practice, retailing firms often pay more attention to the variety of the products and advertising, but overlook the recruitment and training of employees in terms of their social skills, for example their ability to empathize with the customer. These firms should remember that shopping is a way to satisfy the needs for hedonic value through both the products and the shopping experience itself.

Finally, because cultures change over time, retailing firms that wish to achieve success in the Mainland China market should take a dynamic view of consumer buying behavior. This study reveals changes in the Chinese consumers' shopping values that appear to reflect a shift in cultural values. However, we also witness firm evidence in support of traditional Chinese cultural values, for example the importance of saving and gaining 'face'. It may well be the case, therefore, that our research has uncovered an independence among Chinese cultural values where interdependence is often assumed. For example, there may be a dualism between traditional Chinese cultural values and more modern or Western cultural values, for example 'collectivism' and 'individualism' are in fact independent and not interdependent, where an increase in one does not necessarily lead to a decrease in the other. In order to develop successful brands in China, retailing firms must gain some comprehension of this cultural 'change'.

Limitations and future research

This research has the traditional limitations associated with self-report survey research. Yet, our use of two different items produced the same hypothesized results, providing more confidence that measurement error did not produce erroneous or misleading results. Moreover, this exploratory study also identifies several salient research issues that require further investigation. First, additional research should test the moderating effect on the relationship between hedonic value and impulse buying of demographic variables, such as age, gender and income, which would help us gain a more full understanding about symbiosis of HSV and impulse buying behavior. Second, an interesting area for future research would be to investigate the interaction between culture and the appropriateness of engaging in impulse buying in different situations.

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15

Consumers' Attitudes Regarding Non-deceptive Counterfeit Brands in the UK and China

Xuemei Bian and Cleopatra Veloutsou

Introduction

It has been well established that counterfeit brands are those bearing a trade mark that is identical to, or indistinguishable from, a trade mark registered to another party and infringes on the rights of the holder of the trade mark.[1–5] Counterfeits are available quite extensively, and with a number of forms of deception. For some counterfeit brands, consumers do not know that they are not genuine when they are purchased (deceptive counterfeits); while for others, consumers are fully aware that they are buying nongenuine brands (nondeceptive counterfeits).[6] Their quality varies. Some counterfeit products are so good that even the brand owners are not able to distinguish them from genuine products without the help of laboratory tests, while others are very poor and dangerous.[7]

In general, counterfeiting is regarded as a serious economic, social and political problem. Although it has been suggested that most owners of brand products do not really believe that the value, the satisfaction from and the status of genuine luxury brand names are decreased by the availability of counterfeits or that the availability of the counterfeits negatively affects purchase intentions of the original luxury brands,[8] others draw different conclusions. It seems that counterfeits affect consumers' confidence in legitimate brands, destroy brand equity and companies' reputations,[9] impose a negative impact on the consumer's evaluation of genuine items,[10] cause loss of revenues,[11–13] increase costs

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associated with trying to contain infringement, impact on hundreds of thousands of jobs[14] and threaten consumer health and safety.[15–18] Counterfeiting has emerged as a major headache for global marketers for most product categories,[19,20] with the possible exception of software, where it could support its 'shadow diffusion'.[21,22]

Given the consequences of counterfeiting, it becomes important to analyse why consumers actually purchase these brands. This has been appreciated by academics and practitioners, and there is extensive call for further research in this area, especially in issues related to the customer's attitudes and behaviour when purchasing these products.[23–25] This paper aims to give some insight on the reasons behind the purchasing of counterfeit brands in two countries with very different cultures and different levels in the development of the phenomenon. It first outlines the current situation related to counterfeit brands in the UK and China and reviews the existing research on consumer behaviour with regard to counterfeit brands, then outlines the methodology and finally presents the results of the study. It finally draws conclusions and suggests future research directions.

Counterfeiting in the UK and in China

Although counterfeiting is not a new concept, it was dramatically developed in the 1970s.[26] Nowadays, it is perceived as a major problem. It is regarded as civil offence, and even considered as criminal crime in some countries, such as the USA and the UK.[27,28] As counterfeiting practice is illegal, explicit data on the volume of such trade are not available. It is estimated that the value of counterfeit goods in the world market has grown by 1,100 per cent between 1984 and 1994,[29,30] while the International Chamber of Commerce states that it accounts for 8 per cent of world trade.[31] No product category is left unscathed[32] and counterfeiting has become a significant economy phenomenon.

Although the UK is not perceived as one of the main producers of counterfeit brands, it has been suggested that it causes about 4,100 job losses per annum in the country.[33] Despite this, the UK is perceived to be one of the main recipients of counterfeits in the world.[34] In 2001, the Anti-Counterfeiting Group estimated the cost to the UK economy alone due to counterfeit goods to be at least £2.8bn per year.[35] Within two years, this figure increased to about £10bn in 2003.[36] It is no longer just luxury brands that are at stake, but also a wide array of consumer goods including such products as washing powder, spirits, food, pharmaceutical products,[37] prints[38] and software.[39]

In the UK there is evidence that the consequences of counterfeiting to the legitimate producer include not only lost revenues, but also the high cost of combating infringement. It has been reported that counterfeits cause damage to the health and they might even be lethal. For example, a Scottish woman died after drinking counterfeit vodka in 2003.[40] Regardless of the damage caused by counterfeit products, the survey commissioned by the Anti-Counterfeiting Group demonstrates that in 2003, about one-third of consumers would knowingly purchase counterfeit goods if the price and quality of the goods were right, and 29 per cent of subjects see no harm in product counterfeiting as long as the products do not put the purchaser at risk;[41] these results are in line with previous research findings.[42–45] Genuine brands are trying to find ways to fight the attack from the counterfeits. For example, Marks and Spencer invested in a 'smart tag' in order to make it easier to separate the genuine article from the counterfeits.[46]

The situation in China is somewhat different. Although counterfeiting is not new to the country, it has seen a significant growth during the last two decades alongside China's rapid economic development.[47] China seems to be a major producer of these kind of products and it has been characterised as the counterfeit capital of the world.[48–50] Counterfeit products produced in China are exported globally, to Europe, Russia, the Middle East and the USA.[51] In 1995, US Customs confiscated the largest number of counterfeits from mainland China (19 per cent).[52] According to their statistics, this figure had risen to about 73 per cent by 2003.[53] The European Union Customs reports for 2002 show that a significant proportion of counterfeit products distributed in the EU came from China.[54]

Counterfeiting has become a major concern for many Chinese and foreign brand owners operating and doing business in China.[55] It has been suggested that 'foreign companies are being eaten alive by counterfeiters in China'.[56] For instance, P&G suggests that about a quarter of goods bearing its name in China are counterfeit, while Volkswagen believes that about 60 per cent of car components in China are counterfeits.[57] Chinese officials estimate that counterfeiting is a $16bn business a year and is costing foreign firms tens of billions of dollars annually in lost sales.[58]

Despite the outcry of brand owners and the increased legislation from the Chinese government, counterfeit business still seems to be booming and has even been upgraded.[59] Consumers' officials and police officers agree that there is demand for counterfeit products by Chinese consumers. Furthermore, their quality has improved so much during recent years that it is becoming increasingly difficult for them to enforce the law.[60] Indeed, counterfeit branded products are often openly displayed in Chinese markets.[61] China is therefore developing a comprehensive body of laws on intellectual property rights.[62] In October 2000 the Chinese Government established a national anti-counterfeiting group.[63]

Research focus

The research on consumer behaviour and counterfeit products is limited. Whether or not consumers knowingly purchase counterfeits has been questioned. When products such as clothing, CDs, software, purses, perfumes, videos and watches were studied, it has been suggested that 17–38 per cent of consumers claimed that they would purchase counterfeit products when they were available,[64–67] regardless of the fact that counterfeit-prone consumers differ by product types.[68–70] The situation is so serious that some consumers might even prefer counterfeit brands. For example, respondent students, when faced with a paper and pencil choice of a counterfeit versus a legitimate product, selected the counterfeit without regard for legality or public welfare.[71]

Research attempting to profile the buyers of counterfeit brands has produced inconsistent results. Some report that demographic variables (age and household income) were not effective in distinguishing between counterfeit accomplices and consumers who would choose genuine brand clothing,[72] while others argue that it does affect, but in an inconsistent manner.[73–75] It has been suggested that the brand counterfeit-prone consumers were significantly younger, and earned less than the consumers who had a preference for the genuine brand products in all stages of the purchase behaviour (pre-purchase, purchase and post-purchase).[76] Others suggested that low spenders on counterfeit branded clothing were mainly people aged 19–24 with a blue-collar occupation, relatively low monthly income, lower education level and no children; high spenders on counterfeit branded clothing are in the age bracket 25–34 with white-collar jobs, a higher income, higher education level and children.[77] Others, however, studied the pirated literature, counterfeit software, counterfeit wallets/purses and counterfeit watches and found that although the education level and household income affected consumer purchase intention, age did not seem to have any explanatory power in terms of explaining the consumers' intention of purchasing counterfeits.[78] Given this debate, it is interesting to examine whether the demographic variables actually influence the willingness to purchase counterfeit brands.

Consumers seem to have clear ideas about the potential consequences of counterfeit goods in the marketplace and are aware of manufacturers' loss of profits, goodwill and loss of jobs in the country of production.[79–81] If this is the case, it is interesting to see why these products are knowingly chosen. Some suggest that consumers believe that both counterfeits and the genuine branded products are fun and worth the money they paid,[82] while others regard counterfeits as low-grade versions that offer less value for less cost but that this is an acceptable compromise.[83] The price is, however, not the only determinant of the choice. It seems that some non-price brand-related factors, such as the attitude, the brand statues, the appearance, the image, the perceived fashion content, the purpose and the quality have significant impact on the consumers' intention of purchasing counterfeits.[84] It has been suggested that other factors could influence the purchase intention of counterfeit brands. The ethnocentrism and the country of origin of the manufacturer of the brand jointly influence consumer perception of risk and attitudes about counterfeits. Indeed, it was found that highly ethnocentric consumers tended to attribute counterfeits with properties that might be associated with greater risk and that such risk might mediate consumers' evaluations of and feelings regarding counterfeit purchase.[85] Furthermore, the increase of the expected cost (eg cost of penalty) of counterfeits could decrease consumers' willingness to buy counterfeits.[86] Most of the research contrasting counterfeit brands with others examines counterfeits versus genuine brands,[87,88] while very limited literature attempts to examine the attitude regarding counterfeit when compared with non-logo and genuine brands.[89] This paper attempts to investigate the consumers' views on counterfeit brands, both on their own and in contrast with the genuine brands and the non-logo brands.

Previous research examining consumers' perceptions regarding counterfeit products has focused only in one country or one region. Most of the research has examined perceptions in the so-called western world,[90–92] while some research has examined the situation in Asia.[93–95] A comparison of the views expressed by consumers in the two regions is therefore interesting and is one of the aims of this paper.

Methodology

The study was conducted over a period of three months in Glasgow, UK and in Tangshan, China. Three focus groups involving five participants per group were first employed mainly to test the variables studied and choose a product in the UK and one in China. They led the design, selection and modification of the study's questionnaire. During this process, it was decided to ask the respondents to consider sunglasses when they answered the questions posed in the questionnaire. This choice was made because this product is widely available in counterfeit form in both countries and was perceived to be a product that consumers buy after some thought.

The instrument adopted was a self-administered questionnaire, comprising mainly of Likert-type five item scales with end-anchors (1 = strongly disagree, 5 = strongly agree). Due to the exploratory nature of the project, the questions were all developed for this study. In case people might differently interpret the terminology, the definition of counterfeiting employed for this study was displayed at the very beginning of the questionnaire with an attempt to ensure that the participants were clear about what counterfeit sunglasses and counterfeit products meant to them.

The questionnaire was originally developed in English, then translated to Chinese and translated back to English. Two different people did the translation. The two versions of the English questionnaire were then examined by two academics, who felt that they both had the same meanings.

The subjects were randomly selected from marketplaces (flea market and high street) so as to yield a reasonably representative sample in terms of demographic characteristics (Table 15.1).

In addition to the descriptive statistics, other statistical techniques were used. For most of the tests in the data analysis, the perception of the different individuals (Chinese and British respondents) across the same measure was investigated. A *t*-test was used to examine the similarity of the perception related to the same items. For the data analysis, the perception of the same individuals was investigated. To examine the similarity of the perception related to different views expressed by the same individuals, paired samples *t*-tests and one-way analysis of variance (ANOVA) tests were performed when needed.

Findings

Respondents did not generally admit that they bought or were willing to buy counterfeit brands for their own use or as presents. Chinese respondents were even less willing to admit that they purchased them for any reason or that they bought them for their own use (Table 15.2). British respondents stated that they were more willing to buy

Table 15.1 The sample

	UK	China	Total
Age			
<20	26	14	40
21–25	47	57	104
26–30	21	53	74
31–35	29	48	77
36–40	21	45	66
41–45	20	14	34
46–50	18	15	33
51–55	19	16	35
56–60	7	12	19
61–65	9	8	17
>66	13	14	27
Gender			
Male	125	174	299
Female	103	121	224
N/A	2		
Education			
Primary school	4	16	20
High school	71	82	153
HND/HNC	60	117	177
BA/MA	46	66	112
Postgraduate	46	7	53
N/A	3	8	11
Total	230	295	525

counterfeit brands for their own use, rather than as presents ($t = 10.39$, $a \leq 0.001$) and admitted that they did purchase these brands more for their own use rather than for presents ($t = 5.54$, $a \leq 0.001$). They also stated that they were willing to purchase counterfeit brands more than they admitted that they often bought them ($t = 10.19$, $a \leq 0.001$). The Chinese respondents, however, did not express any statistically significant differences in their views.

Gender seems to influence the degree that the British consumers admit that they are willing to buy or that they actually buy counterfeit brands (Table 15.3). Men in the UK confessed that they were willing to buy counterfeits for their own use and as presents and that they did actually buy them, more than did women. Gender does, however, not seem to have any impact on the intention to purchase counterfeit brands in China.

Table 15.2 Purchase intentions of counterfeit brands

	UK (n = 230)		China (n = 295)			
	Mean	**SD**	**Mean**	**SD**	t	p
I am willing to buy counterfeit brands for my own use	2.93	1.25	1.94	0.99	10.18	0.00
I often buy counterfeit brands for my own use	2.31	1.18	1.92	0.88	4.44	0.00
I am willing to buy counterfeit brands as presents	2.20	1.10	1.88	0.91	3.65	0.00
I often buy counterfeit brands as presents	1.97	1.05	1.86	0.96	1.32	0.19

1 = strongly disagree, 5 = strongly agree.
SD, standard deviation.

Age is an influential factor in the intention and the actual purchasing frequency of counterfeit products for British consumers (Table 15.4). The one-way ANOVA test revealed that the older consumers were less likely to want to buy counterfeit brands. Age does not, however, seem to affect the intention and the purchasing frequency in China (Table 15.5).

As some of the education categories had very few respondents, these were merged to three categories. The ANOVA results revealed that the influence of the educational level on the intention to buy counterfeit brands in both the UK and China is minimal (Table 15.6). The only statistically significant difference was in the willingness of the British respondents to admit that they might purchase counterfeit brands for their own use. It seems that more educated respondents were more willing to admit that they were willing to purchase these brands.

All respondents appreciated that the exchange of counterfeit brands is not really ethical or legal (Table 15.7). The British respondents suggested that selling counterfeit brands is more illegal than buying them ($t = 3.69$, $a \leq 0.001$), while the respondents from China suggested that buying counterfeit brands is less ethical than selling them ($t = -7.51$, $a \leq 0.001$), but selling them is more illegal than buying them ($t = 7.06$, $a \leq 0.001$). When the responses from the two countries were compared, the Chinese respondents felt that selling counterfeit brands was less ethical and buying them less illegal than respondents from the UK.

Although both the Chinese and British respondents did not appear to particularly value the counterfeit brands, they seem to have somewhat different views towards them. In all the items developed to assess these brands, the Chinese respondents valued these brands less, with a

Table 15.3 Purchase intentions of counterfeit brands—gender comparisons

	UK						China					
	Female		**Male**		***t***	***p***	**Female**		**Male**		***t***	***p***
I am willing to buy counterfeit products for my own use	2.79	1.29	3.08	1.20	1.78	0.08	2.02	1.09	1.89	0.91	−1.19	0.23
I often buy counterfeit products for my own use	2.05	0.97	2.54	1.29	3.22	0.00	1.98	1.01	1.87	0.78	−1.11	0.27
I am willing to buy counterfeit products as presents	1.98	0.98	2.38	1.17	2.79	0.01	1.82	0.89	1.90	0.91	0.79	0.43
I often buy counterfeit products as presents	1.80	0.94	2.14	1.12	2.45	0.02	1.86	0.99	1.86	0.94	−0.03	0.98
Number of respondents	103	125			121	174						

1 = strongly disagree, 5 = strongly agree.

Table 15.4 Purchase intentions of counterfeit brands—age comparisons in the UK

	<20	**21–25**	**26–30**	**31–35**	**36–40**	**41–45**	**46–50**	**51–55**	**56–60**	**61–65**	**>66**	***F***	***p***
I am willing to buy counterfeit products for my own use	3.50	3.40	2.86	3.14	3.10	2.75	2.44	2.63	2.57	2.11	1.69	3.95	0.00
I often buy counterfeit products for my own use	2.92	2.57	1.95	2.48	2.29	1.90	2.00	2.58	1.71	2.11	1.54	2.60	0.01
I am willing to buy counterfeit products as presents	2.73	2.45	2.33	2.03	2.10	1.90	1.89	2.53	1.57	1.44	1.77	2.40	0.01
I often buy counterfeit products as presents	2.38	2.21	2.00	1.79	2.00	1.50	1.56	2.42	1.29	1.78	1.77	2.25	0.02
Number of respondents	26	47	21	29	21	20	18	19	7	9	13		

1 = strongly disagree, 5 = strongly agree

Table 15.5 Purchase intentions of counterfeit brands—age comparisons in China

	<20	21–25	26–30	31–35	36–40	41–45	46–50	51–55	56–60	61–65	>66	*F*	*p*
I am willing to buy counterfeit products for my own use	2.14	1.88	1.98	2.04	2.00	1.71	1.87	1.63	1.67	2.75	1.79	1.07	0.39
I often buy counterfeit products for my own use	2.14	1.75	1.72	1.90	2.11	1.93	2.07	1.69	2.00	2.75	2.07	1.76	0.07
I am willing to buy counterfeit products as presents	1.86	1.81	1.74	1.94	1.87	2.00	1.73	1.63	2.25	2.50	2.14	1.07	0.39
I often buy counterfeit products as presents	1.86	1.70	1.74	1.83	1.93	2.21	2.00	1.69	2.50	2.00	1.86	1.10	0.36
Number of respondents	14	57	53	48	45	14	15	16	12	8	14		

1 = strongly disagree, 5 = strongly agree.

Table 15.6 Purchase intentions of counterfeit brands—education comparisons

	UK					China				
	Primary or high school	**HND/ HNC**	**University**	***F***	***p***	**Primary or high school**	**HND/ HNC**	**University**	***F***	***p***
I am willing to buy counterfeit products for my own use	2.59	3.02	3.17	4.91	0.01	1.87	1.95	2.07	0.83	0.83
I often buy counterfeit products for my own use	2.16	2.40	2.37	0.90	0.41	1.94	1.77	2.10	0.23	0.23
I am willing to buy counterfeit products as presents	2.11	2.15	2.32	0.83	0.44	1.91	1.91	1.78	0.83	0.83
I often buy counterfeit products as presents	1.92	1.98	2.03	0.23	0.79	1.93	1.85	1.82	0.23	0.23
Number of respondents	75	60	92			98	117	73		

Table 15.7 Attitude regarding buying as selling counterfeit brand

	UK (n = 230)		China (n = 295)			
	Mean	**SD**	**Mean**	**SD**	***t***	***p***
I believe that selling counterfeit products is ethical	2.30	1.14	1.99	1.06	3.19	0.00
I believe that selling counterfeit products is illegal	3.48	1.35	3.51	1.25	–0.21	0.83
I believe that buying counterfeit products is ethical	2.41	1.14	2.49	1.16	–0.76	0.45
I believe that buying counterfeit products is illegal	3.24	1.32	2.93	1.23	2.82	0.01

1 = strongly disagree, 5 = strongly agree.
SD, standard deviation.

Table 15.8 Views regarding counterfeit brands

	UK (n = 230)		China (n = 295)			
	Mean	**SD**	**Mean**	**SD**	***t***	***p***
I feel that counterfeits have acceptable quality for me	2.93	0.99	2.69	1.05	2.56	0.01
I feel that counterfeits worth the money I paid	2.99	1.02	2.73	1.03	2.95	0.00
Counterfeits are normally as good as I expect	2.95	0.96	2.74	1.03	2.38	0.02
Counterfeits entirely fulfils my needs	3.00	0.97	2.81	1.11	2.09	0.04
Counterfeits have not been as good as I thought it would be	3.03	0.92	3.29	1.05	–2.92	0.00
Counterfeits usually meet my expectations	3.10	0.94	2.76	1.11	3.74	0.00

1 = strongly disagree, 5 = strongly agree.
SD, standard deviation.

statistically significant difference (Table 15.8). They felt that their quality was less acceptable, they were less value for money, they were not as good as they expected and they fulfilled their needs less.

In general, consumers were not clear on whether the counterfeit and the genuine brands have clear differences, as the mean value for all questions was close to the middle of the scale (Table 15.9). The British

Table 15.9 Counterfeit versus genuine brands

	UK (n = 230)		China (n = 295)			
	Mean	**SD**	**Mean**	**SD**	***t***	***p***
I can easily tell the differences between counterfeit and genuine brands	2.91	1.03	2.81	1.03	1.08	0.28
Counterfeits have very similar physical appearance with the brands	3.34	0.92	3.35	1.02	−0.07	0.95
I expect that the quality of counterfeits is as good as the quality of the genuine brands	2.37	0.95	3.03	1.31	−6.46	0.00
I expect that counterfeit will last as long as the genuine brands	2.39	0.97	2.99	1.22	−6.08	0.00
I will be very upset if counterfeits do not last as long as long as genuine brands	2.87	1.05	2.91	1.09	−0.45	0.65
I will not use counterfeits as much as the genuine brands	2.77	1.02	3.32	0.99	−6.14	0.00
It is important to you that counterfeits will last as long as the genuine brands	2.83	1.02	2.84	1.05	−0.11	0.91
I will be very upset if my friends realise that the products are not genuine	2.33	0.97	2.98	1.12	−6.89	0.00

1 = strongly disagree, 5 = strongly agree.
SD, standard deviation.

respondents felt that the counterfeit would have somewhat lesser quality than the genuine, they did not expect them to last as long as the genuine and were going to be less upset if their friends realised that a product they used was not genuine. This finding is interesting, as it had been established that the Chinese respondents valued counterfeit brands less than the British consumers.

Respondents did not see a lot of difference between counterfeit and non-logo brands, as the mean value of all the items was very close to the middle of the scale (Table 15.10). The British respondents, however, seemed slightly more confident, and suggested that they could

Table 15.10 Counterfeit brands versus non-logo products

	UK (n = 230)		China (n = 295)			
	Mean	**SD**	**Mean**	**SD**	t	p
I can easily tell the differences between non-logo and genuine brands	3.08	1.01	2.75	1.11	3.54	0.00
Counterfeits better style compared with non-logo products	2.76	0.89	3.13	1.13	−4.09	0.00
Counterfeits have similar quality as the non-logo products	2.77	0.91	2.70	1.08	0.77	0.44

1 = strongly disagree, 5 = strongly agree.

distinguish between non-logo and counterfeit more easily. The Chinese respondents claimed that the counterfeit had a somewhat better style. All consumers were somewhat unsure whether or not the counterfeit brands and the non-logo brands had similar quality.

Discussion and conclusions

It is well established that counterfeiting is a complex phenomenon and can be characterised as a serious problem. Although there are no official statistics, it seems that it is playing a significant role in world trade. Products manufactured particularly in Asia are turning up in the USA and the EU with increasing frequency. Given the structure of the word economy, it is naïve to say with certainty that counterfeiting is totally bad. The UK and China are not an exception, as in both countries there is a lot of trade in this category of products.

Counterfeiting is a sign of success for the counterfeited brand. Only well-established brands that are well recognised, liked and respected will be counterfeited. In a way, it could be seen as a price that well-known brand names are asked to pay just because their product and brand attributes are recognised and accepted.

Certainly there are a number of parties who want to put counterfeiting and piracy under control, or even totally terminate it. Unless the problem is tackled, the implications for genuine brands are clearly far-reaching; indeed, the authorities would like to be able to deal with what has been characterised as the crime of the 21st century. But unless there is no demand for counterfeit brands, then anti-counterfeiting measures will be of limited success. It is therefore important to understand the consumers' perception of these kinds of brands.

This exploratory study attempted to investigate whether the demographic characteristics of the respondents influence their intention to buy counterfeit brands. The results were somewhat inconclusive. It seems that this is possibly the case in the UK, especially for gender and age, but not in China. The various demographic variables were, however not proven to be significant in the differentiation of the willingness to purchase or the perceived frequency of purchasing counterfeit brands. These differences could be related to the experience that the consumers in the two countries have. The fact that many counterfeit brands are produced in China, could be one of the reasons the Chinese consumers have a more uniform view regarding these brands. These results were, however, in line with the mixed findings reported in past research attempting to profile counterfeit-prone customers. Some of the studies reported that demographics have no exploratory power in differentiating between consumers who have more positive attitudes and behaviour regarding counterfeits both in the West[96] and Asia,[97] while others suggest that younger consumers in Asia are lower spenders,[98] while in the so-called western world there is a negative relationship between age and the attitude regarding counterfeits.[99]

Furthermore, in this paper the consumers' views regarding counterfeit brands in the UK and China were examined. In both countries, consumers have a very low opinion on counterfeits, with Chinese consumers expressing an even lower view. They are perceived worse than the genuine brands but similar to the non-logo in terms of quality, with a better overall style. There is very limited, if any, research focusing on differences in the attitudes regarding the counterfeits in different contexts. In this study, it was clear that there are differences in the views expressed about counterfeits and other brands, a finding which was not always reported in previous research. This supports that although counterfeits are of lesser quality they are an acceptable choice because of their lower cost.[100]

Despite the interesting findings, this study has a number of limitations. It focuses on one product category only. The product category chosen could have influenced the findings of the study. It is also based on self-reports, which could be influenced by the respondent's attempt to produce more socially acceptable responses. Furthermore, cultural differences could have an impact on the results.

Future research should try to examine buying behaviour regarding counterfeits with products that have various degrees of involvement in more than two countries. It would be interesting to see whether the same kind of differences in terms of homogeneity or not of the views that consumers with different demographic profiles express are evident in other cultural contexts.

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