Chinese companies’ knowledge of brand management

Brand issues for establishing on the Swedish market

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Abstract

The Chinese economy has gone through immense changes the last decade and they will most probably continue this changing process further. Chinese companies are now competing with multinational brands on their domestic market and are beginning to compete on other markets with the local brands that exist there. Their focus today is mainly on production and its process and not on intangible assets as brands, a view that needs to develop.

The purpose of this thesis was to investigate the level of knowledge in brand management in Chinese companies. We have identified the factors that are important for successful brand management on the Swedish market. We have analysed our empirical findings in order to be able to give recommendations to what is of importance for Chinese companies to consider when going international.

We have conducted a qualitative study with a hermeneutic approach. We built our theoretical framework on articles, books and expert interviews before we did our questions to the main study. Our main interviews were done both in Sweden and in China.

The understanding of branding is fairly poor in most Chinese companies today. It will be very hard for them to compete on an international arena without a better knowledge. Chinese companies need to ask themselves why they are successful in their domestic market and take that knowledge with them when asking themselves if this is something that could work on a foreign (Swedish) market with or without adaptations to the new market. The mindsets and conceptual frames of Swedish consumers are very different from the Chinese and therefore it would probably be necessary for Chinese companies to take advantage of local knowledge in order to understand the culture and the market.

We have kept a scientific approach in our thesis. It could also be a starting point for further studies within the field. The results could presumably be used by companies interested in knowing what to focus on in their further education of the staff or work as a guideline for the actual work with brand management in the companies’ different markets.
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# Index

1 Introduction ............................................................................................................................. 6  
1.1 Background ...................................................................................................................... 6  
1.2 Discussion of the problem ............................................................................................... 7  
1.3 Purpose ............................................................................................................................ 9  
1.4 Delimitation ..................................................................................................................... 9  
1.5 Further disposition .......................................................................................................... 10  

2 Methodology ......................................................................................................................... 11  
2.1 The science and us ........................................................................................................... 11  
2.1.1 Scientific perspective ............................................................................................... 12  
2.1.2 Validity and reliability ............................................................................................ 13  
2.1.3 Theoretical and practical relevance ........................................................................ 15  
2.2 Information gathering ..................................................................................................... 16  
2.2.1 Our choice of literature and theories – theoretical approach ................................ 17  
2.2.2 Methodology pre-studies ....................................................................................... 17  
2.3 How the questions were constructed ............................................................................. 18  
2.3.1 Country of origin .................................................................................................... 19  
2.3.2 Branding ................................................................................................................ 19  
2.3.3 Cultural differences ............................................................................................... 20  
2.3.4 Corporate social responsibility and ethics .............................................................. 20  
2.3.5 Brand name .......................................................................................................... 20  
2.4 Choice of companies ....................................................................................................... 20  
2.5 Methodology of the main study ..................................................................................... 22  

3 Results from the pre-studies ............................................................................................... 24  
3.1 Interview with expert 1 ................................................................................................. 24  
3.2 Interview with expert 2 ................................................................................................. 25  
3.3 Interview with expert 3 ................................................................................................. 25  
3.3.1 Swedish consumers ............................................................................................... 26  
3.3.2 The future development of brand management and the Asian revolution .......... 28  

4 Theoretical framework ......................................................................................................... 30  
4.1 Model of essential brand aspects derived from the theoretical background .................. 30  
4.2 What is a “brand”? ......................................................................................................... 31  
4.2.1 Brand associations ................................................................................................. 32  
4.3 Country of origin and brand origin ................................................................................ 32  
4.3.1 The development of theories of origin .................................................................... 34  
4.3.2 Country image ....................................................................................................... 35  
4.4 Brand name .................................................................................................................. 36  
4.5 Chinese perceptions of brand management .................................................................... 38  
4.6 The Chinese consumer ................................................................................................. 39  
4.7 Cultural differences ....................................................................................................... 40  
4.8 Summary of the theoretical framework ........................................................................ 44  

5 Empirics and results of the main study ............................................................................... 47  
5.1 Interview with two Chinese companies in Sweden ...................................................... 47  
  Company 1 ....................................................................................................................... 47  
  Company 2 ....................................................................................................................... 49  
5.2 Interview at a multinational company in China ............................................................ 51  
5.3 Four interviews at Sun Yat-sen University .................................................................. 54  
  Company 1 ....................................................................................................................... 54
1 Introduction

This chapter will give a short background to the thesis and choice of topic. A discussion of the problem and delimitations follows after that.

1.1 Background

China’s development into a market economy has made the country one of the currently most interesting markets. It plays a significant role today in the global economy and its future development will be important for much of the rest of the world. In Swedish and European newspapers and magazines there has been an increasing amount of China related articles during the last few years.\(^1\) Overall there is a very strong focus on Southeast Asia and it is obvious that this region is very important to the Swedish companies and thus to our economy as well. Although there is more information available about the countries and the development in this part of the world we perceive the knowledge and understanding of them to be quite limited.

We both have an international focus in our business education and therefore wanted to write our thesis with some kind of international connection. We have spent an exchange semester abroad during the spring of 2005, one of us in China (Canton) and that is how some of our interest and awareness grew. The experiences that one of us has had of China in combination with the great media focus made us consider China as a topic of our thesis. We started out by reading more about the country and to discuss possible subjects to write about. Both of us were well aware of that we come across Chinese made products on a daily basis, which shows the already strong presence of China in our everyday lives. However, we concluded that this is rarely obvious to us as consumers, the reason for this being that the brands on the products most often originate from different Western countries. This discussion consequently developed into revolving around the more or less total lack of Chinese brands on Western markets, despite that the products are everywhere. This made us wonder why Chinese companies do not have any well known brands, and thus what they would need to know in order to develop brands and to manage an entry into for example the Swedish market. From

\(^1\) See archives of DN, SvD, Business Week, The Economist, Veckans Affärer etc.
this perspective branding appeared to be a “missing link”, so to speak, between the current high competence in production in Chinese companies and the possibility for them to become real competitors to Western players on their domestic markets. The situation today is one where the attention and recognition as well as the main profits still go to the companies that own the brands, which is still out of reach for most Chinese companies.

The choice of branding as a topic of our thesis was logically followed by a discussion of a possible theoretical background. Theories regarding branding that consider the international aspect and theories describing culture were choices that we perceived to be relevant for the subject matter.

The obvious source of information for our empirical study was Chinese companies and early on in the process it became clear to us that we would need to find companies in China. The reasons for this being that there are few Chinese companies in Sweden and in order to give a more correct representation of the situation we perceived a visit to China to be necessary for the collection of empirical information.

1.2 Discussion of the problem

Branding is a natural component of most Swedish companies’ business operations and marketing activities. In many cases competition has turned into more of a differentiation related issue than a question of actual products, and branding is at the centre of consumption in more developed economies such as Sweden. The understanding of the topic of branding in Sweden is largely based on theories by significant researchers such as Aaker and Kapferer, who, among others, have more or less formed the conceptual comprehension in this area in the Western world.2

China has recently developed into a market economy and its past and current situation in combination has lead to certain characteristics of the situation in the country. Firstly, the production costs are low and therefore China has turned into the manufacturing location for innumerable foreign companies. Secondly, the knowledge of production is very extensive due

2 Aaker, 2000, Kapferer, 2003 (More specific information about Aaker’s and Kapferer’s branding research can be found in the theory chapter)
to this development. Thirdly, the history of the country has made commercial thinking and free competition fairly unknown to the people. Lastly, the production focus together with the conditions of the free market has lead to competition mainly through price. These factors form an economic and societal situation that differs strongly from the one in Sweden. Together with a lack of knowledge and the conceptual frames that form the basis for Western branding practices, the background to understanding and implementing branding can be assumed to be very different in China. The political system is another issue that influences much of the economic activity in the country and companies’ operating abilities. Running a business is far from uncomplicated and the situation is determined by factors and ideals that greatly differ from the ones we know. Censorship is one implication of the political situation and naturally it affects marketing as well as all information access.

The concept of branding is rather complex and we have gotten the impression that the knowledge in this area is still quite limited among Chinese manufacturers and companies in general. The brand holds a number of perceptions and associations that are not necessarily strongly connected to the features of the product and therefore the ability of the Chinese companies to develop and position desirable brands on foreign markets is likely to be crucial for their future success outside their home market. Fan expresses this by saying\(^3\): “What is promoted is a corporate name, rather than the brand values. As a result, in China there is no brand competition, which often leads to vicious price wars”. This is why it is so important for Chinese companies to begin the battle of branding.

The media attention and the focus of the public debate is mostly on Swedish companies going to China and the aspects related to establishing on the Chinese market. This is of course interesting, however we find that this topic has been fairly thoroughly researched in recent years and therefore we have chosen to look at the issue from the opposite point of view. We perceive the Western perspective in research to imply a limitation when it comes to studying Chinese companies and to recognize their abilities to for instance expand outside their domestic market and to act on other markets.

To summarize the discussion of the problem; Chinese companies are often are successful when it comes to manufacturing but we would like to explore their knowledge in branding.

\(^3\) Power brand paradox
The reason for the focus on branding is that it is often the most significant factor for differentiation, and thus also for greater possibilities of profits. Therefore we have chosen to study and describe the views and perceptions of brand management among Chinese companies, and subsequently what they would need to know about these issues in order to establish a brand on the Swedish market.

The research question that will be the basis of the thesis is: *What brand management factors are important for Chinese companies to consider when establishing on the Swedish market?*

### 1.3 Purpose

The purpose of our thesis is to investigate the level of knowledge in brand management in Chinese companies. We will identify the factors that are important for successful brand management on the Swedish market. Those factors will be viewed in relation to the findings of the perceptions and ideas among Chinese companies in order to recognize what knowledge that the companies lack and what would be required for them to establish their brands on the Swedish market. The differences found will be analysed and the purpose is to give recommendations to what is of importance for Chinese companies to consider when going international.

### 1.4 Delimitation

The main limitation that we applied to our selection of companies was that they were Chinese owned. Although this was the primary criteria one exception was made when we interviewed a multinational company. All the interviewees were Chinese, which we perceived as very important since it entails a certain understanding for Chinese conditions and culture which was valuable to our study. The companies have not been chosen on the basis of industry since their activities were not relevant to our study, however it was ensured that they had some experience of branding.

A consumer perspective has been applied throughout the thesis, which means that the concept of branding is seen from a consumer point of view. The focus of the study has been the
understanding and perceptions among Chinese companies for brands and related aspects on consumer markets.

### 1.5 Further disposition

We have chosen to divide the empirics into pre-studies and the main study. We have furthermore chosen to present the interviews as separate sections, the headlines of the main study are based on the five question areas.

The following part of the thesis is our pre-studies followed by the theoretical framework. The pre-studies have to some extent been used as part the theoretical background. The framework consists of different theories and the interview with Mats Georgson.

The main study which follows after the theory chapter is divided into three parts; the two interviews from Sweden, the multinational company and the four interviews made at the Sun Yat-sen university.

Finally, the analysis and the consequential conclusions follow. These parts have been divided into the five question areas from the interviews in order to make it more easily readable. The thesis ends with quality reflections and our suggestions on possible future studies in this field.
2 Methodology

This chapter describes the methodology used. It begins with the scientific perspective and continues with the validity and reliability and theoretical and practical relevance. There is a short introduction to the theoretical approach that will be further discussed in the theoretical framework. The chapter also includes a description of how the research was carried out through studies and interviews.

2.1 The science and us

All students have some kind of scientific approach and the hard part is to distinguish which label that applies to the view and thinking you actually have. We have had discussions from the outset what our point of view and approach is. We have shifted a bit during our work, but we found in the end that we have had a holistic view in our way of conducting our studies. It became clear to us after a while that a hermeneutical perspective with an inductive approach was what we had used and what suited us the best.

There is not very much theory in this field, the phenomenon we are looking into is very complex. When there are no well-developed theories in an area the purpose tends to be more explorative.\(^4\) We have therefore decided to use several relatively simple and quite old models in order to explore the area and to form a model we find relevant for our purpose because of the complexity.

Since we only had some vague ideas on a hypothesis this could only be used as a ground and idea on what we needed to read further. We wanted to try to see more angles and views than the ones we already had and for this reason we found it very important to do some background studies. We have also tried to discuss our own knowledge all the way through the work in order to question our preconceptions. It was necessary to discuss how the preconceptions change our behaviour and way of thinking while writing. Our knowledge within the field of brand management was somewhat limited from the beginning, so we tried to learn more about this firstly rather than finding an answer to our question in the theory. We

\(^4\) Gustavsson, 2004, p. 24
then found that there was not much specific theory in the field. There is a lot written as guidelines to brand management in companies, but not many academic theories.

2.1.1 SCIENTIFIC PERSPECTIVE

We have had an inductive approach in this work. Inductive comes from the Latin word inductio, which means initiate. It is the way of describing observations in the reality itself and then search for answers and summarize regularities in and with the theory\(^5\).

Figure 1 Inductive versus deductive approach\(^6\)

The critique against having an inductive approach has been given by Popper and Kuhn.\(^7\) For instance, only a certain amount of observations can be done and it is impossible to be unbiased in the observations since it is needed to have some kind of preconceptions in order to know what to observe and measure. We have dealt with this in some extent through choosing interviewees that had different professions and positions. This gave a variety even though not so many observations were made. We have also had discussion about our own preconceptions all the time trying to be very aware of these and how they affect our work.

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\(^5\) Wallén, 1996, p. 89
\(^6\) The authors’ own illustration
\(^7\) Wallén, 1996, p. 89
To conceptualize in a creative way and listen with a keen ear to the abstract patterns that arises from the empirics is a necessity. We have tried to be both patient and flexible in our way of thinking and dealing with the empirics that we have got along the way.

We aimed at creating our questions for the interviews in a holistic way. This means that we have tried to cover all levels. They are also formed in an open way so that it will be easy for the interviewees to develop the answers further if they wish to. We have used association, meaning that we have used existing conceptions to name the new patterns we have found. We are aware of that this means that the words we use are filled with denotations and connotations, but we believe this is very hard to avoid.

Our hermeneutical approach led to the choice of making a qualitative study rather than a quantitative. We realised that our question and purpose need a qualitative approach as a foundation. We do not think that this is a subject suitable for a quantitative study since it is needed to have personal interviews with deep and open questions. It could be a good ground for a quantitative study though. We have chosen to see the patterns we have found in our research as actual patterns in reality. Although, we know that this few observations is not enough for general conclusions. We have aimed at describing the reality as it is known by our interviewees, but also to see beyond their thoughts and to lift it to a higher level.

Furthermore, we have strived to keep a holistic perspective in our research to create a higher understanding for the subject and matters around it.

2.1.2 VALIDITY AND RELIABILITY

Validity can be divided in internal and external, where the internal validity is about the accordance between the conceptions and the measurable definitions. The external validity is about the accordance between the explored and the reality. More explicitly said validity means you are observing, identifying or “measuring” what you say you are. External

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8 Wallén, 1996, p. 32
9 Ibid., p. 89
10 Arbnor and Bjerke, 1994, p. 249 ff
11 Mason, 1996, p. 24
validity can also be called ability to generalize, which is described as the generalising from particular cases to populations.\textsuperscript{12}

We have a high internal validity thanks to the fact that we have been able to ask both specific questions when needed and let our interviewees speak freely in a discussion form when possible. The main problem here has been the language, since some of the interviewees might have had some problems expressing their thoughts properly, although most of them spoke English very well. It can be a problem though that the perceptions are different. By this we mean the fact that some words and expressions might have a different connotation to the interviewees than to us. For instance; one of our interviewees said “Yes. Yes I understand your question.” several times. To us this would normally mean; “I understand what you are asking for”, but this person meant “I understand the words, but not the context” which therefore lead to the need of explaining deeper what we were asking about. This could be argued to indicate that our internal validity is somewhat lower than wished for, but we have a quite good understanding for the differences and our discussions around this matter have been thoroughly enough to minimize this problem. One example of our adjustments is that we avoided the use of metaphors, since these can have very different meaning to different people, especially when coming from diverse cultures.

We have a good external validity. The ability to generalize is a controversial question within qualitative research and central for those researchers looking to apply lessons drawn from their findings to other situations. In offering some practical guidance on how to address the ability to generalize within qualitative research, some suggestions are\textsuperscript{13}:

\begin{itemize}
  \item Although the sample selection process may not allow the use of statistical generalisation, it is possible to claim that the findings are applicable to the wider population from which the sample came, if there is no reason to suspect them to be atypical.
  \item Detailed analysis of the sample may allow suggesting lessons for other settings, dependent on the degree of difference/similarity between those settings and the original sample.
\end{itemize}

\textsuperscript{12} Silverman, 2000, p. 300
\textsuperscript{13} Mason, 1996, pp 153 ff
The interviews have been made with different companies in different industries, showing a variety in people but still conformity in answers. We have therefore decided to assume that our qualitative study can answer general questions to some extent, even though there are not many observations. It is of course harder to determine whether the external validity is fulfilled or not since our judgment of the answers is subjective. We have strived to express the answers we got in such a correct way as it has been possible to do.

Our interview questions have been about personal apprehensions when it comes to branding, cultural differences in branding et cetera. Also our pre-studies have partly been about personal perceptions and understandings, in order for us to understand the problem better. Our choice of theories has been relevant as analysing and understanding tools. They elucidate many aspects of branding in a very realistic way, true to what we have found in our research.

It is hard to talk about reliability when it comes to a qualitative study like this. The definition of reliability\(^\text{14}\) is more suitable for quantitative studies. Reliability is the degree to which observations or measures are consistent or stable.\(^\text{15}\) One approach to dealing with the problem of reliability is to ensure transparency of the process by which it is made sense of the raw data. This implies careful reporting of the methodology and description of the analysis procedure. It is very hard to be certain of that there have been no random wrong measurements\(^\text{16}\) in the study. We believe that we through our methodology chapter and the actual methodology created good conditions for someone else to get the same result as we got and thereby achieved an acceptable grade of reliability.

2.1.3 THEORETICAL AND PRACTICAL RELEVANCE

We did not find much information on the subject for our thesis and therefore believe that our study could be of both theoretical and practical relevance. This has been an examination of an ‘extreme or pivotal case’ since there are not much to find made before. This gives the possibility to identify implications for a wider body of management theory and practice.\(^\text{17}\)

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\(^{14}\) Arbnor and Bjerke, s. 248
\(^{15}\) Remenyi et al., 1998, p. 289
\(^{16}\) Dahmström, 2005, p. 317 ff
\(^{17}\) Mason, 1996, p. 154
The topic is illustrated from different angles, but not so much from our point of view. We have kept a scientific approach although many of the articles as well as the literature seem to be more practical. This thesis could be a starting point for further studies within the field. We have therefore given suggestions on what future studies around this could cover.

Even so the results could presumably be used by companies interested in knowing what to focus on in their further education of the staff working with brand management (which in one sense is all employees in a company). This thesis could also work as a guideline for the actual work with brand management in the companies’ different markets.

2.2 Information gathering

The information gathering started prior to the semester through collecting various articles on the topic of China from newspapers and magazines. An issue that is often explored in the media is the one of corporate social responsibility and the economic advancements in the Chinese economy and at the outset we were interested in exploring these topics, however, as we progressed the choice of subject naturally changed and evolved. Since the Chinese economy and the development in Asia is very much in focus today it has been natural to make use of all kinds of information that is at hand in the media and in the public debate. The great information access and current affairs in general have largely been the starting point of the further gathering of information. The pre-studies also contributed with some ideas on what direction to take within the theoretical field. The interviewed experts gave suggestions on theories and articles to read and also gave their thoughts around the subjects.

The impression was formed that more relevant information would be found in articles, research reports, studies and the like since the topic is fairly new and constantly evolving. Especially so since the angle that was chosen, brand management in China, has not been very thoroughly explored and we therefore would need to draw some extended conclusions on the basis of the more basic literature. For this reason the main part of the information used has been found by searching databases for articles and research findings, although the theoretical foundation is made up of general theories within the brand management area.
2.2.1 OUR CHOICE OF LITERATURE AND THEORIES – THEORETICAL APPROACH

The starting point of the thesis was reading of basic literature on brand management as we found our previous knowledge to be insufficient for forming a correct and relevant theoretical foundation, both regarding literature and articles. Reference lists from text books on the subject matter were used, as well as all other sources of possible literature suggestions. On the basis of this a number of books were chosen from the library that appeared to be covering the topics that had been discussed for the thesis. This was followed by searching in databases for articles, primarily using “Business Source Premier”. We also used “Scirus” in our search for articles. The pre-study interview with Fredrik Lange also contributed with some advice on articles.

The choice of theories is mainly based on what was perceived as most relevant for the thesis. During the selection procedure a form of “expiry date” thinking has been applied as we have found that the field of research around brand management has changed and developed rapidly the last 10-15 years. Therefore the objective has been to use theories and literature within this time frame. Global branding was mostly about cost saving and consistent consumer communication in the 80s. This has changed and is no longer valid statements. We have further on chosen theories that have as much focus on the Chinese market as possible.

2.2.2 METHODOLOGY PRE-STUDIES

In the initial phase of the work with the thesis two interviews were conducted as pre-studies with two researchers within the brand management area. They were Fredrik Lange, who is an assistant professor, at Stockholm School of Economics, his area of expertise is branding, and Evert Gummesson, who is a professor of marketing and service management at Stockholm University School of Business. The purpose of the interviews was to give us some background knowledge within this field, as we perceived our insight into this subject area to be somewhat insufficient, mainly being based on previous university courses in our first and second years of study. We also wished to get a different point of view on the topic from people who have great professional experience and who could introduce us to a more

18 Holt, Quelch and Taylor, 2004
scientific approach to the subject matter. We had perceived a lack of a more practical and feasible focus in the literature that we had studied prior to the interviews. For these reasons the interview style was very informal and open, few prepared questions were used, they rather emerged gradually during the discussions with the interviewees.

An interview with Mats Georgson at Nordic Brand Academy was done to give us some understanding for the perspective of the Swedish consumers as well as general trends and behaviours. Georgson is an assistant professor at Stockholm University Graduate School of Communications and he is one of the founders as well as the principal of Nordic Brand Academy. The interview was based on a number of broad and open questions revolving around the topics of country of origin, brand name, consumer preferences, internationalization and the future development of branding. Our meeting with Mats Georgson took place during the time when we were working on the theoretical framework and his contributions have been used as part of the background for the study.

2.3 How the questions were constructed

The empirical main study is based on a number of questions that have been formed based on the identification of five core areas that we perceive as central to the understanding of branding in a Swedish-Chinese context. The five areas are; country of origin, branding, cultural differences, corporate social responsibility and ethics and lastly brand name. Our literature study made us consider country of origin to be a central aspect for brands as the origin affects the consumers and is at times used strategically by companies. The branding factor revolves around the most fundamental activity of building and managing a brand. A natural point of interest is cultural differences since the topic of the thesis is formed around the international aspect. Brand name is what identifies and represents the brand and often involves issues of origin, language and associations.

The questions have been designed rather as short statements that the interviewees are asked to position their opinions in relation to. The reason for not using more traditional questions is that they often can be perceived as biased in favour of one possible answer. For example the first statement in the category “country of origin”; “To label the country of origin on a branded product” could be changed into a question such as “Should a company label the
country of origin on a branded product?”, or “Is it important to label the country of origin on a branded product?”. We have the impression that a question could give an indication of a desired answer, such as in this case where the issue of the question could be understood as something that is expected to be positive. Alternatively it can reveal the preconceptions of the person who has formulated the questions. We believed brief statements would be a way of avoiding some bias and therefore achieve a more neutral survey. A well known problem for studies that use some type of questions is the concept of social desirability, which leads the participants to answer according to what they perceive to be the correct or desirable answer. This is especially true for subject matters that are of a more private or sensitive nature.\textsuperscript{19} We believed it to be possible that Chinese companies are aware of Western priorities and ways of thinking regarding corporate issues. In order to minimize the potential effect of social desirability we want the design of the study to be as neutral as possible and for it not to reveal any positions of ours that could affect its outcome. However, the interview statements will in the following be referred to as “questions”, in order to avoid any misunderstandings concerning the terminology.

2.3.1 COUNTRY OF ORIGIN

- To have a label showing the country of origin on a branded product
- The influence of different countries of origin on brand value, for example of manufacturing or assembly in relation to design
- The effect of country of origin on consumers’ behaviour and perceived brand value

2.3.2 BRANDING

- Managing a range of internal and external components to build a brand
- Using sources of desired associations as part of the brand management
- Viewing brands as a set of integrated characteristics in need of structured management

\textsuperscript{19} McBurney, 2001, p. 240
2.3.3 Cultural differences

- The influence of cultural and economic heritage on branding abilities
- The role of cultural and national stereotypes in the target market
- The role of product characteristics in relation to the brand, that is, the comparative importance of the two (such as quality and price, and not the use of such features in promotion)

2.3.4 Corporate social responsibility and ethics

- The effect of non-financial factors within a company’s activities on brand value
- Involvement and commitment to charitable activities
- The effects on brand aspects of the working climate in the company

2.3.5 Brand name

- The function of the brand name as a description of the branded product
- To identify the company behind the product
- Role in evoking associations and communicating a message

2.4 Choice of companies

To find an answer to the research question of the thesis the study needed to be carried out on a number of Chinese companies. We came to the conclusion that in order to describe the level of knowledge in Chinese companies we would above all need to visit a few companies in China. Since the study has a Swedish perspective, that is, identifying necessary knowledge for companies establishing in the West and in Sweden in particular, we found it relevant to conduct part of the study on Chinese companies already present on the Swedish market. The assumption made was that these companies would have learnt from their establishment in
Sweden and that this would be of value to us in combination with their original Chinese perspective.

There are not that many Chinese companies operating in Sweden, at least not ones that are very well known to the public. Therefore we started out by contacting the Chinese Embassy in Stockholm, Invest in Sweden Agency (ISA) and Ministry for Foreign Affairs, asking for names of Chinese companies that we could contact. Finally we managed to get a list from ISA of a number if Chinese companies of which we called the ones that we could find contact details to. Our selection criteria were very broad, we were looking to find companies that were Chinese and that had expanded to Sweden and that had some experience of branding. For example we chose not to use a company that turned out to be only Chinese owned but that was Swedish originally, or the ones that appeared to be too unacquainted with the subject of brand management. We did not have any preferences for companies within a certain industry since we perceived the issues concerning branding would be similar regardless of to what industry the companies belong.

This initial stage of the study, finding companies to interview, proved to be much more difficult and time consuming than we possibly could have anticipated. There appeared to be several reasons for this, mainly we got the impression that it is very difficult to contact a Chinese company and expect it to be willing to participate in the study, probably due to cultural differences as well as the language barrier. Since the companies did not understand the purpose of the study they preferred to say no.

We did two interviews in Sweden with two Chinese companies. We also went to China in order to find companies on the location. We did interviews with in total five companies, which due to the political system wish to stay anonymous. The companies were medium sized to large companies and we did all our interviews with people that work with or have worked with brand management in some extent. Four of the companies were found through an associate professor at the EMBA program at Sun Yat-sen University in Guangzhou and the fifth through our tutor. The transcriptions of the interviews are corrected for some language mistakes and in those cases where the answers were too lengthy the core message is given in sum, but apart from that exactly represent what was being said. The Swedish companies are also anonymous in the section of the empirical study, the main reason for this being consistency in the presentation of the results. As has been mentioned in the delimitations, the
companies were chosen irrespective of industry and other such characteristics and therefore we did not find the anonymity to cause any disadvantage for the understanding of the findings. In appendix 1 a very brief presentation of each of the companies can be found, naturally the names are left out in this section as well. The purpose of this is simply to give the reader an idea of the companies we have interviewed, since the company type was irrelevant to our study, we did not ask the interviewees about facts such as size and company activities.

2.5 Methodology of the main study

All interviews were done in a fairly informal way in a discussion form so that we would not stress any answers. Our perception was that this was a necessity when dealing with Chinese people. According to Denzin the conversation form allows the interviewees to use their own way of describing their reality and also allows subjects not planned for to be mentioned. This was important to us since we really wanted to understand the inner thoughts of the interviewees and we were eager not to influence the answers or have them influenced by “the Party”. We discovered a kind of caution before the interviewees understood that we were not doing our research on a mission from any company or organisation.

All interviewees were English speaking, but two of the interviewees were interviewed together due to language difficulties. Though, the answers have been separated since they were from two different companies. We did not use a recorder at any interview, but we believe that we managed well with taking notes during the interviews since there were two of us asking questions and writing. Although a recorder would have been of help for us it could have had a negative impact on the interviewees that already were worried and closed the doors carefully before the interviews started.

The open interview style is the reason for the choice of manner in which the answers are presented. The interview questions are categorised according to five main areas and therefore the answers will be structured according to same principle.

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20 Gustavsson (red), 2004, p. 238 ff
21 Ibid., p. 246
The results of these interviews are presented in the empirical section of the thesis where the main study is presented.

We have also had numerous conversations about the topic of the thesis and related issues with people we have met during our stay in China. We have received interesting points of view from Chinese people with various experiences, as well as from foreign people who live and work in China and who have further broadened our perspective on matters, for example by making us question our own preconceptions. These findings have not been presented in here since it was not part of our study. Nevertheless it has been an important contribution since it gives us a wider and deeper understanding of the country, the business culture and branding issues. This is of course something we bring with us in our minds when analysing the results and drawing conclusions.
3 Results from the pre-studies

The methodology for the pre-studies is described in chapter 2.2.2. In this section the results from the three expert interviews are presented. The interview with Mats Georgson has contributed to the theoretical framework by forming an understanding for behaviours and trends in consumption. Due to the general nature of the interview and the variety of topics involved the findings are presented separate from the main theoretical chapter. However, the interview has greatly contributed to our theoretical understanding and is a significant part of the background.

3.1 Interview with expert 1

To start the interview Fredrik Lange, Stockholm School of Economics, was introduced to the topic of the thesis and the main ideas around the choice of subject were explained as well as the purpose of the interview. Lange discussed very freely around the topic, developing our initial thoughts and ideas as well as involving our inputs at the time. He suggested reading of brand theories on country of origin, that is, theories regarding associations, attributes and value connected to a specific country and its effects on consumer perceptions. Lange went on to draw some parallels to the concept of brand name, mentioning some articles that have been written on the subject, which for example look into the role and effects of language.

Lange suggested two alternative approaches for the thesis; either a focus on cultural differences and their effects on branding, which would be based on related theories, or a more general standpoint that would assume all consumers to primarily act on the local market. The latter alternative would hence lead to the thesis being based on more basic models that do not consider the international aspects.

At an early stage of the discussions, prior to the interviews, we had made the assumption that Swedish consumers tend to have greater expectations and demands on brands, companies and a range of related aspects. Lange agreed on this statement, proposing the label hygiene factors for some of the basic requirements that consumers have today. There was a discussion
regarding the importance of issues such as social factors, responsible and ethical behaviour and their effects in consumers’ decision and purchasing processes.

The communication aspect also came up as a side to brand building and management. Lange stated the importance of choosing appropriate communication channels for marketing a brand, taking into consideration the responsiveness of the audience for different kinds of advertising and mentioned the concept of persuasion knowledge.

### 3.2 Interview with expert 2

The topic of the thesis and purpose of the interview was explained to Evert Gummesson, Stockholm University, School of Business, who made clear that he did not consider himself to have great in depth knowledge of this particular area. Therefore the discussion was of a quite general nature, Gummesson suggested some people we could get in contact with and some literature that could be useful. Gummesson talked about the importance of different approaches for branding and advertising for different types of products and that sometimes quite extensive adjustments need to be made. In relation to brands Gummesson perceived the media and mode of introducing products and brands to be essential. In his point of view brand management is fairly industry specific, which implies different target audiences with different expectations. We discussed the role of social and ethical factors that are often brought up by the media, and whether they have an actual effect on consumer behaviour.

Gummesson also shared some of his personal experiences and points of view on China and the Chinese culture, which he had encountered mainly when travelling for professional purposes in the country.

### 3.3 Interview with expert 3

The last pre-study interview was done with Mats Georgson at Nordic Brand Academy. In order to understand branding in the Swedish and the Chinese contexts, respectively, a description of a “typical” Swedish customer will follow to illustrate the situation encountered by Chinese companies coming to Sweden. Although it is always difficult to generalize, there
are clearly some common features among the consumers in a market that makes categorizations meaningful. Consumer behaviour is often following societal trends and the combination of social and psychological factors influencing consumption makes it a complex issue. There is much research within the area of consumer behaviour, however it appears difficult to find literature that goes beyond the mere factual descriptions.

A depiction of the Swedish consumer proved to be necessary as the aim of the thesis is to view the present situation in Chinese brand management from a Swedish perspective. The main study will attempt to identify the level of knowledge in Chinese companies as well as suggest possible changes for a successful brand adaptation to a Swedish market. Therefore there was a need for an outline of the Swedish consumer in order to enable a comparison between the present state in Chinese companies and what they ideally would need to achieve to be successful on the Swedish market.

The interview with Mats Georgson was conducted with the intention to form an overall view of the Swedish consumer and to get his points of view on what is relevant in branding for a company aiming to succeed in Sweden. The interview was based on a number of open questions and the results will be presented together with other relevant findings with the purpose of forming an informative image of Swedish consumers. Seeing that “a typical consumer” is hardly one broad national category the discussion rather revolves around trends and tendencies that form particular consumer behaviour. These various factors combine to determine the branding climate that companies encounter.

3.3.1 SWEDISH CONSUMERS

Georgson describes the Swedish consumer as being relatively conservative, one of the main factors influencing choice is recognition. Familiarity is thus preferred over novelty although this tends to be an issue of age and of different generations. As could be expected, young consumers are more willing to try new brands, sometimes as a statement against the traditional ways, which contributes to opening up a market for new players.

Georgson suggests that the effects of country of origin on consumer behaviour can be quite different depending on the context. There are clearly national stereotypes and perceptions in
the minds of Swedish consumers that influence their behaviour and for instance form preferences for what is well known. The associations connected to the country of origin of a product can be powerful when there are no other cues, but according to Georgson a strong brand can defeat the effects of origin, a statement that is supported for example by a study by Thakor.22 The Swedish market has become more open to all foreign products, following the globalisation, and Georgson states that it is therefore not too difficult to penetrate the market, given a good product.

There is a focus on ethics and corporate social responsibility in Sweden, both as an important factor in branding and as a part of companies’ non-financial assets and value. Although, it can be debated what the actual effect of these issues is on consumption patterns. According to Georgson the attention brought to social and ethical factors by the media does not correspond to their long term consequences on Swedish consumption. Often the reactions are quite temporary, though there are definitely examples of Swedish consumers objecting strongly to unethical actions by particular companies. The reactions to the use of child labour in IKEA’s production, political boycotts of French and Israeli goods and the constant criticism of McDonald’s, to mention just a few. Georgson believes that there will always be groups in the Swedish society that are very devoted to ethical issues and their power and influence may vary over the years but it is far from negligible.

From a company perspective ethical and social factors are apparently considered important, to judge from the amounts spent by large Swedish corporations on enhancing this side of the brand. One example is H&M that is donating 12 million SEK in four years to UNICEF. They have also started to report separately on Corporate Social Responsibility.23 However, in the cases of H&M and IKEA, their involvement in charitable activities is probably initiated with the purpose of increasing brand value by generating positive associations. Lange stated in a pre-study interview that a target audience’s receptiveness to different marketing channels is essential to consider when marketing brands. He went on to say that Swedish consumers are more open to editorial text than to messages in advertising, it more effectively catches people’s attention and is perceived as more believable. Hence, being seen in other contexts than advertisements gives good publicity for companies like H&M and IKEA, and especially so when the information is advantageous.

22 Thakor and Kohli, 1996
23 http://www.hm.com/se/hm/social/responsibility.jsp
In the case of Swedish consumers’ perceptions of China an integration of country of origin effects and ethics can be distinguished. Due to the ideas of poor working conditions, use of child labour and the like in China much of the associations linked to the country concern ethical and social issues, which creates a combined effects on Chinese brands in the eyes of the Swedish consumers.

Georgson’s overall assessment of the Swedish consumers is that they have entered a phase of post-materialism which has lead to fragmented consumption, this can be seen for example in a person buying luxury goods as well as shopping at low price supermarkets, regardless of his or her economic means. There is no longer any need for consistent consumption behaviour since a particular purchase can have a multidimensional purpose. As a result, a shift in the views on brands has occurred and the goods that traditionally were purchased to indicate status and wealth are almost generating the opposite signals today. One example is designer handbags and clothes that nowadays are worn by the people that you would not have expected could afford them. Those people are therefore perhaps thought of as remaining in a materialistic world, possibly because they have managed to enter it fairly recently. Consequently, wealthy people have other ways of defining their identity through brands. Furthermore, Swedish brand preferences in general are not guided by economic means, but by ideals and aspirations, even if not explicit ones. A condition for this situation is the existence of an abstract, association-based world of brands that allow for brand choices to be based on intangible characteristics.

3.3.2 THE FUTURE DEVELOPMENT OF BRAND MANAGEMENT AND THE ASIAN REVOLUTION

Georgson was asked the question if a change can be anticipated within branding as a result of globalisation. Many cultures are introduced that differ greatly from the American and European cultures that have dominated entirely up until now. He believes that the economic growth will determine the development in branding as well as in most other areas of society. By far the greatest part of the world’s economic growth in the next ten years will take place in Asia which will have consequences for global economic and cultural phenomena. Asian trends can already be seen in films and products and these influences can be expected to increase both in strength and frequency, for instance through Asian cultural expressions such as storytelling and Asian imagery and design. The purchasing power in Asia will continue to
grow, and as the region becomes an important market Western companies are likely to adjust to its needs and produce products and brands that suit the Asian way of life.

In the future a great variety of brands on the global market requires a development of more specific and vision driven brands for certain niches. That would increase the diversity around the great global brands that are likely to still be dominating. Georgson perceives a position oriented approach to be a strategy with limited success, since the products are often replaceable and it can not move much further than its need-based niche. Very few products are unique, something that particularly Chinese manufacturers have made Western companies painfully aware of. Chinese made counterfeits are very well known and today they have become immaculate and thus pose a real threat to the originals. Although this is proof of the competence in Chinese companies, manufacturing will not give them a sustainable position on any market, especially since their own skills are the reminders of the fleeting lifespan of products. Consequently, it is inevitable for a company in order to develop a sustainable competitive advantage to differentiate using strategies that capitalize other qualities to create value. An undifferentiated market would be likely to lead to its players perishing from the fierce competition arising from price being one of the few tools at hand.

Georgson compares the Chinese situation today with the one that Japan and Korea faced in the past. Those countries managed to overcome the obstacles to entering the Western markets and the negative associations that were connected to their brands because of their origin. Georgson commented on the strategy used for example by the first company we interviewed for the thesis, which was one of the companies interviewed in Sweden, which is mainly to sell “brand less” products to Swedish companies that distribute them under their own brands, saying that it is typical for Chinese companies. The example shows that there clearly is a market for the products, but according to Georgson the Chinese producers do not have the competence to develop their own brands or to market the products. Again this statement shows their ability to produce but not to move to the next conceptual level.
4 Theoretical framework

The theoretical framework is based on literature on theories of brand management and scientific and popular articles in the field. Hofstede’s theory on culture is used to describe cultural concepts and differences. The framework of branding theories starts out very broadly and is later on narrowed down to what we have found to be most important for the topic of the thesis. Firstly, basic concepts such as brands, brand name and associations are described, which is followed by theories with a more international perspective such as ones regarding country and culture of origin of products and brands. After forming a theoretical foundation we created a model derived from the most essential theories that illustrates the essential components for brands in an international context. Due to that the theoretical framework is fairly extensive, our model forms an introduction to the chapter and it gives an overview of the theories that will follow.

4.1 Model of essential brand aspects derived from the theoretical background

With the different theories forming a framework we have attempted to create a model that captures the aspects of brands that are relevant in this particular situation. At the outset there was a discussion if there should be either two different models or two distinct sides to it, expressing the twofold nature of brands, that is, the company side and the consumer side. For example the country of origin is obviously the actual origin, but it could also be an illusory origin that is created by the company as part of a branding strategy. At the receiving end there is the consumer that perceives a certain brand origin and connects various associations to it. However, in the end it was decided that the model would only illustrate the important components of a brand, though it should be kept in mind when interpreting it that there is a sending and a receiving side to the different elements. It could also be pointed out that at times the consumer perceptions may be incorrect for different reasons, but since perceptions can be as powerful as the real facts, it is not of much relevance. The three top components are the ones identified by Aaker as essential parts of a brand.24 There are different reasons for including them in this model, with its particular international perspective. The awareness component is significant since there is a lack of awareness of Chinese brands, and the task for

24 Aaker, 2000
Chinese companies of making their brands known. The perceived quality of a brand is quite relevant in this context since the quality often is in focus in discussions of Chinese products and brands. The associations are perhaps the most important aspect of a brand and it can be linked to all different characteristics, both product features and aspects of origin and culture. The brand name is the most visible part of the brand and it is also connected to the country of origin, especially through the brand origin.

4.2 What is a “brand”?

There are several different views on what a brand really is. Each writer has his or her own point of view and the overall image of the concept of a brand appear to be an evolving entity, continuously influenced by more recent research. However there are some common features that can be found in the basic literature in the field.

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25 The authors’ own illustration
A brand is an intangible asset when it comes to law and accounting. It is a registered name, but also the identity of a company. The logotype, products, the packages, the design are all part of the associations of the brand. Kapferer puts it like this: “Branding means much more than just giving a brand name and signalling to the outside world that such a product or service has been stamped with the mark and imprint of an organisation.”

4.2.1 BRAND ASSOCIATIONS

The value of a brand is determined by a number of factors. Aaker suggests that the brand equity consists of four parts; perceived quality, awareness, associations and brand loyalty. The associations that are linked to a brand can be of all different kinds, they can be brought to mind by everything from characteristics of the product and information in advertising or media, to attitudes towards the company and the origin of the brand. The great variety of factors that can influence consumers’ associations calls for companies to put large effort into managing all aspects of their activities in order to create an overall image that lead to positive associations. In most Western countries today it appears that brands have become more vulnerable to negative brand associations as the development moves towards greater transparency and disclosure of corporate information. Corporate social responsibility and ethical behaviour are basic stakeholder requirements, forcing companies to consider non-financial values and activities. The media naturally plays an important role in this process, both as a forum for advertisements and as a conveyor of business information that can have large impact if it becomes public.

4.3 Country of origin and brand origin

Theories of country of origin, COO, concern the influence on the perceived brand value form the country of origin of a product or a brand. The origin leads to the consumers linking different associations to the brand which often influences its value in some direction and, consequently, purchasing decisions. Studies have shown that when consumers get to judge

26 Kapferer, 2003, p. 46
27 Aaker, 2000
and choose between identical products they take information about country of origin into account when forming an opinion. It can be described as cases of what Carpenter labels “meaningless” differentiation. A piece of information about the product is used in marketing, although it is of no real meaning for the actual product but it still contributes to creating a meaningful brand. However, the country of origin is sometimes used as a basis for brand identity and as a competitive advantage for the company since it can evoke positive and informative associations. One example is IKEA that uses its Swedish origin as a significant part of its brand image and the notion of IKEA is clearly interlinked with the concept of Sweden.

In more recent research a distinction can be made out between theories concerning the country of origin in a more general sense and the brand origin. Brand origin can be defined as the place, country or region that a brand is perceived by its target audience to originate from. This might differ from the country where the branded products are manufactured or perceived by the consumers to be manufactured. The definition does not include advertising where the product is for example shown to originate from a particular scene in nature, such as a mountain area, for the reason that this does not include enough cues for any conclusions to be drawn from the exact location.

Lim and O’Cass even suggest that product origin has almost completely lost its significance, and that the role of origin has been transferred to the brand level. Their statement is supported by a study by Thakor that has found that a strong brand can completely defeat the effects of other origins. Lim and O’Cass connect the implications of culture for brands by introducing the concept of culture of brand origin. It may be the reason why consumers often attach certain cultural characteristics to a brand when information about the country in question is not available. Their research broadens the perspectives by extending the effects of country of origin to include cultures, showing that the culture may be of even greater importance to consumers.

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29 Chueh Ting-Yu and Kao, 2004  
31 Thakor and Lavack, 2003  
32 Ibid.  
33 Lim and O’Cass, 2001  
34 Thakor and Kohli, 1996  
35 Lim and O’Cass, 2001
4.3.1 The Development of Theories of Origin

The economic and commercial development has created global conditions that have led to the emergence of a range of subcategories of the original COO theories that attempt to describe the many aspects of origin. The theoretical development gives reason for more clearly defining the concept of origin, and its links to brands. Many organizations today have dispersed their activities across different geographical locations. Economic circumstances have made it a logical, sometimes inevitable, step for many companies to place manufacturing in countries with a lower wage level, often in South East Asia. The result is that a product is manufactured in a country that might bear no connection to the brand nor that the company wishes to display any involvement with. A branded product often has a multifaceted origin, there is often one country of design and another of manufacturing or assembly. The brand’s country of origin can be yet another and this results in a complex branding and marketing process where the multiple origins and related associations need to be thoughtfully managed. More recent research has incorporated the new dimensions of origin and looks into country of components, assembly and design and their effects on consumers’ evaluations.\textsuperscript{36} Hybrid products with multiple origins have resulted in a paradigm shift for advertising strategies, there can be a need to draw consumers’ attention from the most immediate impression to for example the country of design in order to create the desired associations.\textsuperscript{37}

Chao states that congruency between brand and perceptions of the country in question is preferred since it leads to better recall and attitudes towards the brand. It has been shown that there are stronger country of origin and congruency effects when comparing developed and developing countries.\textsuperscript{38} Examples of incongruence would be a product designed in China but assembled in Sweden, or a product manufactured in China that the Swedish market does not perceive China to have sufficient competence for. In general support has been found for the statement that consumers in developed countries tend to have a home country bias and judge any branded product originating in the home country more favourably.\textsuperscript{39}

Companies are well aware of the significance of country of origin in evoking associations in the consumers and influencing their perceptions and preferences. The mere awareness of a

\textsuperscript{36} Chao, 2001 p. 70
\textsuperscript{37} Ibid., p. 71
\textsuperscript{38} Ibid., p. 72
\textsuperscript{39} Thakor and Pacheco, 1997, p. 18
country of manufacturing that is different from the origin of the brand can have great influence on the perception of the brand and its value. There are numerous examples of companies that have been criticized for utilising production facilities in developing countries that do not meet the standards of the country of brand origin and therefore negatively affect the associations linked to the brand. The revelations of the use of child labour in manufacturing of products for IKEA and H&M brought up issues of ethics and corporate social responsibility and naturally had impact on the brands. Incidents such as these can be assumed to have contributed to negative attitudes towards the third world countries involved, such as China, that creates a general sense of distrust when it comes to products that are manufactured there. From the point of view of branding it can hence be advantageous to conceal one origin and emphasize another to influence consumer associations.

Insch states that country of origin for example influences the perceptions of product quality and safety.40 This finding shows that not only the associations connected to the actual country have an impact but also the type of product that is concerned. Thus it can be assumed that a certain country can cause associations that prove to have no effect on attitudes towards certain products but are a clear disadvantage in the case of other products. For example it could be expected that the Swedish market has become used to textile products manufactured in China and therefore pay little attention to this when judging a brand. There is currently a Chinese car manufacturer, Geely, that is planning to enter the Swedish market.41 Most certainly it would be a greater challenge to successfully brand cars for the reasons that Swedish people have high safety requirements and tend to not trust other countries’ ability to produce cars that meet their expectations.

4.3.2 COUNTRY IMAGE

Numerous studies in psychology have determined the existence of stereotypes and their influence on the perception and behaviour of individuals. National and cultural stereotypes are shared beliefs and judgements related to a country, its culture and citizens and consequently they often influence the perception and judgement of any object that is associated with this

40 Insch and McBride, 2004
41 Dagens Nyheter 20050915
country. This definition is the core of the country concepts that determine the influence of country of origin on brands. The content of the stereotypes might be true to varying extents, however that does not appear to affect the strength of their influence. From a Swedish perspective there are quite a few well known national stereotypes, such as ones of most other European countries and the USA that would be easy to exploit for a marketing purpose.

In the case of China, the geographical distance to Sweden is vast and the country has a history in modern time of being fairly closed to the outside world. Aspects such as these can be assumed to influence the existence of stereotypes of China in Sweden. Because of the generally poor knowledge about China it could be that issues that receive attention in the media get quite a large impact on the Swedish views and attitudes towards China. In recent years information that has reached Sweden has concerned for example poor working conditions in factories, the societal and political changes, the rapidly growing economy and all business opportunities that follow. It could be assumed that consumers still use the little information they have, even if it lacks detail and relevance, to form an opinion about a brand from China.

4.4 Brand name

The actual place of origin of a brand is almost irrelevant as it is the perceived place that matters for the attitudes and actions of the consumers. The consumer perception might be different from reality due to ignorance, lack of information or deliberate misleading information from the company in order to disguise an origin that might be perceived unfavourably or to produce a false image.

One example of how a brand can get an image that gives “false” country of origin associations is in the case of the American ice cream brand Haägen-Dazs. The language used in the brand name often determines the perceived country of origin, the strategy of using foreign words or spelling and pronunciation that resemble a particular language is called foreign branding. In the case of Haägen-Dazs the words and spelling of the brand name are

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42 Leclerc et al, 1994, p.263
43 Thakor and Lavack, 2003
44 Leclerc et al. 1994 p. 263
intended to remind the consumers of Scandinavian languages and thus bring to mind thoughts of these countries which apparently are associated with large ice cream consumption. The brand and the image it strives to achieve clearly have an American perspective, and the interesting point to make is the role of the country concept and the ideas of the perceived country of origin in the regions that are the target market for the brand. It is of secondary importance that people in Europe, in Scandinavia in particular, know that the concept is incorrect, the only consequence this will have is that the potential success of the Haägen-Dazs brand in this region will not rely on the same brand associations. This case illustrates the importance for a company to know what different ideas and stereotypes, true or not, that exist within a certain group of consumers before choosing how to go about to establish its brand on that market.

According to Leclerc et al. the desirability of a brand name can be judged along two dimensions; the ease with which the name can be remembered and to what extent the name supports or enhances the strategic positioning of the product. Keller states that a suggestive brand name shows a significantly higher recall frequency, that is, a name from which it is possible to tell the type of product or some characteristic. A brand name can be chosen in order to facilitate recognition and recall, which can ease marketing communications. In the case of foreign branding it could be expected a foreign brand name would be more difficult to recognize and remember, for understandable semantic reasons. A Chinese brand name brings the issue even further since the Chinese language is so different from Swedish, in this case, and it is completely unknown to most Swedish consumers. The Chinese telecommunications corporation Huawei has chosen to keep its Chinese brand name when entering the Swedish market, which naturally directs the focus on these matters.

A study carried out by Leclerc et al. has found that there is an interaction between the brand name and the country of origin. Country images and associations are triggered by “made in” labels. The brand name produces similar effects in that it also creates access to country related associations, depending on what kind of origin the brand is perceived to have. A label saying for example “made in China” and a Chinese sounding brand name will probably on a basic level trigger similar types of associations, that is, China related ideas and beliefs. The

45 Thakor and Pacheco, 1997 p. 18
46 Leclerc et al. 1994 p. 263
47 Keller, Heckler and Houston, 1998, p. 48
48 Leclerc et al., 1994, p. 263
issue becomes more complex if the brand originates from a different country and only manufactures its products in China, alternatively a case where a Chinese company uses a foreign branding strategy. The same study found a tendency towards brand name, including foreign branding, being a stronger influence on consumers’ perceptions than country of origin information.\(^{49}\) It may therefore be that the information “made in China” does not strongly affect associations, because such a great deal of manufacturing industries is located in China, the focus of the associations and expectations of the products could be directed at the brand, irrespective of country of production. A study by Chao supports that consumers value cues of origin differently, placing greater weight on country of design rather than the country of parts or assembly, possibly due to the increasing outsourcing by large enterprises.\(^{50}\) It may also be that a cognitive schema of a country is first created by it being a country of assembly, which possibly is what China is best known for from a Western economic perspective. The original knowledge thus influences how other cues, such as country of design and brand origin is evaluated in relation to China.\(^{51}\)

4.5 Chinese perceptions of brand management

The concept of brand has been relatively unknown in China in the past. Advertising and branding were perceived as something very negative after the Cultural Revolution. It could be mentioned, though, that the world’s first print advert was Chinese, created during the Northern Song Dynasty, 960-1127, for Liu’s Needle Workshop\(^{52}\). The history of China in modern time is perhaps the main reason for the hidden and somewhat confusing roles of brands and marketing in the society of today. This has led to the fact that many Chinese companies sell a variety of products under the same name and brand. Cigarettes and sanitary towels for women can be sold under the same name without any greater consideration.\(^{53}\) The business is usually broad rather than deep.

Fan explains two viewpoints when it comes to brand management in China: \(^{54}\)

1) To go with an American way of marketing ideas, where Kotler ranks high or

\(^{49}\) Leclerc et al. 1994 p. 269  
\(^{50}\) Chao, 2001, p. 79  
\(^{51}\) Ibid., p. 80  
\(^{52}\) Fan, “Made in China”, april 2005  
\(^{53}\) Fan, “Power brand paradox”, may 2005  
\(^{54}\) Ibid.
2) To reject the western way completely, saying it all came from China in the beginning anyway.

He argues that a preferred approach for China would be to combine the two views rather than choosing one of them. Fan identifies three developing stages in marketing and branding in China:

1) A production stage that took place in the 80’s when the economy slowly was changing into a market economy.

2) The second stage was in the 90’s and about selling and advertising. There were price wars and it was all about competition. This was according to Fan a time when the Chinese companies tried to brand themselves but did it the wrong way, focusing on how much to spend on advertising. Those who actually succeeded could not live up to the demands afterwards and had problems of other kinds.

3) The last stage that Fan has identified is the last five years. According to him, the average lifecycle of a Chinese brand is only seven and a half years. The competition is fierce and branding has entered the minds of the companies’ management.

Fan says: “What is promoted is a corporate name, rather than the brand values. As a result, in China there is no brand competition, which often leads to vicious price wars”.

4.6 The Chinese consumer

Fan quotes a survey made by a US consulting firm in China in his article “Made in China”. It shows that the Chinese consumers are changing, they are beginning to get better informed and more sophisticated. Quality, service and choice all ranks higher than price (fifth place). More important perhaps is that the Chinese consumers are beginning to develop loyalty to certain brands. It is important though to remember that this survey was made in four cities, probably the bigger ones, so it may not say much about how the consumers in the rural areas act and think of brands.

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55 Fan, “Made in China”, april 2005
56 Ibid.
57 Ibid.
According to Mats Georgson at Nordic Brand Academy there is clearly an increasing awareness of brands among Chinese consumers. He explains that one of the reasons for this is the enormous increase in manufacturing in the country and consequently the supply of all kinds of products.

There are no regulations for what kind of commercials that can be shown in TV. It is for instance accepted to advertise a pill that is supposed to make children’s brains grow in order for them to become more intelligent. There is therefore not a very developed critical view of advertising among Chinese consumers. This probably affects how marketing is done. Censorship is another issue is of great influence for marketing and advertising and the control of both domestic and foreign companies is very strict.

4.7 Cultural differences

The notion of “cultural differences” is so well known and widely used as an expression that many people do not care to define it. It is put into all kinds of contexts as either a cause or an explanation. It is an inherent effect of the globalisation and its importance lies in culture’s integration with all other aspects of life, such as social and economic factors to mention just a few. This study aims at describing knowledge and perceptions of brand management and its starting point was assumptions of differences stemming from the different national and cultural backgrounds of the countries in question, and all that this incorporates. In order to make the concept of cultural differences more substantial and the use of it more understandable, a need for some sort of cultural analysis arose. The model chosen for this analysis is the one created by Hofstede which illustrates culture as five bipolar dimensions, placing each culture somewhere along the scale. The dimensions are individualism, power distance, uncertainty avoidance, masculinity and long-term orientation.

The meaning of each of these dimensions can largely be understood from the terminology, yet, a brief explanation could be in place. The opposite of an individualistic culture is collectivistic and it is thus focused on the group as opposed to the individual and it also involves the extent to which a person defines him or herself as part of a group. The power distance in a society is determined from the extent of hierarchic structure, role of authorities and the implications of power associated with the two, such as the acceptance of unequal
power. The uncertainty avoidance dimension measures the degree to which a society desires to exert control and to have clear rules and regulations governing people and various procedures. The masculinity-femininity aspect describes values such as concern for others, quality of life and relationship focus. Finally, long-term orientation was added later by Hofstede to the first four and it concerns the concepts of time in the culture when planning and building relationships for example.58

This model was chosen as a tool for comparing the Swedish and the Chinese cultures because it illustrates culture in a concrete and comprehensible way by using the five aspects mentioned and almost allowing for cultures to be measured. The model will be interpreted to suit the context of this thesis, that is, its implications will be viewed from a perspective that is relevant for brand management.

The differences between China and Sweden are most easily illustrated by using graphs that shows the scores that Hofstede has given the cultures on each of the five aspects. In the graphs abbreviations are used; individualism (IDV), power distance (PDI), uncertainty avoidance (UA), masculinity (MAS) and long-term orientation (LTO).

![Figure 3 Hofstede China and Sweden](image)

China blue graph, Sweden purple graph

Hofstede’s cultural analysis is focused on social and behavioural traits of culture, however they naturally form the foundation for all other behaviour as well, such as consumption and perceptions and preferences for brands. The differences between Sweden and China are fairly

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58 Hofstede, 1980
large on all dimensions, with one of the countries scoring twice as high than the other on several aspects. Individualism is possibly thought of as being most relevant when it comes to brand perceptions. A materialistic culture is perhaps often more individual and the presence of brands that allow for various expressions of the self and individuality can be assumed to better suit a culture where there is a desire to distinguish oneself from the crowd.

Moss and Vinten presents a study showing the impact of individualism, power distance and uncertainty avoidance on different marketing and consumption related behaviours. To illustrate these findings more clearly a table is used, as seen below. Since perceptions and preferences for brands are related to the behaviours listed in the table, some conclusions can be drawn from this study to the topic of this thesis. The reasons and values behind consumption and purchasing decisions are interlinked with those forming brand perceptions, they can even be interchangeable. The close link is shown by that they in the end lead to the one single behaviour.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Individualism/collectivism</th>
<th>Power distance</th>
<th>Uncertainty avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information processing</td>
<td>Individualist – information sought and perceived by individuals rather than sought and shared by a group</td>
<td>High PD – information is used to enhance power as opposed to a low PD culture</td>
<td>High UA – information relating to uncertainty reduction is critical, which it is not when UA is low</td>
</tr>
<tr>
<td>Values</td>
<td>Values related to individual or group</td>
<td></td>
<td>High UA – values are to be reinforced</td>
</tr>
<tr>
<td>Consumption patterns</td>
<td>In an individualistic culture consumption decisions are a matter for the individual</td>
<td>High PD – unequal people’s consumption patterns are unequal and treated as such</td>
<td>High UA – consumption patterns are geared to risk avoidance</td>
</tr>
<tr>
<td>Purchase behaviour</td>
<td>Individualistic – internal motivation Collectivistic – external motivation</td>
<td>High PD – unequal people are treated unequally</td>
<td>High UA – purchase behaviour relies on external assistance whereas it is more self-reliant when UA is low</td>
</tr>
<tr>
<td>Affinity to new ideas</td>
<td>Ideas come from the individual or the group, respectively</td>
<td>New ideas can be used to enhance the power of groups, or to eliminate the power of groups</td>
<td>High UA – new ideas are in the fields of risk reduction</td>
</tr>
</tbody>
</table>

Figure 4 Impact on different marketing and consumption related behaviours

59 Moss and Vinten, 2001
60 Ibid., p. 201
Research has shown that branding is more effective when adapted to local cultural conditions. Findings also suggest that the degree of for example individualism, masculinity and uncertainty avoidance have an impact on various brand aspects. For instance the visual layout of the brand logo is perceived more favourably if it adheres to prevalent norms of masculinity and femininity.\textsuperscript{61} Brand associations and advertising often involve metaphors\textsuperscript{62}, which are culture-specific and can often be based on notions such as gender roles, self-concepts, power, social cues or traditions.

The use of Hofstede’s cultural analysis and studies such as this one creates a setting for understanding the perspectives of Chinese consumers. As these results are based on cultural characteristics and their implications on consumption in general, it can be assumed that they also can be of use to identifying the situation in Chinese companies. This description of the Swedish and the Chinese cultures using an established model has the purpose of providing a view of the background that Chinese companies come from.

The views on ethics and corporate social responsibility have also been linked to Hofstede’s theory. Issues such as these are clearly important for branding in the West as a component of image and of creating a sustainable brand value.\textsuperscript{63} It is suggested by Windsor and Tsui that high scores on power distance, collectivism and uncertainty avoidance is often coherent with lower emphasis on ethical reasoning.\textsuperscript{64}

To summarize, the situation can be said to hold a few main features that is of significance in branding. Chinese companies are raised in a collectivistic spirit, meaning that values and decision making involves the group and consumption is externally motivated. The level of power distance is high, implying that consumption patterns and access to information, which is viewed as a means of power, are unequal. There is also a clear hierarchy and authorities hold strong positions. The high score on the masculinity dimension affect norms and values that can form the basis for building brand associations. The extremely high long-term orientation in China is also of significance when it comes to determining what is considered important in society and in social and relationship matters. China is also a so called high-context culture which would affect various brand aspects through individuals’ relations to

\textsuperscript{61} van den Berg-Weitzel and van de Laar, 2001
\textsuperscript{62} Ibid.
\textsuperscript{63} Middlemiss, 2003
\textsuperscript{64} Tsui and Windsor, 2001
forms of communication, use of symbolism, implicit or explicit information, visual cues and associative content. The opposite cultural communication style is described as low-context, where the full intended content is contained in the verbal expressions, which is the case in the Swedish culture.

Confucianism is a philosophy that is an important element in the Chinese culture and its principles influence many aspects of life. It has a great impact on social relations and business practices and for this reason it can be in place to mention some of the aspects of Confucianism when describing cultural characteristics of China. These are briefly presented below:

- Rank and hierarchy are important.
- Laws and external structures are not as important as relationships for problem solving.
- The authority and decisions should not be questioned.
- Face must be maintained, which is seen as more important than honesty in business.
- The family and personal networks are very important in the society.
- Business and business people are distrusted and formal contracts are disliked.
- There is co-operation between government and business.

More in-depth conclusions will follow the main study when the cultural characteristics can be analysed in the light of the empirical findings. Though, it should be pointed out that the concept of cultural differences that is used in the context of branding is not the same as the one described in this section.

4.8 Summary of the theoretical framework

The theoretical foundation of this thesis is fairly extensive and based on several different approaches. The main themes that have been identified as relevant for the purpose of this thesis are presented in the model showing brand components that are especially relevant in this international context. Yet a brief summary could be in place to provide an overall view of the theories used and the evolvement towards a more narrow application of the concepts.

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65 Zhou, Zhou and Xue, 2005
66 Gudykunst et al., 1996
67 Laurence and Gao, 1995
The most basic theories in this field concern the concept of a brand and its different components, for example perceived quality, awareness, brand loyalty and associations, as suggested by Aaker. The brand value is an intangible asset for a company which relies on a number of factors and is subject to complex activities of brand building. A great deal of the intangible part of a brand is the associations linked to it, which can be generated by almost anything, often aspects that lay beyond the physical product.

Theories of country of origin concern the impact of different origins, of both of the product and the brand. The origin can be emphasized as part of the identity of a brand, which shows how important this issue is perceived as by the consumers. In recent years the aspect of origin has become more multifaceted through the recognition of the effects of origin of for instance design, manufacture and assembly. A general trend appears to be that the origin of the brand is the most important. Country images and national and cultural stereotypes in the minds of consumers, both correct and incorrect ones, are the basis for perceptions of origins, and consequently affect consumption decisions. Brand name is naturally a main feature and it can be judged for example according to how recognizable and memorable they are. Foreign sounding brand names can be used, through a strategy called foreign branding, sometimes in order to give impression of a fictional origin.

Branding, according to the Western definition, is a fairly unknown concept in China, brands exist but are often more a matter of promoting corporate names. The main focus is on manufacturing and products. Strategies of branding are rather broad than specific, often including a range of various products under the same name.

An interview with Mats Georgson at Nordic Brand Academy serves as the theoretical source for illustrating the Swedish consumers. Georgson concludes for instance that the Swedish consumers are in a post-materialistic phase and that consumption patterns are fragmented. There is clearly an influence of ethical ideals, however the extent is somewhat uncertain. He claims that the future of branding in Sweden lays in more vision driven niche brands, as opposed to more traditional position oriented.

Hofstede’s theory on five cultural dimensions is used to illustrate the differences between Sweden and China, with the purpose of making the concept of “cultural differences” a bit more tangible and understandable. The five dimensions, individualism, uncertainty avoidance,
masculinity, power distance and long-term orientation identify areas that are central in most cultures and are useful when pointing out more accurately how two cultures differ from each other. The differences between Sweden and China are quite significant on all dimensions apart from uncertainty avoidance.
5 Empirics and results of the main study

Our main study consists of seven interviews in total, two in Sweden with two different rather small Chinese companies and the five in China has been with four middle-sized companies and one multinational company. All interviews have been conducted in a conversation form, fairly informal and open. We have used the same questions as discussion base for all seven interviews. For a more thorough description of the methodology, please see chapter 2.5. The following section consists of the transcripts of the interviews.

5.1 Interview with two Chinese companies in Sweden

COMPANY 1

Country of origin

Z considered it important to have a label showing the country of origin on a product. Z is aware that different countries of origin send out different signals, though is not sure about the effect on the consumers. From Z:s perspective of selling products Z knows very well that some of the Swedish buyers try to conceal the country of origin, that is, China in this case. The effect on pricing strategies is clear, Z says that if something is made in Sweden that enables a higher price to be set. Z believes there is an effect on consumer behaviour and perceived value that is based on the country of origin but points out that it depends on what target market one looks at.

Branding

Z is aware that there are internal as well as external components of a brand, though his views are mostly focused on the external side. He sees brands as being about reputation building that clearly involves an economic element. Z has no definite opinion on whether external sources should be used to evoke desired associations, he can not quite understand the concept of celebrities being used in marketing a brand or the view of a brand as a set of characteristics that would be comparable to any person or object with features that generates associations.
Cultural differences

Z does not see the economic and cultural heritage as a great influence on issues that concern branding in today’s China. He says that the same global brands are popular there as in the Western world and people buy them if they can afford it. Although he goes on to say that this is mostly true for young people since the old generation was used to the system where there was no choice between products and hence brands, as we know them, did not exist.

Z thinks that the cultural differences between China and Sweden are not very big when it comes to branding issues. He thinks the marketing activities and promotion of brands differ to some extent though. Z perceives Swedish people as more trusting than the Chinese in business in general. He does not believe that cultural stereotypes play any great part in forming customer preferences, however, he states again that he has experienced some sort of order of preferred countries of origin for example among Swedish consumers. He describes this order saying that Swedish people prefer products with a Swedish origin in the first place, then European, then American and lastly Asian.

Overall Z appeared slightly puzzled over the discussions about cultural differences, he firmly states: “Brand is brand, culture is culture” to emphasize that he can not see any connection between the two.

Corporate Social Responsibility and ethics

Z does not perceive non-financial factors as being that relevant to the value of the brand. He can see that involvement in activities outside the immediate business could be useful though he states that it is not common in China. The effects of working conditions in the companies, especially in manufacturing, he views as more a matter of what is perceived as a normal standard in that particular country.
Brand name

The brand name mainly has the function for customers to identify the product according to Z. He also considers the brand name to be important for identifying the company behind the product. Z primarily sees the brand name and the brand in general to be a communicator of certain central characteristics.

Company 2

Country of origin

E believes that Chinese companies know that products are perceived differently depending on its country of origin, though the understanding of the impact of brand origin might be lower. E thinks that many companies are aware that a Chinese origin may be considered negatively and says that some companies go a step further and use the assistance of consultants to create a brand that for example emphasize different characteristics. E thinks that many Chinese companies would need the knowledge of locals in order to understand the effects of country of origin on that particular market before introducing their brands there and adjust them accordingly.

Branding

E says that branding is a very new concept in China and therefore most Chinese companies are fairly confused on how to handle that issue. E believes that it would be necessary for Chinese people to employ local people in order to succeed in building and establishing a brand on the Swedish market. However the problem could be that many companies are not open minded enough to trust local people and conflicts of different opinions can easily occur. The Chinese traditional way of working, according to E, involves placing senior Chinese employees in important positions and they still do not have sufficient knowledge. E believes that it is necessary for Chinese companies to learn and get practice in branding and to get more experience in this area in their domestic market to start with, then later on expand to Western markets with the help of local knowledge.
Some Chinese companies and consumers have begun to see brands as image related, according to E. Some consumers have become very brand focused, however E says that the main reason for this group to buy brands is that to show that they can afford them.

*Cultural differences*

E thinks that the situation for Chinese companies with a low level of knowledge in branding is further complicated by the lack of knowledge of foreign cultures. E believes it to be necessary for companies to use people who know the local market and its consumers when establishing a brand in a different cultural context.

A cultural difference that E mentions is that a good product often is considered to be enough by Chinese companies and their experience from their domestic market has mainly taught them to compete by using price. The historic background of the Chinese society is still influential in some respects, says E, for example in the current situation where the country has a free market economy but still a communist rule, some areas work well whereas others are not free at all. E thinks that the view on competition is one major difference from how it used to be under the old system. Before there were no incentives to work hard and now a shift has occurred to a short term profit focus because there are suddenly money to be made. E believes that it would take a long time, possibly generations, until Chinese people have developed a more Western way of thinking about these matters.

*Corporate Social Responsibility and ethics*

Issues of corporate social responsibility and ethics are generally not considered important by Chinese companies, according to E. Some of them know today that it is seen as important to many Western consumers but can not quite understand why. E explains the stand point of Chinese companies on these matters by saying “if it is a good product, why care?”. E believes that a great deal of education is needed for Chinese companies to understand the Western perspective on these things and the influence on for instance perceived brand value, but thinks it will take a long time. In general E thinks that business is emphasized at any cost and the main discrepancy between Sweden and China is that the Chinese are often unable to see why non-financial factors would matter.
Brand name

E thinks that Chinese companies in general are better than Western companies at creating good names. This is natural due to the many symbols in the Chinese language and the tradition of giving names with a greater meaning, E gives the example of experts being consulted when choosing name for a newborn baby, to ensure luck and good fortune. E therefore thinks that Chinese companies put much effort into brand names as well, often wanting them to contain some kind of symbol that can generate associations. E believes that many Chinese companies would be quite careful if they were to come up with a brand name in English since they are used to symbols in language.

5.2 Interview at a multinational company in China

Country of origin

To describe the Chinese scene of country of origin L and R says that international brands are strong in the eyes of the consumer. Especially when it comes to such products as IT, technology, luxury and fashion. Both domestic and foreign companies tend to have strong international emphasis. Many of the digital products are produced in Japan (for example digital cameras) and apparently the Chinese consumers are aware of this origin. Therefore they tend to prefer these kinds of products to have a Japanese country of origin. In general there is a tendency to accept a higher price when a product is perceived to be produced in what is thought of as the “original” country.

The country of origin effects can also favour domestically produced products. L gives the example of herbs, silk and wine as traditional Chinese products.

Branding

L considers branding to be a broad topic. Especially in China where there are several different cultures, peoples and languages which imposes a challenge to marketers here.
The company that L works for aim to achieve “one voice, one brand” in the whole of China. They allow for different languages in advertising although the story board is the same.

It has become quite popular and common to use celebrities such as athletes, singers and movie stars. It did not exist about ten years ago. L comments that government officials are not allowed to take part in advertising.

L says that another change that took place about ten years ago was the differentiation between brands. Previously the only differentiation was Chinese versus international brands. L considers exposure to be probably the most important strategy in branding. L says that consumers perceive a company to be more trustworthy the more it advertises its products.

Cultural differences

L believes that Chinese companies are fairly aware of the importance of acknowledging cultural differences since China consists of so many different markets. The companies do not have any knowledge of cultures in for example Western Europe.

L also talks about cultural differences in consumer behaviour. L says that there are customers that are extremely price sensitive or at least very aware of whether the price is fair or not. She describes two top categories of customers; those who want the most expensive no matter the product and those who want the latest product no matter the price. L believes that both groups use products as status symbols.

Corporate Social Responsibility and ethics

L explains that in general companies do not focus on any non-financial factors. “They only focus on the business.” It is very common that the owners of a company are unknown to the public.

The Chinese government encourages multinational companies to engage in charitable activities in order to maintain good relations with the government and the community. This is not requested from Chinese companies and they do not pay much attention to these issues.
International brand names are often bilingual, they are translated into a name with a similar pronunciation. L states that there is a focus on the perception of the name. Chinese companies tend to emphasize the inherent meaning of a brand name, which comes naturally in the Chinese culture with its rich symbolic language.

L mentions the importance of packaging, for instance as a means for differentiation. There tends to be a great focus on the shapes and colourfulness.

A fairly new occurrence in China is that Chinese companies create brands with an illusory origin, such as noodle shops that attempt to look Japanese\textsuperscript{68}. Domestic brands are sometimes designed to evoke associations of for example USA or France, but L says that Chinese consumers totally lack knowledge of these countries. R talks about the fact that some Chinese owned companies register trademarks in other countries or use foreign patents to make products appear to have a certain origin. L states that “They just want to cheat the consumers.”

\textsuperscript{68} The theoretical terminology is “foreign branding”, though either L or R used this.
5.3 Four interviews at Sun Yat-sen University

COMPANY 1

Country of origin

From a consumer perspective Z says that more expensive products are accepted when they have a Japanese or American origin. Z says that it is important that the company should have a label showing the country of origin. America implies high performance products to Chinese consumers, according to Z.

The country of origin determines how much the consumers are willing to pay. The price sensitivity is not so great any more, as it used to be several years ago.

Z says that a positive aspect for Chinese companies is that the consumers, both Chinese and foreign no longer find Chinese produced goods to be equal to low quality.

Branding

According Z “the number one activity in brand building is advertising.” It has an extensive impact both in terms of reach and perceived believability. Z quotes a survey that has found that 93% of the Chinese consumers believe that advertising is true. A great amount of advertising 69 is by Chinese consumers considered to be equal to high quality. “Chinese customers understand this!”

Branding is not considered to be necessary when it comes to low end segment of the market since these people only focus on function, according to Z.

69 The theoretical terminology is “share of voice”.

Cultural differences

Z has mostly experienced the Chinese market and has therefore little insight into the need for considering the cultural differences in branding and advertising. The general knowledge among companies about international branding and foreign cultures is very low.

Corporate Social Responsibility and ethics

On the discussion of Corporate Social Responsibility Z give the example of working conditions and says that it is of no importance for the brand. Z thinks that a judgement of for example of the social responsibility taken by a company can not be made since the information can not be verified or trusted.

On the question of environmental aspects Z claims that this is of no importance since the profitability is the main objective. Chinese companies tend to have a fairly short term perspective, says Z.

Brand name

Chinese companies often use a brand name in order to create identification. The brand names often have a meaning that connects to the Chinese language. Z says that it occurs that Chinese companies use the name of a famous person as a brand name, for example Li Ning, though this is still not very common.

COMPANY 2

Country of origin

H states that depending on the kind of product the importance varies of labelling the country of origin. H gives the example of technological products, where Japan is favoured by consumers. H says that the companies take advantage of this fact by clearly displaying the country of origin.
H says that the companies are aware of that consumers usually do not care whether a product is Chinese made or not if the brand behind it is foreign.

**Branding**

H is convinced that advertising is the most important in branding. H says that the amount of advertising determines how trustworthy the consumers find a brand. With this said from a consumer point of view H says that a company mainly needs to focus on advertising in order to build a brand, both domestically and internationally.

To build a brand content H suggests that companies use role models in advertising as a source of association. The use of for instance movie stars has a greater impact on young people than on “their parents” says H.

**Cultural differences**

H understands that cultural differences can be significant but has no explicit suggestions on how a company can adjust its branding to different markets. H believes advertising to be a good tool in both Chinese and international markets.

**Corporate Social Responsibility and ethics**

H thinks it is important for companies to focus on having good products instead of Corporate Social Responsibility. H believes that no consumers would base their decision on information that is irrelevant for the product itself. “A shoe is always a shoe”, H concludes when describing the example of Chinese made Adidas. The quality of the shoes will not be considered lower if the brand is trusted.

**Brand name**

H finds it important for companies to have a good and purposeful brand name. It is by the name consumers recognize the products. H explains that Chinese companies use the same brand for a lot of different products, since it is the producing company (name) behind it that is perceived to guarantee a certain standard.
COMPANY 3

Country of origin

J is convinced that Chinese consumers to perceive a difference between different countries of origin. One example is Germany that most Chinese relate to high quality especially when it comes to technological products. China on the other hand is considered to imply low quality, but Chinese companies are becoming more and more skilled in manufacturing higher quality products. J states that the importance for companies to label the country of origin varies for different kinds of products. J says that for clothes it is insignificant with country of origin and therefore the companies do not bother to show the origin.

Branding

J thinks that an important strategy for Chinese companies is that they price products according to perceived quality. J believes that a company needs to start with identifying the market before creating a suitable brand. The building of the brand content is the last step in the process of creating and establishing a new brand. J also says that “customer awareness must come first”. The companies need to make great investments in the early stage of marketing when establishing a new brand. This can be especially hard in international contexts.

J states that a problem for Chinese companies is the lack of knowledge within the area of branding. Few companies last more than a few years because they have short term thinking and too much product focus.

Cultural differences

J thinks that a general problem in China is that the level of knowledge of foreign countries and cultures is very low. This naturally affects Chinese companies’ abilities to understand the different markets and develop brands accordingly. This is changing with the new generation that is more open to international influences than the previous ones. The lack of knowledge in branding is mostly due to social problems and historic background rather than economic factors.
Some Chinese companies are aware of that there are different market segments, but J thinks that they mostly think in terms of high end/low end consumers. Therefore they do not consider cultural differences in international markets.

*Corporate Social Responsibility and ethics*

Whether it is important or not is completely dependant on what strategy the company has chosen, J says. If the company does not have an explicit ethical emphasis, it is not important to consider these factors. A company has a responsibility towards different stakeholders such as the owners who have profitability as their main requirement. J says that a company can either have a strategy that focuses on HRM issues or pure profitability.

*Brand name*

J starts talking about different Chinese brand names such as Anta, Lenovo, Midea and Rinnai and concludes that many of them are international sounding. J therefore thinks that the Chinese brand names could be accepted in all parts of the world. The use of the Latin alphabet in brand logotypes makes it easier for Chinese brands to keep their naming strategy on international markets.

*COMPANY 4*

*Country of origin*

M says that clothes usually are judged by design more than the country of origin. M therefore claims that the companies are not negatively affected by the fact that they manufacture the clothes in China. Chinese people usually do not know so much about different foreign countries, but generally the US is perceived positively. M mentions that American brands often are seen as standing for high quality even though the products are made somewhere else. M thinks many Chinese people are well aware of that most consumer goods are produced in China.
Chinese companies know that a Chinese origin used to signal low quality, but M believes that they today think that this is changing in most parts of the world.

**Branding**

The function of the product is always the most important, according to M. A branding process should start with extensive advertising but the customer experience is more important eventually. When a brand has been established on the market it can be extended to include all sorts of products.

Chinese companies are in the early stage of understanding branding, according to M. Most of them lack a sense of core values in the brand. This also affects the advertising, where the main objective is to exhibit the products rather than building the brand. Some Chinese companies have realized the opportunities of greater profits by establishing a brand in addition to the existing product. However, often “the focus on short term profitability makes the companies rush too fast without the proper tools”. This result in a fierce competition where competing with a low price is the only way of survival. Often companies do not have sufficient resources to build or establish a strong brand on the market.

**Cultural differences**

Many Chinese companies lack knowledge in marketing research and therefore have little insight into different markets, including international ones. The companies do not consider the importance of marketing research early enough, which M thinks should be prior to the branding process. Chinese companies invest a lot in advertising but since it is not based on any specific market knowledge it is often a waste.

**Corporate Social Responsibility and ethics**

These are resource demanding activities and Chinese companies do not have enough financial means. They can not afford another kind of behaviour due to the heavy competition. M believes that Chinese consumers do not care too much about these matters which mean that the companies are not used to any attention brought to these aspects. Consumers do not have any information about it and do not require it either.
Brand name

“Brand names are about learning”, says M and continues with the example of Huawei that now is established on the European market. M believes that brand names in any language could work with enough advertising to establish it in the minds of consumers.
6 Analysis

This chapter describes our findings in the light of the theoretical framework. The five question areas from the main study form the headlines. Two more paragraphs have been added that analyse the aspect of cultural differences and partly connects to what we have encountered personally. The chapter is followed by the chapter of conclusions.

6.1 Country of origin

Theories of country of origin concern the impact of origin on consumers’ behaviour and attitudes. Research, by for instance Chao, which was mentioned in the theory chapter, has shown that the aspect of origin is very complex, especially in the global economy where companies’ international operations can lead to different origins of for instance brand, manufacture and assembly. All interviewees appeared well aware of that the country of origin has an impact, both on consumers’ perceptions and as an element in strategies for branding. They knew that Chinese origin is perceived fairly negatively, saying that this is the case among Chinese consumers as well, that they tend to prefer products made in certain countries, even though they often have very little knowledge about most foreign countries. The interviewees talked about the enormous quantities of consumer goods that are manufactured in China, often by Western companies under their own brands. A few of them said that they perceive the foreign brand to guarantee the quality of the product despite where it has been manufactured. These statements show some support for that the origin of the brand is of greater importance to the consumers, which has been found in studies by for example Lim, O’Cass and Chao, which have been referred to in the theoretical framework.

Generally the interviewees’ ideas of country of origin appeared to be rather coherent with the theories in the area. However, not all of them seemed able to see the ideas in a wider branding context and therefore possibly do not have the form of knowledge necessary for applying it for strategic purposes. The findings indicate that the perceived value of the product is influenced by the country of origin of both the product and the brand. It is suggested by researchers that brand origin is the more important one, which a couple of the interviewees agreed to. The attitudes towards a certain country of origin are based on stereotypical
knowledge of that country and its culture, as is concluded in studies by Leclerc et al. According to the interviews this seems to be the case in China, although the general knowledge of foreign countries is quite poor. Stereotypical views can, due to their implications for consumer behaviour, be used strategically by showing or concealing the origin through the use of association generating cues, as is suggested by Thakor among others, which is described in more detail in the theory chapter. One interviewee said that few Chinese companies have insight into this. These findings would support the impression that the companies interviewed to some extent share the Western way of looking at and understanding brands in relation to origin, however some significant differences were found. In the discussions regarding countries of origin all of the interviewees agreed that it influences the perceived value of the product, but not so much the brand. The brand aspect was only considered by a few of them, who said that the origin of the brand outweighs the fact that most products are thought to be manufactured in China anyway. The results from the interviews can be said to show a partial understanding of the issues brought up by theories of origin, but yet also strengthen the impression of a heavy product focus among Chinese companies. The interviewees’ opinions of different origins almost only concerned the product quality that a particular country would be thought to imply. Consequently, a brand originating from a country that is perceived as producing high quality products, such as the US and Germany that were given as examples, is thereby seen as more trustworthy which can justify a higher price. The concept of brand value did not come up in any of the interviews but a few of the interviewees expressed a willingness to pay more for a product with for instance an American brand even though they knew the product might be exactly equal to one with a Chinese brand. The reason given was that the quality would be expected to be higher, which could indicate a sense of brand value based on country of origin, though not explicit.

6.2 Branding

In the theories of branding that have been applied in the thesis the main themes are the view on a brand as consisting of different components, such as the ones identified by Aaker, which is explained in the theoretical framework. Some brand elements are product related but most are connected to other factors, and the process of brand building is complex process and incorporates the creation of image, desired associations and awareness. It is clarified by Kapferer who states that the brand itself is an intangible asset to a company and that branding
is so much more than just giving a name to a product. In literature on branding there is not much focus on advertising. Naturally it plays a role in reaching customer awareness of the brand but it is by far the only method used and today hardly considered the most efficient one on Western markets. All the interviewees spontaneously connected branding to advertising, saying that extensive advertising is basically the only method used by Chinese companies for building and establishing a brand. The more advertising the better and more trustworthy a brand is perceived to be in the eyes of Chinese consumers, which is also the view shared by Chinese companies, according to the results of the interviews. The advertising message conveys the content of the brand, often through explicit information of the product’s capabilities, and the two, that is the product features and brand value, appear to be thought of as the same thing by the interviewees.

Building brand associations is an important part of branding activities, as is described by Aaker among others, which has been mentioned previously. In order to create the image that the brand aspires to different sources of associations are often used in branding by Western companies and consistency between the parts of the brand is sought. Several of the interviewees saw little need for using something that generates specific associations since the message in advertising is considered the most essential. One respondent, who works in Sweden, discussed the role of reputation and its share of brand equity. One of the interviewees mentioned the use of celebrities, such as athletes and artists, but concludes that using this type of individuals work primarily for brands that target young people. Neither is the brand seen by the interviewees to be much influenced by external aspects, such as image, activities and factors related to the company.

The results from the interviews form an overall idea that a brand is seen as basically equal to the product. Chinese companies therefore appear to have a fairly limited view on branding. A strong brand that is favoured by consumers seems to be thought of as following automatically if the company has a good product that it advertises heavily. This narrow approach makes Chinese companies exclude most factors that are not product related, in a way that is quite incoherent with the outlook presented by the theoretical body. As a result branding is not seen as activities that include external and non-financial factors, to judge from the interview findings. It also appears to be that the understanding of brand associations among Chinese companies consequently is more focused on the product and not considering other aspects as contributors to associations or value. To make a comparison to the ideas of Kapferer, that
were presented in the theoretical section, the impression from the interviews was that brands are seen as rather equal to the product, which is quite the opposite of what his definition in which describes the brand as the value beyond the simple name of the product.

6.3 Cultural differences

Hofstede’s theories for culture were used to describe the cultural differences between Sweden and China in order to enable the reader to understand the cultural setting in which the study has been conducted. The interviews rather concerned the understanding among interviewees for cultural differences and their effects on branding. Even though the same expression “cultural differences” is used in both contexts the intended meaning is not the same. Due to these two different perspectives there is no immediate link between the theories of culture and the results from the interviews. The theories in branding mention for instance the existence of cultural stereotypes among consumers and that companies often take advantage of these in building and promoting a brand.

The results from the interviews showed that cultural stereotypes are used by some Chinese companies in their branding. The interviewees had some insight into different associations that are commonly connected to the origin of the brand. As is pointed out by the theories in the field the stereotypes are often specific for a particular market, it was not entirely clear if the interviewed companies grasped that or that knowledge of the views on the target market is needed to use this kind of strategy in branding.

Some of the interviewees clearly understood that there are cultural differences that have an impact on brands and what branding methods that would be successful on a particular market. One of them mentioned that there are quite marked differences between regions in China which has lead to that some companies are aware that strategies need to be adjusted to different markets. The example given in this case mainly concerned the use of brand name since variations in pronunciations and connotations can lead to a name being understood differently. A couple of the interviewees said that Chinese companies would need external help to learn how foreign markets work, market research was mentioned as a means to do this. However, one of them mentioned the Chinese culture itself as a potential obstacle to taking advantage of foreign expertise, according to the tradition senior employees are placed in high
positions in foreign locations as well and that there could be a tendency towards a lack of trust in local people. The difficulty in building relations with locals on the target market, which one respondent described, could perhaps be explained by the long-term orientation in the Chinese culture which makes social contacts a time consuming and complex issue. Another possible theoretical explanation is the suggested strong sense of in-group versus out-group division among Chinese people that could be expected to lead to more distrust. One representative for a Chinese company in Sweden that was interviewed talked about differences in proneness to trust as one of the most significant differences between Chinese and Swedish people.

6.4 Corporate Social Responsibility and ethics

Among the most unambiguous findings in the study were the ones regarding views on corporate social responsibility and ethical issues. The interviewees all stated that business is more important than such factors that are perceived as irrelevant for the product. These attitudes are quite logically interlinked with the views of the brand concept as separate from other company related factors. The results indicate that the situation in China is basically the opposite of the one in Sweden. A great deal of research has shown that consumers in the West consider these issues to be important and also allow for them to influence overall perceptions of both the company and its products. It is widely recognized by Western companies that there is a need for managing many aspects surrounding the actual business activities. Companies are expected to show a far-reaching responsible behaviour, and one of the main incentives for them to do so is the noticeable effect on brand value.

According to the interviewees there are no demands from the public to find out about the social and ethical behaviour of a company. A possible reason for this is the attitudes in the Chinese culture when it comes to information. Whereas companies in the West are facing increasing requirements of transparency and information disclosure, this trend is not very strong in the Chinese society. One interviewee said that even if certain information would be revealed there is no way of knowing if it is true, which also shows the different view of information as such.

The definition of concepts such as ethics also seemed to be quite culture specific. A few of the interviewees said, when discussing for instance working conditions, that what is considered
“normal” only depends on the standards of that particular country. Such statements were interesting since they illustrate that concepts that we frequently use without much consideration are really relative and anything but obvious. In order for Chinese companies to act in a more socially responsible and ethical way, according to the opinion of Western consumers, they would firstly need to understand our definitions and the meaning that we give to these aspects.

The interviews again made the product focus among Chinese companies evident. The general impression can be concluded as being that if a company has a good product there is no need to focus on anything else, and above all, most of the interviewees could not understand why anyone would want to focus on matters such as ethics. Moreover, the concept appeared to mean very little to the persons that were interviewed which can also explain the lack of interest.

6.5 Brand name

The results from the study points out that the general understanding of names, which includes brand names as well, probably is better among Chinese companies than Western ones. The Chinese language holds much more symbolism and intrinsic meaning which makes the process of naming important. It was not the issue in focus of the study but the impression was given that Chinese companies are good at the actual naming process. The part of the Western definition of brand name that connects to the core idea of branding does not seem to be shared by Chinese companies. According to research in branding a brand name can be used as a means for evoking certain associations. A strategy that is fairly common is the one of foreign branding, which is explained by for example Leclerc et al. in the theoretical framework. To be meaningful such a strategy for creating brand name requires the presence of a common knowledge in the target market that can constitute the foundation for associations that the name generates. Discussions during a few of the interviews concerned the use of foreign branding among Chinese companies, names that for instance contain references to Europe or the US. This fact could have been a sign that Chinese companies understand this aspect of branding, however all interviewees said that the Chinese knowledge of most foreign cultures is very poor, and thus foreign branding or any equivalent approach proves to be pointless when used in the Chinese market. On the other hand this insight among some Chinese
companies could be a strategic component when entering foreign markets, given that the association generating references are used correctly.

The knowledge of names as such appeared to be sufficient among Chinese companies, to judge from the findings. Nevertheless, for companies to be able to apply brand name strategies in a purposeful way there is a need for more general insight into the concepts of branding since they all are connected.

6.6 **Analysis of cultural dimensions in the empirical study**

The effects of culture are complicated to identify but an attempt will be made with the intention of acknowledging the influence that this aspect is most certain to have had for the empirical study. The process of finding companies to investigate and of carrying out the interviews is likely to have been quite strongly affected by the cultural differences.

Finding companies that were willing to participate in the study proved more difficult than we expected. As the work progressed the impression was formed that as long as we had the name of a particular person to refer to, people were very helpful, whereas trying to contact companies randomly was never successful. A study that applies Hofstede’s cultural dimensions concludes that the aspect of long-term orientation is very noticeable in situations where contacts are formed. The long-term orientation makes Chinese people more prone to relationship building, commonly known as guanxi\(^70\), which was a disadvantage to us.

Although it is difficult to make out the actual effects of culture in the interview situations we perceived it to be important to recognize the potential impact of it. Something that we could detect in several of the interviews was an element of insecurity and shyness. It appeared to us that the Chinese people interviewed did not want to stand out, which could be assumed to be a collectivistic feature. For example, when we visited the MBA class at Sun Yat-sen University it was quite difficult to get people to volunteer to participating in the interviews, although they all probably were older than us and fairly successful professionally. During the interviews we sensed that several of the interviewees were eager to be of help by telling us what they

\(^{70}\) Fan and Zigang, 2004 p. 83
believed we wanted to hear. It was necessary to point out very clearly that there were no right answers to the questions and that we were interested in finding out their personal views. Overall they treated us with very much respect, something we do not believe we would find in an equivalent situation in Sweden. A subject that is frequently mentioned in for instance studies of international business practices is the procedure for handing over business cards. It quickly became apparent to us that this is carefully done by using both hands, which is also the manner in which the receiver is expected to accept the card. We were intrigued to see that the weight given to this issue in literature actually seemed to correspond to reality.

In interview contexts the communication issue is obviously at the centre. A significant difference between Sweden and China is described by the concepts of high-context versus low-context cultures. China being a high-context culture has implications for the amount of information that is expressed by cues in the situation and people’s behaviour. Since we have a low-context background it is possible that we missed out on signals and information in the interview situation due to the cultural differences. To view this issue from the interviewees’ side it could be that they found us to be too outspoken and insensitive, which might be seen as offensive. Naturally we do not know what impression we have made but we believe it to be important to consider this aspect and the potential effects it might have had for our study.

6.7 Reflections on the cultural aspect in the empirical findings

Hofstede’s cultural dimensions can possibly to a certain extent explain the findings in the empirical study, although some of them are more relevant. Collectivism often implies that consumption is externally focused, which was supported by some of the empirical findings. The interviewees who had an interest in brands motivated this by the wish to show the possession of branded products. According to Moss and Vinten the power distance aspect of culture leads to openly unequal consumption. The interviews indicate that purchasing brands is largely a way of showing status and wealth in China, and thus something that emphasizes the socioeconomic differences among people. This can be compared to the situation in Sweden where brands say very little about the economic means of a person and is rather an issue of self-expression, which for example Mats Georgson mentioned.

71 Moss and Vinten, 2001
72 Ibid.
The interviews indicate a quite apparent lack of understanding for the concept of branding. Basic theories in the field of brand management support their claims with universal social and psychological evidence. This leads to the assumption that the same branding concepts and strategies would work globally, although sometimes with cultural adjustments. This standpoint has been suggested by both Mats Georgson and Fredrik Lange at the initial stage of the thesis. The point to be made is that the lack of understanding is probably not due to different mindsets among the Chinese interviewees but rather that the modern history of the country has prevented similar ideas to develop. A lack of financial incentives has naturally played a role in the development of certain ways of thinking. Cultural characteristics such as low individuality and high power distance could maybe also contribute to lack of creativity and initiative from individuals, which on a general level definitely does not favour brand building.

During the discussions of ethics and corporate social responsibility it was found that the interviewees regarded business and the products as much more important than such issues. The aspects of for instance high power distance and collectivism, which are found the Chinese culture, are suggested to imply less focus on ethical issues.\textsuperscript{73} When looking at the findings from this cultural perspective it can be assumed that those cultural characteristics could have an impact on the perceptions of ethics that the interviewees expressed. A high power distance culture could possibly also be connected to the attitudes towards information sharing that we encountered in China. Indications were found that information is not easily accessible and not always perceived as trustworthy, as a couple of the interviewees said.

Some of the results showed that a great focus on brand names and their inherent meaning is common in the Chinese culture. According to the definition of high-context cultures rich symbolism and inexplicit cues are typical features, which we believe the interviews showed some support for in the discussion of brand names.

Interviewing two Chinese employees at a multinational company in China proved to be very useful to us. They had great knowledge and experience in branding and in Western perceptions, this together with their understanding of all aspects that are different in a Chinese context made their views a very valuable contribution to our thesis.

\textsuperscript{73} Tsui and Windsor, 2001
7 Conclusions

These are the conclusions of the thesis. The five question areas from the interviews are kept as headlines and the chapter ends with our suggestions for the future and finally a wrap up. Some generalisations are made since we decided to view the indications in our findings as patterns in reality. For further discussions on this issue, see chapter 2.

7.1 Country of origin

We have found that there are presumably big differences in knowledge between those who are educated within the business field and those who are not. When looking from a consumer perspective it can be seen that most people seem to be aware of the country of origin. Chinese people believe that there is a difference between products manufactured in China versus those of a foreign origin. Most people seem also to believe that something foreign automatically means higher quality. The association base is virtually non-existing though and this means that if you say for instance “France” this will not mean anything in particular for an ordinary Chinese consumer. For us, being Swedish, France would probably give the associations of food culture and wine. This is something that Chinese people find traditionally Chinese products. Chinese consumers seem to find Germany to be a good origin when it comes to technological products as well as Japan seems to be the best origin when talking about for instance cameras.

That China has a negative association in the rest of the world is something that the Chinese are fairly aware of. The interesting thing is that they themselves do not regard Chinese manufactured goods to have a high quality. Even a manicurist that we met in China knows that and keeps nail polishes from Korea, France or the States rather than Chinese brands.

One of the most common questions at IKEA in Guangzhou is whether the products are Chinese made or not. The importance of the country of origin appears to be great for the normal consumer. People who work with brand issues seem to care less where the products are produced. A common answer we got was that they believe the brand behind a product
being more important than the actual origin of the manufacturing. Even the design might be Chinese as long as the brand is not.

One reason for Chinese companies not to go abroad with their own brands might be that they themselves do not regard their brands to be good enough. It could be hard for companies to find any good reasons for bringing their brands out of China when they know that the perception of Chinese products is very negative. We do not think that they understand that this is something that can be changed and should be changed in order to make way for a good brand building. Since the added value is not something most of them have knowledge about, then this will not be something for them to try. Furthermore, the origin is probably more important for local brands than for multinational ones. Chinese companies clearly do not have many successful brands, but it could also be that the lack of knowledge in branding makes them unaware of the potential profits to be made from shifting the focus from products only. Chinese companies seem to mainly know how to expand internationally, though often indirectly, by being the manufacturers and selling or in other ways co-operating with foreign companies.

It should be pointed out though that there are a few exceptions from this. One of the best examples is the retail brand Shanghai Tang, which has managed to build their brand with a strong “Made in China” tag. This high quality brand is probably one of very few exceptions though. It can be assumed that the understanding for this and how it can be used in a positive way in the future can favour Chinese brands. The history of countries like Japan and Korea shows that a possible approach to changing negative perceptions is to build brands that are strong on the domestic markets and to work towards altering the views on the country by emphasizing the origin rather than concealing it. The result of this process within these countries have lead to that we today have fairly clear ideas on what we see as typically Japanese and that the Japanese origin is a positive aspect of many brands and products.

7.2 Branding

First of all it should be said that many Chinese companies have very little understanding of the importance of intangible assets. That a brand itself could have a great value for the company is somewhat missing in the knowledge of the Chinese companies’ marketing staff.
It is exceptionally clear that Chinese companies believe that the number one activity to build a brand is advertising. It is even the amount that plays the most essential part in their branding work, not the content. Chinese consumers believe in advertisement they see and the Chinese companies know that it is an important tool to create awareness on the Chinese market.

Most of the differentiation is made through price as well as functionality. When it comes to products as simple as e.g. a pen the Chinese tend to focus on the fact that it works when needed. As long as it does, then the main differentiation will be price. It is also quite clear that packaging is a way of differentiating a product. We have found that it is believed to be important among Chinese companies to have colourful packaging to stand out. As seen in one of the pictures in appendix 4, it is very hard to see anything at all because all brands use strong colours. Walking down the aisles in a super market becomes a bit blurry in the end.

Even though many products are branded they appear more as generic products. They miss out the opportunity to create brand loyalty or premium pricing, since there is a lack of market identity and brand awareness. There barely no knowledge on how to differentiate through the use of branding.

Chinese companies do not appear to build their brands through associations. One reason for this is almost certainly because of the lack of understanding for the importance of this among Chinese companies. If Chinese companies can understand that all societies have conceptual frameworks based on for instance culture, history and societal characteristics they could use the background that this forms as a basis for creating association around a brand. Naturally this is a fairly complex issue that also involves extensive cultural insight, although such knowledge is possible to acquire externally.

The poor understanding of branding issues might be a result of that the whole idea of marketing is fairly new to the Chinese companies. Branding was not something necessary before and they are still behind when it comes to knowledge about it. We believe this to be a great difference between Sweden and China. Swedes are in general less receptive to advertising than what the Chinese seem to be. This makes a difference for the Chinese companies as well; they believe that advertising works, no matter what. The Chinese companies that wish to enter a Western market need to understand that different methods are
necessary to succeed on for instance the Swedish market. They do not have this understanding today, probably partly because of the lack of proper information in general.

Advertising is naturally a significant element of brand building to create awareness and recognition for the brand. An important issue to consider is the receptiveness of the target audience to advertising and other forms of promotion. The concept of persuasion knowledge was introduced to us in the interview with Fredrik Lange and it can be said to explain the maturity of the market when it comes to understanding and critically evaluating advertising. The conclusion can be made that there is a marked difference between the Swedish and the Chinese when it comes to advertising and this is important for companies to take into account when planning branding and marketing strategies for a particular market.

It should also be pointed out that a majority of the consumer goods produced in China are made in a joint-venture and not under their own brand. This surely affects the way of looking upon branding, but as said before, if they understood the value of branding they might not choose joint-ventures. They might for instance consider co-branding as a starting point.

### 7.3 Cultural differences

It has been quite clear that the use of foreign branding would be somewhat useless in China at this point. Chinese consumers have very little knowledge of different cultures and most companies appear to not have much more knowledge either. They are to some extent aware of that it can affect the brand, but not more specifically in what way.

The impression is that knowledge on how China is perceived in Western countries is quite low. The interviewees mostly talked out of a quality perspective and giving examples of what they themselves consider to be typically Chinese. Since there is some kind of understanding about that different countries can generate certain associations, they could develop this knowledge.

It can be concluded that Chinese companies do not build their brands through associations, which is quite common in Western countries that follow the approach that has been
established in accordance with theories in branding. The general impression is that Chinese brands do not hold much content and is almost equal to the product.

As far as we can see it in our findings, the cultural differences in branding are mostly questions about knowledge. Marketing staff as well as consumers in Sweden have a much greater insight in these matters compared with the Chinese. However, this situation is not surprising since the Chinese society has been closed to most external influences.

7.4 Corporate Social Responsibility and ethics

It is hard to talk about Corporate Social Responsibility and ethics, since this is something that plays hardly any role at all in the branding process in Chinese companies. The Chinese do not see any point in caring about these matters. According to our findings business always comes first and they do not regard this as part of the business.

One issue that constitutes a problem for questions of Corporate Social Responsibility and ethics, according to the interviewees, is that it is difficult to know if information in general is correct. They said that no one would know whether the information about a company would be true or not. It is usually hard to even find information about who the actual owners of a company are in China. Chinese consumers appear to think that it does not affect the quality any way. Even if a company would misbehave in some situations or even on a more regular basis, the brand behind would still be more important to Chinese consumers. It could be assumed that Chinese companies operating in Sweden would be expected to have a much more open information policy than they are used to, unwillingness to disclose information could lead to negative attitudes among Swedish people who are used to openness.

Even if Western consumers do not act fully as if they care, this is a great difference between Swedish and Chinese consumers and companies. Chinese companies need to understand the impact of media’s interest in these aspects. It is not socially accepted to for example have workers working almost around the clock without enough sleep. The legislation in Sweden also prohibits some of the practices that are common for Chinese companies in China, which would make the same business operations unrealizable here.
The Chinese government now demands a more ethical behaviour and actions of Corporate Social Responsibility from multinational companies. Yet it is hard to determine if this is a development towards something better, or if it is just another way of taking financial advantage of foreigners.

### 7.5 Brand name

Brand names in China mainly play the role of identification. Although most Chinese companies seem to understand the value of having a brand name with a good meaning, they all seem to have little understanding of that a brand name can be so much more than a way of identifying a product. They are fully aware of different meanings when it comes to Chinese names and it is of great importance to Chinese companies.

One example of a Chinese company that has understood the importance of and changed their name to become more global is Midea. Their original name was Guandong MD Electrical Company, but they changed the name into one that could work both in a domestic market as well as globally. The language barriers forces companies to create bilingual names, if not doing what Midea has done in creating a global-sounding brand. It is also important to remember that we in Sweden are very influenced by English names. Even if we are used to names that are not Swedish sounding, Chinese people are not. Heavy exposure could perhaps teach us new meanings of Chinese names and somewhat overcome the language differences. The in this case needed amount of advertising should not feel too strange to the Chinese thinking of how they are used to build brands at home.
7.6 Suggestions

As a final conclusion regarding our findings we have made some suggestions for Chinese companies that wish to enter the Swedish market. Our recommendations aim at identifying factors to consider for the companies in order for them to succeed in establishing brands on the Swedish market. The suggestions can be said to be of two kinds; quite general ones regarding conditions that would need to be changed for the situation to be more favourable from a branding perspective, and more specific ones that are concrete measures that can be taken by the companies.

Firstly, the Chinese companies need to ask themselves why they are successful in their domestic market and take that knowledge with them when asking themselves if this is something that could work on a foreign (Swedish) market with or without adaptations to the new market. They will get nowhere without this understanding. This must therefore be the foundation of an entry into a Swedish market. The companies could start out by building brands on the domestic market and set out to change the opinions among Chinese people into preferring Chinese products and viewing them as high quality, this approach is somewhat similar to the one that changed the views on Japanese products.

Branding in Sweden quite closely follows the guidelines formed by the theories in the field and Chinese companies need to require extensive knowledge in this area to succeed in building brands on foreign markets. There appears to be some awareness of this among larger Chinese companies that make use of consultants to acquire the necessary theoretical and practical knowledge. As more Chinese companies will become aware that the possibilities for greater profits lay in branding the demand for consultancy services will probably increase and using external competence could be a good way during the transition period before the knowledge is internalized in the companies. Another approach is more formal education in the field, which is also increasing among Chinese people. As Chinese universities provide more courses in business, such as marketing and branding, the general level of knowledge will increase and thus also the potential for understanding the required approaches and concepts.

It is necessary for Chinese companies to start building associations around brands in order to move to a higher conceptual level than today. It is needed to build these associations through
understanding of the culture, its behaviours and symbols, as well as the meaning of concepts and metaphors.

They need to understand how the Swedish market works with its different way of advertising for instance. Swedish consumers have a different responsiveness to advertising, which means that there is a need for other communication methods and strategies.

The mindsets and conceptual frames of Swedish consumers are very different from the Chinese and therefore it would probably be necessary for Chinese companies to take advantage of local knowledge in order to understand the culture and the market. There is often a need to adjust a brand to the local culture and mentality and knowledge is consequently required about cultural and association generating cues. It was suggested by one of the interviewees, who own a company in Sweden, that the only way to understand the Swedish market is to employ Swedish people. It is thus likely to be necessary for Chinese companies to have Swedish employees to make successful entries into the Swedish market.

These suggestions of needed knowledge and understanding can subsequently be used to form purposeful branding strategies.

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**Figure 5 Suggestions**

74 The authors’ own illustration
7.7 Wrap up

One of the purposes with this thesis was to investigate the level of knowledge in brand management in Chinese companies. This was done through interviews both in Sweden and in China. We had to start with building our understanding for the Chinese market. Our findings were a base that together with expert interviews and literature studies made it possible to fulfil the other purposes, that is, to identify the differences between China and Sweden, analyse them and finally give recommendations for the future.

The Chinese economy in its present state is very young and it is rapidly developing towards a more capitalist and Westernized system. In a society where there used to be little difference between products and virtually no choice for consumers, the recently emerged abundance of consumer goods provide a function for brands as the only way to identify a preferred product.

Chinese companies have proven in recent years to be very successful in manufacturing and a great deal of all consumer goods in the world are produced in China. There is an increasing awareness of branding and the role of branded products; however there are few famous Chinese brands on the global market which indicates a lack of understanding for the concepts.

Chinese companies clearly have their focus on production. They have rapidly gained knowledge in several areas and their products nowadays often meet the high standards expected in Western markets. Evidently the competence has developed to manufacture products that are desirable to Swedish consumers, considering that such a large part of all consumer good on the market are made in China. Yet, as previously stated, very few Chinese brands are known on the Swedish market, which confirms that this area is one where there is still a lack of knowledge.

It is clear that brands play a role in today’s China and that consumers base their consumption decisions on brands. Brands serve as means to distinguish better quality products since parts of the great quantities produced naturally sometimes are of a very poor quality. Nevertheless there still appears to be a significant difference between the understanding of branding and the role of brands that exist in for example Sweden and the perceptions and understanding of in China. Georgson described the Swedish society as post-materialistic, resulting in different values guiding preferences. Much due to its short history as a market economy China is still in
the phase of being a materialistic society, one which the country has quite recently entered. This implies being strongly product focused and often unaware of the value that lies in the brand outside the actual product. Georgson said that the novel interest in brands, often expensive ones, can be viewed as an expression of the materialistic focus of the Chinese society. People favour products such as technology and cars that clearly are expensive, and the purpose is mainly to display these possessions. This can be compared to the Swedish situation where such ideals are perceived as quite outdated.

Finally it can be said that Chinese companies are learning very rapidly and it is about when and not if they will be able to succeed. It is likely that in only a few years from now Chinese companies will compete on the same terms as companies in the West and on their domestic markets, but Swedish companies do not appear to be very aware of this development.
8 Quality reflection

This part of the thesis discusses what could and perhaps should have been done differently while doing the thesis. We attempt to give answers to our own critique and explain why we chose to do things the way we did.

As written in our chapter 2 about methodology, the critique against having an inductive approach has been given mainly by Popper and Kuhn. They concluded that only a certain amount of observations can be done and it is impossible to be unbiased observations since it is needed to have some kind of preconceptions in order to know what to observe and measure.

Validity and reliability has its own chapter, 2.1.2.

It could be argued that we have used a too limiting choice of theories. We have tried to find as many interesting angles as possible, but the main limitation was time when it came to searching for and reading articles and books. We might have missed out useful theories because of this, but our three interviews with experts in the field were a great help by suggesting a direction for our information search. A possible deficiency is that there can exist relevant critique against our chosen theories that we are not aware of and therefore have not taken into consideration.

Our thoughts about the methodology chosen for the interviews can be found partly in the chapter 2.5 as well as in the end of our analysis in chapter 6. What could have been done differently is that we probably should have been more careful in explaining to the interviewees that we were not doing this thesis on the assignment of a certain company or organisation. Most of our interviewees did not understand this from the beginning and it might have had a restraining influence on them. This was one of the reasons also why we decided not to use a recorder during the interviews, which on the other hand could have been an aid for us when transcribing all our interviews afterwards. As written before we believe that being two persons conducting the interviews ensured that nothing was missed out.

75 Wallén, 1996, p. 89
We draw some general conclusions in our analysis and conclusions, which we are aware of is hard to do with so few interviews as we did. This is of course the problem with a small-scale qualitative study, but for us some patterns have been so clear that we have chosen to see them as real tendencies.

Finally: a thesis can never be made without any pre-conceptions. This insight and the importance of our own views on the world as well as on the topic of our thesis have made us aware of our previous knowledge and views and their potential impact. Our self-reflection has been important during all stages of the thesis; when we conducted the study, analysed our findings and came to our conclusions.
9 Suggestions for future studies

We have found many areas adjacent to our thesis that would be interesting to do further studies in. Most of our suggestions are thought to be qualitative studies, but most can also be grounds for quantitative studies. The most interesting as we see it would be to do all studies in China with Chinese companies as interviewees, since the matters are somewhat elucidated. We have presented our suggestions below in bullet points:

- To use this study as a base for a more quantitative study with the same topics
- To see if companies can expand their knowledge to include the implications of branding in a global context, not just attaining general knowledge in branding
- To explore national and cultural stereotypes (either in or outside a branding context), their causes, content and effects
- To do further analysis of effects of culture on consumption behaviour and perceptions, for example of visual design in products
- To investigate the relevance of naming products with internationally “pronounceable” names
- To investigate the receptiveness to different sources of information, primarily in a marketing situation, both regarding attention and trustworthiness
- Internal brand management – how can companies build stronger brands through their employees?
- To do comparisons with for instance Japan and Korea, to see how they did the journey that the Chinese companies will have to do in the future
- To do a study like this but focus on specific consumer goods like cosmetics
- To do a more thorough study about how a brand can be strong if the quality of the product is not high enough
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Two Chinese companies in Sweden (2005-10-15, 2005-12-06)

One multinational company in Guangzhou (2005-11-23)

Four middle-sized companies in Guangzhou (2005-11-26)
Appendix 1 – Brief presentations of the interviewed companies

This is a short description of the companies that were interviewed for the main study. The information is kept very brief, mainly for integrity reasons described in the thesis.

Company 1 in Sweden

The company works as a form of distributor and representative for Chinese products that are made by companies the Chinese city Tianjin. The company’s activities mainly focus on marketing and selling the Chinese made products to Swedish companies that often sell them to the final consumer using their own brands.

Company 2 in Sweden

The company is a travelling agency that specializes in trips to China. It is founded and owned by a Chinese person, who we interviewed, but has several Swedish employees.

Multinational company in China

The company is one of the largest multinational telecommunication corporation that provides mobility and communication services. It operates in China among many other countries.

Company 1 in Guangzhou

This company is producing cosmetics in general and are specialised in skin care products. They have their main office in Guangzhou and are represented in the whole of China. They intend to start exporting to the Western market during the coming years.

Company 2 in Guangzhou

This company is in the business of technological warehousing, meaning storing data in different kinds of systems that they themselves make. They have their main office in Guangzhou and have plans of going abroad with their product during 2006.
Company 3 in Guangzhou

Company number 3 is a water kettle control manufacturer. They have their production mainly in China but have already made their entry on the Western market. They have their original main office in Guangzhou, but are now represented in more countries with their own main offices.

Company 4 in Guangzhou

The company is a middle-sized manufacturer of different kinds of furniture that are sold both on the Chinese market and to some foreign companies that sell them on markets abroad.
Appendix 2 – Interview questions

Country of origin
- To have a label showing the country of origin on a branded product
- The influence of different countries of origin on brand value, for example of manufacturing or assembly in relation to design
- The effect of country of origin on consumers’ behaviour and perceived brand value

Branding
- Managing a range of internal and external components to build a brand
- Using sources of desired associations as part of the brand management
- Viewing brands as a set of integrated characteristics in need of structured management

Cultural Differences
- The influence of cultural and economic heritage on branding abilities
- The role of cultural and national stereotypes in the target market
- The role of product characteristics in relation to the brand, that is, the comparative importance of the two (such as quality and price, and not the use of such features in promotion)

Corporate Social Responsibility and Ethics
- The effect of non-financial factors within a company’s activities on brand value
- Involvement and commitment to charitable activities
- The effects on brand aspects of the working climate in the company

Brand name
- The function of the brand name as a description of the branded product
- To identify the company behind the product
- Role in evoking associations and communicating a message
Appendix 3 - Definition of a brand

The following was found as part of an article76 while looking for a good definition on “brand”.

“If you have an in-house marketing team, call them into your office. If you use consultants, get them on the phone. If you're a marketer yourself, look directly into the mirror. Dispense with the small talk, and let some silence build dramatic tension in the room. Then, in a thoughtful voice, ask the one question that has the power to cleanse the earth of mushy-headed marketing. "So tell me, what exactly is a brand?"

If the answer is anything other than a clear, tangible description that can be summarized in a single sentence your crazy old aunt Alice can understand, throw the bums off the boat. Think of yourself as the bridgekeeper on Monty Python's Bridge of Death. If someone says a brand is a relationship, toss them over the side. If they say a brand is an image in the mind of the consumer, give 'em the heave-ho. Don't suffer any long-winded explanations. Keep a clear resolve.

After the gullies pile up with trendy marketers, you'll eventually find your way to someone who tells you a brand is just a name, a sign, or a symbol that distinguishes the products and services of one company from all others. If the loftiest metaphor they use in their description is a burning scar on the side of a cow, hire them. Give them a raise. Hug them for heaven's sake — and your budget's sake. You've just found someone who won't lead your company over the cliff with all the other marketing lemmings. ”

76 Business Week, March 15, "What, exactly, is a brand?"
Appendix 4 – Pictures from China

(Outside Motorola’s Guangzhou office)

(Inside Park’n’Shop several sanitary napkins’ brands)