



# The country of brand communication in the retail setting: An analysis of Italian products in China



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## ABSTRACT

The aim of this paper is to investigate the role of country of brand (COB) communication within the retail environment of emerging markets. Drawing from the literature on store image, we developed a framework to analyse static and dynamic elements of COB communication. By adopting an inductive approach, we analysed COB use in a sample of 20 stores of Italian fashion brands in China using the mystery shopping technique. Given the increasing growth of e-retailing in China, the in-store observation is complemented by an analysis of the use of COB within the brand's local website and e-commerce page. In order to have a multi-layered representation of the phenomenon, in-depth interviews with managers of Italian firms in fashion industry are carried out. Findings confirm that retailing represents a primary communication channel for firms operating in China; however, the results of the participant observation show that COB is a cue information utilised only by a small percentage of the sample, mainly in a textual and iconic way. Managerial implications are discussed on the extent to which COB communication in store should be managed within an effective marketing strategy in line with the country and consumer characteristics in order to enhance the brand image in a growing market like China.

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## CHINESE ABSTRACT

本文的目的在于调研品牌国在新兴市场的零售环境下的传达。我们借鉴关于店铺形象的文献资料，制定出一个框架用于分析品牌国传达的各种静态和动态要素。我们采用归纳法抽样分析了中国国内20间意大利时装品牌店铺对品牌国的使用，而这些店铺都采用神秘购物手法。考虑到中国网上零售的持续增长，应对品牌本土网站和电子商务页面上的品牌国使用情况进行分析，作为对店内观察的补充。为对该现象进行多层次的表述，时装业内的意大利企业的经理们接受了深入的采访。研究结果确认零售是在中国运作的企业的主要沟通渠道，然而参与性观察的结果表明品牌国是一种暗示信息，其使用仅在本次抽样店铺中占很小的百分比，且主要以文字和图标形式使用。在有效营销策略的范围内，店铺里的品牌国传达应当受到何种程度的管理，以符合国别和消费者特点，从而在中国等成长型市场中增强品牌形象，本文对管理层面上的启示进行了探讨。

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## 1. Introduction

Since the publication of Schooler's study (1965), a large body of literature has analysed the concept of country of origin (hereafter, COO) and its effects on consumers' product perception and evaluation process (for a review, Verlegh and Steenkamp, 1999). COO represents an extrinsic attribute of products, which is often used as quality cue and is aimed at stimulating positive associations between products and the country where they were originated and influence consumer judgement (Olson, 1972; Papadopoulos and Heslop, 1993; Verlegh and Steenkamp, 1999).

However, findings regarding COO effects have been contrasting. Some studies show that COO has symbolic and emotional meanings to consumers (Fournier, 1998), whereas according to other scholars (Agrawal and Kamakura, 1999) COO is only one extrinsic cue among other extrinsic and intrinsic cues available to the consumer during purchase. Moreover, some studies (Samiee et al., 2005; Usunier, 2006) show that consumers actually have only a modest knowledge of the national origins of the brand. They conclude that past research has inflated both the influence that COO information has on consumer product judgements and behaviour and its importance in managerial practice.

In the case of emerging countries, several studies (Agbonifoh and Elimimian, 1999; Batra et al., 2000; Essoussi and Merunka, 2007; Ettenson, 1993; Marcoux et al., 1997) have found that a preference for imported, branded products over domestic ones seems to

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prevail among consumers. However, other studies (Checchinato et al., 2013; Samiee et al., 2005) suggest that COO does not affect the brand image since brands and countries are sometimes associated incorrectly or, especially in emerging countries such as China, COO may not affect consumers because they are not aware of the country's image and characteristics, so the COO cue has a limited meaning for them.

Given the limitations of COO research, recently the debate has shifted from country of origin to country of brand (COB) (Usunier, 2011). In an era where products are designed in one country and manufactured in another one before reaching the final consumer, consumers tend to focus on brand origin, rather than on country of manufacture (Hamzaoui and Merunka, 2006; Samiee, 2011; Usunier, 2011). Moreover, COB has to be known by consumers to affect their decisions, so where and how companies decide to use this cue in their communication represent a key issue.

In this study, we focus our attention on retailing, which represents a relevant communication tool, since online and offline stores are the last touchpoints before sale between brands and customers.

So far, previous literature has analysed COO and COB from the consumer perspective, overlooking how these cues are effectively communicated within the retail environment.

By providing an empirical research in a retail setting in China, we aim at contributing to the debate on marketing strategies in emerging markets. Drawing from the literature on store image (Kotler, 1973; Lindquist, 1974; Martineau, 1958; Schmitt, 2003), we developed an analysis framework of COB use within stores. Then we tested it on a sample of 20 points of sale of Italian fashion brands in China by using an inductive approach based on the participant observation technique. We choose fashion as it is a sector characterised by high symbolic values, which constitute one of the primary motivating forces for Chinese consumers to purchase foreign products (Zhou and Hui, 2003). Moreover, since firms sell their products in different retail channels and in China one of the most important ones is Internet, COB use is also analysed in online communication (Chinese website), and in particular in the leading e-commerce site (Tmall). We complement this analysis by interviewing 7 managers of Italian fashion firms operating in China in order to obtain a deeper understanding of COB role in retailing and marketing strategies of foreign brands, and properly explain the results that emerged from the observational data.

The remainder of the paper is structured as follows. First, we provide a literature review on COO and COB, focusing on emerging markets and the interplay with retailing. We also briefly review the main elements of store image provided by literature. Second, we present the research questions and we define the methodology adopted in our research. The proposed framework is based on the analysis of COB presence within static and dynamic elements of the store. Third, we present the results of our exploratory analysis, followed by the discussion and managerial implications. Last, we provide the conclusion of this study.

## 2. Literature review

A vast stream of literature has analysed COO since the publication of Schooler's (1965) study, which was the first to empirically test the "country of origin effect" in products (juices and fabrics) with identical characteristics. The COO effect is related to consumers' attitude towards a given country; therefore, when consumers are not familiar with a country's products, country image serves as a halo to infer a brand's product attributes (Han, 1989).

Since the 90s, the globalisation of today's business activities has led to a renewed interest in the effect of a product's country of origin on consumer decision making (Papadopoulos and Heslop, 1993). On the one hand, several studies have focused on COO effects in developing countries due to their increasing importance as new

markets for international companies and their products. On the other hand, the concept of COO itself has evolved, leading to new definitions such as Country of Design (COD), Country of Manufacture (COM) and Country of Brand (COB) (Hamzaoui and Merunka, 2006; Usunier, 2011).

In emerging markets, COO main effects determine a competitive advantage for foreign companies and a reverse ethnocentrism among consumers (Agbonifoh and Elimimian, 1999; Ettenson, 1993). In addition to quality perception, another factor that explains COO influence on consumers' perception is represented by the social status associated with foreign brands. For example, brands seen as nonlocal have been found to be attitudinally preferred to brands seen as local among Indian and Chinese consumers (Batra et al., 2000; Zhou and Hui, 2003).

Regarding the evolution of COO concept, recently scholars have pointed out several limitations. First, Samiee et al. (2005) argue that the importance of COO cue might be inflated in the past literature since consumers are not really knowledgeable about the origin of the brand. Second, Usunier (2006) identifies a relevance gap between COO research (mainly on manufacturing origin) and managerial practice that usually refers to the origin of the brand. Therefore, the concept of "hybrid (or bi-national) products" has been introduced (Chao, 1993; Hamzaoui and Merunka, 2006). Third, countries under consideration do not represent the mere notion of the national origin of a product but their country-of-image (Roth and Diamantopoulos, 2009) or culture-of-brand-origin (Lim and O'Cass, 2001). Therefore, in recent literature the focus has shifted from COO concept as country of manufacture to country of brand (COB) (Samiee, 2010; Usunier, 2011).

Managing a proper COB is fundamental for international companies. In particular, scholars stress the relevance of the brand origin recognition accuracy (BORA), as companies with non-classified or incorrectly classified brands may obtain an unfavourable association (Magnusson et al., 2011; Samiee et al., 2005; Usunier, 2011).

Regarding China, Chinese consumers tend to associate foreign brands with symbolic benefits, such as sophistication, prestige, modernity and novelty (Zhou and Hui, 2003). Even if in the past few years there has been a decline in Chinese preference for Western brands (Cui and Liu, 2000; Zhu et al., 2003) attributed to the improved quality of local products (Cui, 1997), the diminishing symbolic value of foreign brands (Zhou and Hui, 2003), and the brand origin confusion (Zhuang et al., 2008), international brands and their companies still maintain a preference among consumers. In the retailing context, previous studies have shown that in China foreign stores are perceived as superior to local stores in three dimensions: customer service, products and complaint handling (Chaney and Gamble, 2008). Liu et al. (2006) suggest that the store signs of foreign (Australian and US) brands should include their brand's Chinese name, English name and country of origin. Examining the impact on attitudes about product country-of-origin in relation to the store type, Jeong et al. (2012) found that COO alone is not important, but there is a significant effect of COO connected to store type, suggesting that stores and COO interact with each other.

None of these studies reveal if findings depend on the way COO is presented to consumers, that is an issue firms have to tackle with, as suggested by Insch and Florek (2009). Past research on consumer information processing has proved that the differences in the presentation format of products can affect the consumer choice (Zhang, 1996), but only a few research are related to this topic. For example, Chaney and Gamble (2008) analyse the impact of the retailers' ownership on consumer perception. In their analysis, they identify COO as one dimension of store image.

Literature in retailing defines store image as the consumer's global impression of a retail store (Zimmer and Golden, 1988); it represents a mixture of tangible or functional factors and intangible or psychological factors that a consumer perceives to be present

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