



“Made in China”

- Does it matter to the Swedish consumers?

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Abstract

China has grown rapidly to become one of the largest manufacturing countries in the world. Products with China as Country of Origin can be seen everywhere today and the label “Made in China” is more of a rule than an exception. The question is how the consumers react on such labels; does it matter to them?

The purpose of this dissertation was to investigate whether China as Country of Assembly and/or Country of Design constituted a negative impact on the Swedish consumers. The study has also measured the differences in age groups and how the impact varies with the level of product differentiation.

To collect the necessary data a questionnaire was handed out to Swedish consumers in the southern part of Sweden. The sample consisted of 416 answers which can be assumed to represent the Swedish population.

Consumers are negatively affected to some extent of China as both Country of Assembly and Country of Design. Older consumers are more affected than younger consumers, with an exception of those aged 31 – 40 who are affected the most. The impact increases as the level of product differentiation becomes higher. Further, China is perceived rather similar both as Country of Assembly and as Country of Design.

Keywords: Country of Origin, China, Swedish consumers.

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1 Introduction

The introduction explains the purpose of the dissertation. An overview of the background, research questions and limitations is given and the context of the studied phenomenon discussed.

1.1 Background

The largest growing market of today is found in China. The country's importance in the world economy has been increasing rapidly over the past few years and all indications show that it will continue that way. China has a history as a planned economy and about 25 years ago it became a market economy ready to get involved in the area of international business. Due to its low-cost labour, the country has attracted large amounts of foreign investments as many western companies have placed capital and production within its borders. The result is that branded products marked "Made in China" have shown up all over the world.

It is common that products made in a developing country are perceived to be of lower quality than products from an industrialised nation (Hulland, Todiño & Lecraw, 1996). This has been experienced by nations such as South-Korea and Japan during their initial internationalisation phase. Still, the country image is not consistent, but can change over time as consumers become more familiar with the products and/or the quality of them actually improves (Nagashima, 1970). As an example, both countries are now associated with high quality cars and electronic equipment. The question is where China stands on the field of international images. Is it seen as a developing country whose products are of low quality and made with little knowledge? Or has the rapid growth of China erased such beliefs and made consumers so used to its products that the label "Made in China" has no negative impact at all?

The “Made in” notion is often referred to as the “Country of Origin” (COO). Several researchers have investigated the effect of COO and found that consumers use it as an attribute for product evaluation (Bilkey & Nes, 1982; Hong & Wyer, 1989; *et al.*). Still, the rise of multinational production and international outsourcing has made it hard to tell the actual origin of a product. Researchers have identified this problem as well and divided the concept of Country of Origin into two components: Country of Assembly (COA) and Country of Design (COD) (Chao, 1993; Samiee, 1994). The former is the country where the final product is assembled and the latter refers to the country where the designing company is situated (Lampert & Jaffe 1997; Brodowsky, Tan & Meilich 2004).

The intention of this research was to find out whether there is any negative impact on the Swedish consumers when China is the COA or COD. Since opinions are likely to vary with age we have focused on age groups as one factor. We have also focused on different product segments, ranging from homogenous to highly differentiated products, since the impact is likely to be different depending on what kind of product it is. The topic of our dissertation is important since it could help importers find the product segments with best sales potential in Sweden. It could also prove to be important for marketing managers. They are well aware of the fact that it is beneficial to put focus on displaying the COO when the country has a positive image in the product category. Likewise it could be better to tune down the name of the country when it is not positively associated with the product. Our study is useful for marketing managers since it lets them know if there are any probable drawbacks in displaying China as COA or COD and if so, for what product segments. In that way they are able to use the COO effect as a marketing tool in a more effective way. The results do also contribute to research by explaining the effects of COA and COD in different product segments.

1.2 Research questions

- Is there a negative impact on Swedish consumers of product-assembly in China?
- Is there a negative impact on Swedish consumers of product-design in China?
- Does the impact differ in various age groups and in different product segments?
- What is the relation between the COA and COD effects?

1.3 Purpose

The purpose of this dissertation is to investigate whether China as Country of Assembly and/or Country of Design constitute a negative impact on the Swedish consumers.

1.4 Limitations

When we investigated the impact of China as COA and COD we only considered whether the country constituted a negative impact on Swedish consumers. It is, however, likely that people have positive images of the country in certain product categories, e.g. silk and porcelain. Positive images have not been measured, consequently the word impact is meant as a negative influence only. Consequently a high impact means a rather negative attitude while a low impact means that the respondent is little or not affected at all.

Due to scarce time and resources we have made some other limitations as well. Researchers before us have investigated the impact of the COO effect on consumers in their quality evaluation of products through multi-cue studies (Wall *et al.*, 1991). Since the impact of COO is known and proven important we have taken that for granted and considered the results of past multi-cue studies instead of redoing them. It means that our survey has not focused on factors such as price and brand name even though they are more

important features than COO for the consumers' purchase intentions (Ohmae, 1989). In other words, we have conducted a single-cue study even though it has its limitations.

As regards former findings and theories we have limited our literature review to only include material published in English. The study has encompassed two countries only, namely Sweden and China. Further, the survey was limited to include consumers in Scania.

1.5 Weaknesses

All potential weaknesses in this dissertation have been presented during the process. They are therefore written in the associated text to facilitate the understanding for the reader.

1.6 Definitions

Country of Origin is a phenomenon that has been developed through several studies and reports since the 1960s. As the international businesses have become global, theories have also become more complex. This has led to a specific language in the research field.

We have used the vocabulary that is common among the researchers of today and accepted as standard expressions. These words are listed below and explained:

Country of Origin (COO): Generally understood to stand for the impact, which generalizations and perceptions about a country have on a person's evaluations of the country's products and /or brands (Lampert & Jaffe *et al.*, 1997)

Country of Assembly (COA): The country of where the final assembly take place. It is identified by the "assembled-in" label (Jaffe & Nebenzahl, 2001)

Country of Design (COD): The country in which either a part of the entire finished product is designed (Jaffe & Nebenzahl, 2001)

Product Country Image (PCI): The image of a country as a production location of the relevant product components incorporated in products (Jaffe & Nebenzahl, 2001)

Made-in Country (MC): The country whose name appears on the “made-in” label. It is usually the country where the final production takes place. A certain minimum local added-value is usually required for the display of the made-in label. Domestic legislation will determine the extent to which country of manufacture must be labelled (Jaffe & Nebenzahl, 2001)

Country Image (CI): Refers to the consumers’ perceptions of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses (Roth & Romeo, 1992).

1.7 Chapter overview

The dissertation has the following outline:

Chapter 2

This chapter introduces the methodology. We go through the choice of method, the research approach and the research philosophy. We end up with data collection and criticism of sources.

Chapter 3

In this chapter we present the theoretical framework. An overview of the factors that constitute the different parts of the theoretical framework is given. These parts are further developed and explained. We discuss the COO theory, the PCI, Consumer Behaviour and finally Brand theory.

Chapter 4

The empirical framework is explained in this chapter. The research strategy is discussed and our hypotheses presented. Further we explain the product segments, the questionnaire and the population. The chapter ends with an analysis of the reliability, validity, generalisability and response rate.

Chapter 5

In this chapter the results are presented. The distribution of age and gender is shown followed by the results of each hypothesis.

Chapter 6

This chapter contains analyses and discussions of the results. The different parts include impact in age groups, impact in product segments, effect sizes, standard deviation and differences between genders.

Chapter 7

The last chapter concludes the dissertation. A summary is given and future research, self criticism and practical relevance is discussed.

1.8 Summary

Products all over the world have labels that state in which country they were made. Because of globalisation, many companies choose to outsource their fabrication to low-cost labour countries in order to become more competitive on the market. Therefore a product can be designed in one country and assembled in another. This dissertation has focused on products with China as country of origin.

Studies have shown that the country of origin affects the consumers in their purchasing process. Since China is a developing country it is assumed to reflect a negative image of its products. The purpose of this dissertation was to investigate whether China as COA and COD have a negative impact on Swedish consumers. Further, the impact was measured in different age groups and product segments to see the dynamics of the COO effect.

2 Methodology

This chapter explains the different choices concerning the methodology. The method for this dissertation is described and argued for. Our research approach and philosophy are discussed, the data collection is described and we round up with some criticism of sources.

2.1 Choice of method

We started by getting an overview of the already existing data and theories. The COO effect has been a frequent research topic in the past decades and the trend has been moving towards dividing the phenomenon into more explanatory components. Existing theories have not managed to give a concrete definition to the term COO and that is why we decided to conduct a study on the different parts of the phenomenon. Hopefully our studies can contribute to an increased understanding of what the COO effect really is.

The studies in COO have been conducted to fit their current market situation. As globalisation has increased the market has changed and made activities like outsourcing and foreign direct investments (FDIs) very common these days. The theories and studies in COO have developed along with the market. We have looked at both old and new theories in the area to achieve a profound understanding of how the phenomenon has developed during the past decades. An emphasis has been on the latter results and we have taken development into consideration as we used older findings. We wanted to contribute to research by explaining what impact China has as COA and COD for Swedish consumers. It is relevant for today's market situation due to the present burst of Chinese products and the country's rapid economic growth.

Our choice of method is based on former studies in COO. Most researchers had conducted a market survey and we found this method suitable for our purpose as well. The survey gave us opportunity to collect a large set of quantitative data which could represent the Swedish population.

2.2 Research approach

There are two main research approaches one can adapt to reach the purpose of a study. The chosen approach provides the guidelines for the methodology.

2.2.1 Deductive approach

For our purpose a deductive approach was the most proper one to use. The COO phenomenon is a well-documented field of knowledge and it would not have been appropriate to neglect the existing amount of literature. In light of this, our study started in the theory where past research results were taken into consideration. As we gained adequate knowledge we were ready to state our own hypotheses and test them on the Swedish consumers. The tested hypotheses were analysed and lead to conclusions. A deductive approach is often accompanied by a survey as a mean of collecting data (Saunders, Lewis & Thornhill, 2003, 85). A questionnaire fit our needs well as it allowed us to reach a large group of people. The advantage of such a method was that we could get an adequate size of our selection while the disadvantage was that a questionnaire could be misinterpreted if the questions were not good.

2.2.2 Inductive approach

An inductive approach could have been relevant because the “Made in China” products have shown up in a burst lately and therefore constitute a new phenomenon in the market. Still, our purpose was not to find out why products from China can be found everywhere these days, but rather to investigate what impact China as COA and COD has on the Swedish consumers regarding these products. Such a study has its roots in the COO area and that is why the literature could not be overlooked. Our intention was not to build a brand new theory but to develop existing ones. Therefore an inductive approach was not relevant.

2.3 Research philosophy

In the research process there are three common philosophies: positivism, realism and interpretivism. The positivistic view means that one works with an observable social reality. The final product of such a research can be law-like generalisations that are similar to those that are produced by the natural and physical scientists (Saunders *et al*, 2003, 83).

The philosophy called realism shares characteristics with positivism. In realism there are different forces that can change people's perception when it comes to their behaviour and interpretations (Saunders *et al*, 2003, 84-85). The last philosophy is called interpretivistic. This method is preferable when there is a complex environment that cannot be generalised (Saunders *et al*, 2003, 84).

2.3.1 A positivistic approach

In a research, more than one philosophy is usually adapted since they have different strengths (Saunders *et al*, 2003, 85). The research of this dissertation was done with a positivistic approach. This means that we did a quantitative survey to observe the social reality and the results were generalised for the Swedish population. Since the collected data were statistical and the methodology structured it facilitates future research (Gill & Johnson, 1997). The report has been carried out as objectively as possible in order to get a result that reflects reality. In this dissertation we also had influences from the realistic view. We believed that there are different social forces, e.g. political and ethical, which affect the image people have of a country. Consequently, a certain level of the realistic approach was needed.

We did not find the interpretivistic approach practicable because we wanted to generalise our results. And this view emphasises that generalisability is not vital (Saunders *et al*, 2003, 84). Our questionnaire gave a result which did not explain the social reality, but it measured the exact scientific numbers of it. This confirms the positivistic approach.

2.4 Data collection

Both primary and secondary data were used in the dissertation. This part explains how the data were collected and processed.

2.4.1 Secondary data

When using secondary data one reanalyse data that have already been collected in other studies (Saunders *et al*, 2003, 188). Secondary data can be divided into two categories; qualitative and quantitative data. The former is when the respondent freely answers the questions in an explanatory way. The latter is when the respondent only has fixed alternatives to answer the questions with (Saunders *et al*, 2003, 189).

The secondary data were collected through articles and books from authors that had done research in the COO area. The field of COO studies is rather large. We did, however, not limit our review since we believed that proper information of our interest could have been missed.

Our review also included theories from other fields of knowledge. Studies in Product Country Images, Consumer Behaviour and Brand Theories were found to be relevant for our purpose. However, these areas were not our main topic and therefore we mainly selected books and articles that had a connection to the COO literature.

Advantages when using secondary data are that it is neither time demanding nor expensive (Ghauri & Grønhaug, 2002). Furthermore, with already existing data, more time can be spent on analysing the data (Saunders *et al*, 2003, 200). For us, with a limited set of time, this was rather important because we had the opportunity to analyse and interpret the collected data more thoroughly.

There are also disadvantages with secondary data, such as inappropriate data for the purpose of our dissertation. Data that have been gathered earlier might not fit our objectives (Denscombe, 1998, 201). However, even if the

articles that we used did not have the same purposes as that of our dissertation, valuable information was received.

2.4.2 Primary data

Primary data are new data that are needed for a special research. The data can be collected in a number of ways, e.g. observations and questionnaires (Saunders *et al*, 2003). The latter is a widely used survey data collection technique. One advantage of the technique is that the respondents answer the same set of questions.

To gather the information needed for the purpose of this dissertation a questionnaire was used. It was handed out to people aged 18 – 65 that are to represent the Swedish consumer. The extent of the survey had a lower limit for the number of collected questionnaires that were acceptable. The limit was set to a minimum of 400 questionnaires, which ought to have provided a basis large enough to represent the Swedish population. The limit was based on the size of former studies in the field of COO, which were similar to this study. The consumers were selected from four of the largest cities in Scania; Helsingborg, Kristianstad, Lund and Malmö. In order to reach a larger crowd some questionnaires were handed out to train passengers that travelled between the four cities.

The questionnaire was made so that the respondents only had fixed alternatives to answer. Consequently, all the collected data were quantitative. The reason to this was that we wanted the respondents to answer the questions with one example only and not in an explanatory way. In that way, the data could be processed faster.

One advantage with a questionnaire is that it is an efficient way of collecting data. A disadvantage is that it can be hard to form the perfect questionnaire. It is important that precise data are collected that fit the objectives of the dissertation (Oppenheim, 2000; *et al*).

2.5 Criticism of sources

The field of COO has been frequently studied since the 1960s. The studies have led to the creation and development of many theories about the COO phenomenon. However, many of these theories are derived from surveys and observations with a specific direction.

In our dissertation we have chose to use different product segments, ranging from homogenous products to highly differentiated products. This has been studied before by Lampert and Jaffe (1997). Many of the prior studies concerning the COO effect have focused on specific products. Other approaches have been for instance consumer goods vs. industrial goods and hybrid products vs. non-hybrid products. The aim of the studies has often been the same; to measure the COO effect. Still, the design of the studies has often varied (Verlegh & Steenkamp, 1999). Such a body of research may lead to different findings. The differences in design are reflected in the COO literature where some findings contradict each other. For example; Schooler (1971) found that older consumers are more likely to give higher ratings to foreign than domestic goods while Wang (1978) found no differences when comparing different age groups and their perception of foreign products. Both studies are rather old and due to the rapid globalisation pace during the past decades it can be argued that they are not relevant for today. Still, such differences in results are most likely a consequence of the different designs of the studies.

Many prior studies in the field of COO have concentrated upon specific countries such as Japan, U.S., U.K. and Germany. Studies about Sweden and China are rarely mentioned in any context. One of the reasons China is not discussed can be that it is still in the early phase of internationalisation compared to other Asian countries like Japan and South Korea. In contrast to China, Sweden is a developed but rather small country to take into consideration when dealing with COO. And with this is mind; the findings from authors that we have used might not be applicable on the COO effect of China.

2.6 Summary

A deductive approach was applied in order to reach the purpose of this dissertation. It included a review of existing theories in the field of COO, as well as related areas of knowledge. The philosophy was set out to be positivistic with a touch of realism. Our research strategy was decided; to develop and empirically test hypotheses thorough a survey. The data should be quantitative and collected through a questionnaire.

3 Theoretical Framework

In this chapter we provide a general view of the existing theories about Country of Origin and explain its importance in the international business. Other important fields of knowledge are also discussed and include; Product Country Image, Consumer Behaviour and Brand Theories. Together they present the theoretical framework necessary to understand the context of the studied phenomenon. Initially we discuss the factors included in the study.

3.1 Factor framework

There were several factors relevant for this study. Starting with the Swedish consumers there are two demographic factors that were important for the purpose of the dissertation, namely age and gender. Focus was put on measuring differences in impact on younger and older as well as male and female consumers.

The products used in the study were divided into segments with different characteristics. The segments were homogenous, little differentiated, medium differentiated and highly differentiated products. The differences in impact in segments were emphasized, thus creating a better understanding of what kind of products are affected the most by COA and COD effects.

The country image of China among Swedish consumers is an important part of the dissertation and was dealt with accordingly. Since few Swedish consumers have experience of Chinese brands they were likely to base some of their answers on their image of the country, consequently making the image an important factor.

Other areas of knowledge that are connected to our study include Brand Theory and the study of Consumer Behaviour. A short presentation of the findings within these areas is given in order to provide an overview of the complexity of the phenomenon. The following model shows some of the relevant factors and the connection between them.

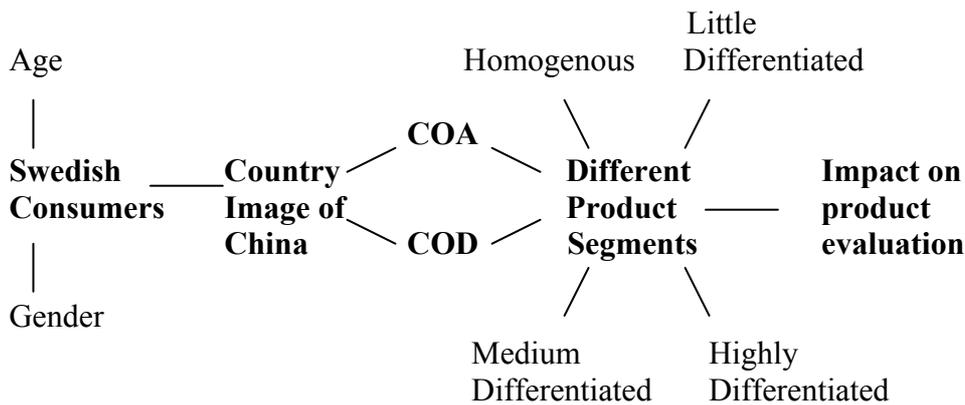


Figure 3.1 The Factor Model

The factor model provides a picture of the interaction between relevant factors. Swedish consumers, of different age and gender, interpret the characteristics of China into a country image. The image is their perception of China both as COA and as COD. This image is likely to vary in different product segments and results in an impact on the consumers' product perception.

3.2 Country of Origin theory

The era of COO research began in the early 1960s as Dichter (1962) argued that a product's COO had an effect on its acceptance and potential success. In 1965, the first empirical test of Dichter's argument was developed by Schooler. According to his study, differences in the evaluation of products, that were identical in all aspects except for their COO, existed. The discovery was followed by a stream of research within the field and it is still, nearly half a century later, a relevant topic where new findings are made.

3.2.1 Informational cues

Research within consumer behaviour has shown that consumers base their purchase decisions on extrinsic and intrinsic information cues (Samiee, 1994). A cue is defined as all informational stimuli available to the consumer before consumption (Monroe & Krishnan, 1985). Extrinsic cues are brand name, price, warranty and other factors that affect the consumers' perception of a product but not the product's physical attributes. Intrinsic cues are those that influence the product in a way that changes its actual composition, e.g. taste, colour and performance. The COO effect is important because it is an extrinsic cue that consequently is likely to be used by consumers in a purchase decision. The most serious consideration of this phenomenon is in situations where consumers reject a product solely on the basis of its country of origin (Brodowsky, Tan & Meilich 2004).

3.2.2 COO in the product evaluation

Much of the research conducted has emphasised the country effects on product evaluation or product image. Such approach is useful for companies that want to know how their products are perceived. It can, however, be argued that it lacks practical relevance to managers who want their products to be sold since it fails to address how country of origin actually affects consumer purchase behaviour (Johansson, 1993). In latter studies the product evaluations have often been divided into three categories; *perceived quality*, *product attitude* and *purchase intention*. Research results indicate that the COO effect is largest for perceived quality, and smallest for purchase intention, with attitude judgements falling in between (Verlegh & Steenkamp, 1999). This could be explained by the fact that the attitude concept is broader than the quality perception since it includes more and different factors, such as convenience and beauty. That should lower the COO effect. As regards the purchase intention it is strongly affected by price which lowers the COO effect even more. This paper did not measure the effect of China as COO in purchase situations but rather aimed at finding out what impact the country has as COA and COD for the Swedish consumers. Such an approach encompasses both perceived quality and

attitude. In 1985 Holbrook and Corfman discovered that perceived quality is a key component of attitude. The notion shows that the two are connected and therefore we considered it appropriate to include both these stages of the product evaluation. One should, however, be aware that people whose opinion about a country is negative may just as well choose to buy products from that specific country as they find themselves in a real purchase situation, due to the impact of other and more important cues such as price.

3.2.3 The impact of globalisation

In the initial era of COO research, the term referred to the single country where the product was produced. Due to technological progresses the communication and transportation possibilities have improved significantly and consequently given rise to multi-national production and outsourcing. Today the expression has become undermined which has blurred the validity of “Made in” or “Manufactured in” labels (Baker & Michie, 1995). Many researchers predicted that the globalisation was the end of the COO era. That does not, however, seem to be the case. Product country images remain strong and perceptions such as: Germans are good engineers, Italians are good designers and Japanese are good at technical products are still valid. The main thing that has changed is that COO has got a new dimension as the product process can now be diversified to include several countries.

The COO concept has become a very complex issue due to globalisation. The theories are developing through time and since information is a key factor, the prerequisite for the theories are changing when information is changing. The past decades are known for the increased flow of information all over the world. Satellite TV, the Internet and cell-phones are examples of new technology that have made it easier for consumers to gain information. Globalisation has also made outsourcing more common and thus, made it necessary to divide the COO expression into more specific terms, such as COA and COD. Still, in some industries it is not enough to divide it into only COA and COD but one may also have to take the origin of components into consideration. The car industry constitutes a good example of

horizontal production as the final product may include components from a variety of countries. The engine may for example be manufactured in Germany, the tyres in Italy while the body is made in Belgium and the final car assembled in Poland. For such a product it is rather hard to tell the COO. The bottom line is that globalisation, multinational production, outsourcing etc. have increased the complexity and changed how one must regard the COO concept nowadays.

3.2.4 Legal definition of COO

In most countries/unions there are legal requirements for cases when a “Made in” or “Product of” label may be used. The label issue is rather problematic since different parts of a product are often produced in different countries. Even though trade unions may have harmonised systems to cope with such cases, the local laws are the most important. The local laws may vary but often they demand a label stating the origin of the product on imported goods (Jaffe & Nebenzahl, 2001). During the Uruguay Round in 1986-1994 the World Trade Organisation (WTO) was established and the agreement to create a harmonised system for COO labelling. The agreement is as follows:

“The **Rules of Origin Agreement** requires WTO members to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner; and that they are based on a positive standard (in other words, they should state what *does confer origin rather than what does not*).” (WTO homepage).

Some exceptions are also made. For example, countries setting up free trade areas are allowed to use different rules of origin for products traded under their free trade agreement. One should also note that the “Rules of Origin Agreement” only apply to members of the WTO, and local laws may still vary between these members.

3.3 Product Country Image

Earlier research has confirmed that consumers have a tendency to regard products that are manufactured in a certain country with constantly positive or negative attitudes (Bilkey & Nes, 1982). This is more known as the Product Country Image (PCI) effect.

Much research has been done in the field of PCI. However, very little is known regarding the attitudes of people towards products from different countries and also how they develop these attitudes (Papadopoulos & Heslop, 1993). When consumers evaluate products from a country they may use different aspects such as personal background and attitudes toward the country. Studies have come up with different results regarding what impact age, income and other demographic factors have on consumers' evaluations of foreign and domestic products and it is therefore hard to draw any conclusions. An explanation could be that the design of the studies varies which has led to different results.

3.3.1 Economic development

People might have a positive image towards the country in general but a negative image towards the country's products or vice versa (Lee & Ganesh, 1998). If consumers hold a positive/negative product country image for a given product and country, this image could lead to a generalised positive/negative evaluation and attitude towards all the brands of a product associated with that country (Agrawal & Kamakura, 1999). Whether the product image of a country is perceived to be good or bad often depends on the country's economic development (Schooler, 1971; *et al.*). Product evaluations tend to be highest for products from industrialised nations and lowest for developing countries. The economic development can be described in terms of (1) the level of market development and (2) the level of industrial development (Manrai *et al.*, 1998). In most countries the two levels are at equivalent stages but China constitutes an exception. While the industrial development in China is increasing fast the market development

lags behind. Since a less evolved market is likely to lead to a more negative country image it becomes difficult to categorise the PCI of China.

Even though the level of economic development is important for the PCI of a country, it should not be overemphasised. Economic development alone cannot explain why some consumers prefer French wine, German cars and Japanese electronics. Further, the PCI is often product specific, meaning that a country can have a positive image for a certain category of products regardless of their economic development. Developing countries can therefore establish their own competitive position in the global market. Silk and porcelain are examples of products with an old Chinese tradition and they represent products where the PCI of China is positive. This paper provides a better understanding of how China is perceived as COA and COD. Consequently, the result does also partially reveal what PCI China has among Swedish consumers.

3.3.2 The Halo-effect

When consumers know little of a country's merchandises they may use the country image to evaluate products from that country. This effect is more known as the halo-effect (Erickson *et al.*, 1984; Johansson *et al.*, 1985). There is also an opposite direction to the halo-effect called the summary construct. This concept means that when consumers have experience of products from a certain country they infer that knowledge to evaluate other products from the country (Han, 1989). The halo-effect is very important for this paper since it explains how Swedish consumers can have an opinion about Chinese brands even though it is likely that they have not had any experience of them at all. Products manufactured in China are very common on the Swedish market but hardly any Chinese brands are to be seen. The empirical part of this paper was based on a questionnaire handed out to Swedish consumers. In the questionnaire the consumers had to make a stand on whether they are influenced by the fact that a product is designed by a Chinese company, in other words a product with a Chinese brand. Given that the consumers are not likely to have any experience of such brands they

should not have been able to answer that question. Still, due to the halo-effect the consumers inferred their country image of China to answer the question and evaluate the products made by Chinese companies.

As a notion to the PCI and the halo-effect it must also be said that it is not only the merchandises of a country that generates its image, and thus, how the halo-effect acts. When consumers lack experience of products from a country it has been stated that they infer the country image to evaluate the products. One image attribute was the level of economic development, but the image is also made up by a country's type of regime, ethical stands, culture, tourism etc. In light of this, one must conclude that the image of a country is a very complex issue that may depend on several factors.

3.4 Consumer Behaviour theory

The field of consumer behaviour is both wide and rather complex to understand. Each individual is unique, and that is because s/he has different needs, attitudes, experiences and personal characteristics. Consumer behaviour is relevant for us since it may affect the respondent's answers and therefore affect our survey. The aim of this dissertation was to measure whether consumers have a negative attitude towards products from China, and the attitude concept encompasses a study in the field of consumer behaviour.

The areas of consumer behaviour that we have chosen to focus upon are the individual consumer and the environmental influences. Within these two areas there are several factors that together influence the consumer's judgement about a country's image. Factors concerning the individual consumer are perception and attitudes. These two are essential for consumers who are in a decision making process. Other factors concerning the individual consumer that we looked at were ethnocentrism and patriotism. When it comes to the environmental influences we have decided to look at cultural, ethical and political factors. All these factors were relevant for us, mainly because of the differences in behaviour and physical

distance between Sweden and China. They also constitute a realistic aspect to our positivistic approach.

Before consumers make a purchase they go through a decision making process. In this process they receive all kinds of informational stimuli which they select and evaluate. Their purchase decisions are based upon extrinsic and intrinsic cues. All these cues affect the consumers' perception about a product. One extrinsic cue that affects the consumers in their decision is the COO. Consumers' perception and attitudes towards a country are influenced by the country's ethical, political and cultural environment. This will be illustrated in figure 3.2, which describes how consumer behaviour influences country image. As seen in figure 3.1, the country image will then shape consumers perception about China as COA and as COD.

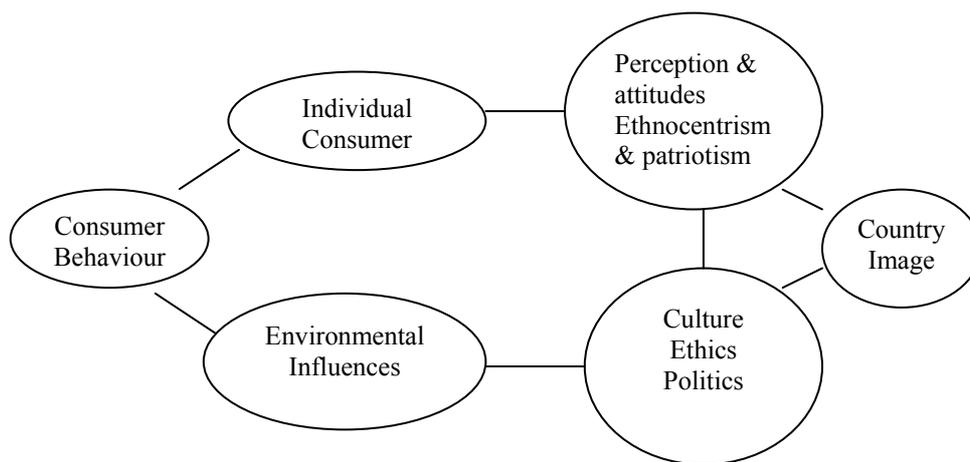


Figure 3.2 Consumer behaviour's affect on the country image

3.4.1 Perception

The definition of perception is “the selection, organisation, and interpretation of marketing and environmental stimuli into a coherent picture” (Assael, 1995, 185). The perception can be seen as a process which starts off with a perceptual selection, continues with a perceptual organisation and ends up with a perceptual interpretation.

The first one, perceptual selection is about the consumer's choice of marketing stimuli based on their attitudes and needs (Assael, 1995, 196). For example, when a consumer would like to buy an exclusive watch, s/he will look for ads showing exclusive watches. This stage of perception also operates at the level of involvement. In low-involvement cases, much of the information will selectively be screened away, mainly because of avoiding informational confusion. In high-involvement cases, consumers will look for relevant information so that they can evaluate brands that are in line with their needs and beliefs (Assael, 1995, 200). Consumers are likely to be less involved when they purchase homogenous products and therefore the informational stimuli will be less processed. A higher differentiated product is likely to yield more involvement and consequently, more information will be considered.

The second part of the perception process is perceptual organisation. It means that consumers sort information from different sources into one meaningful entirety (Assael, 1995, 204). Finally, the last part in the process is the perceptual interpretation. After selecting and organising the stimuli, the consumers will interpret them. There are two basic principles that consumers use when interpreting the information; categorisation and inference. With categorisation the consumer will process known information more efficiently and quickly. And with inference an association between two stimuli will be developed (Assael, 1995, 208).

The most important perception consumers hold is that towards price. Their price perception will influence their perception of brand quality. When consumers are in the purchase decision they tend to accept a range of prices. This is the acceptable price range and it can vary widely; most of the time it depends on consumers' characteristics, financial situation and attitude towards a brand. Another interesting thing concerning the perception of price is that when the consumers only have little information about a product's quality, they use price as a sign of quality (Assael, 1995, 214-217). Consumers that have less information regarding a product use this association most. On the other hand, people that have a brand experience

will use that experience when it comes to brand choice because this factor will be more essential than price (Rao & Monroe, 1988).

One of China's main competitive advantages is its low price. As consumers face a purchase situation the price of Chinese products will probably be an important factor. This study did not include price as a factor since it did not measure purchase situations. Still, in reality the price is likely to affect the consumers' purchase intention of Chinese products.

3.4.2 Attitudes

A definition of attitudes was stated 70 years ago by Gordon Allport (1935, 798) as "attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way" and it is still valid.

Through the information that the consumers have processed they develop their preferences. Further, these preferences define consumers' attitudes towards a brand. There are three components of attitude; brand beliefs, brand evaluations and intention to buy (Assael, 1995, 265-266). As stated before, Holbrook and Corfman (1985) discovered that perceived quality was a key component of attitude. Both findings are relevant and can be explained by the broadness of the attitude concept and design of the different studies. All of Assael's factors are, however, important to understand because they are related to the behaviour and will therefore be explained further.

Brand beliefs are also known as the cognitive component of attitudes. The beliefs consumers have of a certain brand has to do with the characteristics they associate it with. Brand beliefs influence brand evaluations, which are the main determinants of intended behaviour. Brand evaluation, the second component, constitutes the affective component. This one is about consumers' overall evaluation of the brand. It is also the one that is the most central in the study of attributes. The reason for this is that brand evaluation

summarises consumers' predisposition to be favourable or unfavourable to the brand. Finally, there is the conative component, which is the intention to buy attitude. It has to do with the consumers' tendency to act toward an object (Assael, 1995, 267-269).

3.4.3 Ethnocentrism and Patriotism

Nowadays, many companies move their operations to another country. Consequently, employees in the country where the production ceases might be unemployed. As a result of this, some consumers tend to reject foreign products in favour of supporting the domestic market. These people have a characteristic of ethnocentrism and/or consumer patriotism. Studies have also shown that consumers care more about local products in an industry if notions about prospective cut-downs in the industry have been published (Olsen *et al*, 1993).

Ethnocentrism and patriotism were relevant for us since they affect the respondents. A study has shown that patriotism is stronger among females and the older generation (Han, 1998). The connection between patriotism and impact on product evaluation is rather uncertain. Still, a possible scenario is that the impact of China as COA and COD is higher for females and the older generation due to their stronger patriotism.

The term consumer ethnocentrism has been described as "to represent the beliefs held by consumers about the appropriateness and morality of purchasing foreign-made products (Shimp & Sharma, 1987). Ethnocentric consumers rate foreign products negatively and they are also less willing to purchase products that are not domestic. These consumers can either be low or high ethnocentric. Low ethnocentric consumers are those that use country cues as objective information about product quality. Highly ethnocentric consumers use country cues when forming attitudes towards buying products. Depending on the grade of ethnocentrism, COO information is used differently by the consumers (Brodowsky, 1998).

Shimp and Sharma (1987) found that there are significant negative correlations between consumer ethnocentrism and evaluations of foreign product characteristics. There are also indications that domestic country bias vary across product categories (Kaynak & Cavusgil, 1983). This indication also corresponds with findings by Etzel and Walker (1974). They found that COO effects are specific to a product category. With this in mind, managers must be careful when they are making decisions where to enter foreign markets, because consumers' preference varies depending on the product category involved.

3.4.4 Culture

Another factor that affects consumers' perception and attitude toward a brand is the culture of the country. It is the broadest environmental influence on the consumers. Culture is described as "a set of socially acquired values that society accepts as a whole and transmits to its members through language and symbols" (Assael, 1995, 453). Culture reflects the value consumers take up from society and this will then affect their purchase behaviour. These values are desirable to be achieved (Assael, 1995, 479).

Within culture there are different subcultures such as age and ethnic identity. These are broad groups that have similar values that distinguish them from society (Assael, 1995, 453). The cultural values differ from each other concerning the different age groups. It may depend on changes in the environment that have occurred thorough time, e.g. economic development and access to information. People in different generations have different experiences which might have shaped their behaviour and cultural values.

3.4.5 Ethics

Ethical issues may also have influenced the respondents in our survey. China has for a long time been associated with problems regarding human rights. One essential thing that is discussed on a daily basis world-wide, concerns child labour. The industry that this problem is most extended

within is probably the textile industry. Many consumers have a hard time to accept child labour and it may affect their image of China in a negative way. Another thing within the area of human rights worth mentioning regards captivity and executions. This is one thing that some of our respondents mentioned for us, and whether it affects consumers can be hard to tell but it might influence some consumers in their overall perception of China.

International companies will probably also consider human rights to some extent before they decide to enter the Chinese market. However, many companies chose to move their operations to China, mainly because they are able to manufacture at a lower cost. And the result is that these days consumers can see products from China on the market in many different product segments.

3.4.6 Politics

China has a poor history in industrialisation. During most of the 20th century they were isolated as a Communist country to the rest of the world. During the 1980s the Chinese government started to implement the open-door policy that allowed foreigners to invest in China. They changed from a planned economy to a market economy. One main reason was that it wanted to get more involved in the international business. Since then the growth of Chinese industries has exploded.

The main concern about Chinese politics is that its market economy is not yet entirely stable. Because of the fast growing business climate, politicians have found it hard to achieve a balance between slowing down and speeding up the development. Consequently, the laws have been changed from time to time. Such politics constitute an uncertainty for companies when investing or starting up a business in China.

The creation of the consumers' country image is affected by their political stand (Bannister and Saunders, 1978). Therefore, the political environment influences consumers when they evaluate products from another country.

When consumers decide if they should avoid a country's products or purchase them they evaluate the policies and practices of a country's government (Smith, 1990). There are also cases when consumers reward regimes through the purchase of their products (Friedman, 1996). Given that Chinese politics is rather unlike Swedish politics, it constitutes a factor that may influence the country image of China and consequently, the perception of Chinese products.

3.5 Brand theories

When investigating the impact of Chinese product assembly and design, and comparing these in products segments, the importance of brand image must be considered. There is a clear connection between COO and brand image. The connections are seen between e.g. car brands such as Mercedes-Benz and BMW and the country image of Germany as being good engineers. Brand image represents the awareness of the product, perceived quality and social status. This is measured as brand equity.

Products with a well-known brand demand a high involvement from the producer. It will give the product a face to meet the consumer, which makes them differentiated from other products. The higher the product is differentiated, the higher involvement it gets from the consumers (Kotler & Armstrong, 2005). Thus, it is likely that the more differentiated the product is, the larger impact does China as COD have on the Swedish consumers.

Several companies have chosen to outsource their production to China. Companies from industrialised countries that are outsourcing their production have the benefit of selling a branded product that could be well-known in the western-countries but assembled in a low-cost labour country like China. The branded product could affect the COO image. Instead of the "Made in" label, the consumers can connect the product to the brand and the image of its COO. Since few Chinese brands are known to Swedish consumers it is likely that they have the perception of China as being more of a manufacturing country than a designing country.

The market in China is booming at the moment and several domestic companies are growing to eventually become global. Reaching out to industrialised countries can be rather hard. Building up an international brand takes time and it is expensive. Chinese brands have had difficulties in becoming known globally whereas the COD effect of China is hard to predict. One of the first steps in the internationalisation process for Chinese companies could be to choose a brand name which works in the international market.

3.6 Summary

To reach the purpose of this study a thorough review of existing theories was necessary. The key concept of this dissertation is COO, which in turn can be divided into COA and COD as a result of globalisation. In order to measure the impact that China as COA and COD constitute to the Swedish consumers several areas of knowledge must be considered. The image of a country is one of them as it explains why a country is perceived in a certain way. It also incorporates the halo-effect which is important for this study since it explains how Swedish consumers can have an opinion of China as COD even though they are likely to have little experience of Chinese brands.

An explanation of how the image of a country evolves is found in the theory of consumer behaviour. The image is a result of both individual characteristics, e.g. attitude, and the environmental influences, like culture, ethics and politics. Brand names also carry images which may contribute to the PCI of a country. Such a scenario is, however, unlikely in China's case since few Chinese brand names are known internationally.

4 Empirical Framework

The empirical framework presents the hypotheses in the dissertation. It will be followed by explanations to the questionnaire and to the population involved in the survey. Further, we will explain the different product segments, the validity, reliability and generalisability.

4.1 Research Strategy

To be able to see the result of the research questions we set up six hypotheses of the Swedish consumers' perception of Chinese products. The hypotheses were tested through a survey. A survey-strategy fits the deductive approach and works well for business and management researches (Saunders *et al*, 2003, 92). A quantitative survey is also appropriate when generalising data for the Swedish population. The questionnaires were analysed in a statistical program called SPSS. With the analysed material we were able to test the hypotheses and see if they either were accepted or rejected, which then answered the research questions.

4.1.1 Selection method

This survey was conducted as a convenience sampling. This means that the respondents were found in the field. The respondents can be generalised to represent the Swedish population. We believed that the difference in geographical location was negligible and therefore chose to conduct the survey in Scania; which is the southern part of Sweden. Our aim was to find respondents in a calm environment in different areas. We handed out the questionnaires in the four largest cities in Scania; Helsingborg, Kristianstad, Lund and Malmö and on connecting trains in-between. At these locations we found respondents in all age groups. They had enough time to fill it in and had the opportunity to ask us if something was unclear.

The disadvantage of conducting a survey in this way is that the respondents may affect each other. In other words, when the respondents are sitting together with friends they may discuss the questions. Then the single respondent's perception might be lost. Another disadvantage of asking commuters is that it may create segmentation, i.e. commuters could constitute a specific group of people.

4.2 Hypotheses

During the last century the trend has been a movement from domestic to international businesses. One explanation is given by the trade agreements between countries that have made it cheaper to sell and buy products over borders. It is also because of faster transportation and easier communication such as air-cargo, telephones and the Internet. Since these factors have been developed over a long time we imagined that consumers born in different decades have different perspectives of the globalisation. In this survey we chose to classify the consumers in four different age groups: 18 – 30, 31 – 40, 41 – 50 and 51 – 65. COA and COD were compared in all of the groups to identify patterns. One study has proven that older consumers are more likely to give higher ratings to foreign than domestic goods (Schooler, 1971). This is an old study that seems inaccurate to the business climate of today. Another study shows that there are not any differences when comparing different age groups and their consumption of foreign products (Wang, 1978). We believed that older people are born and raised with mainly domestic products, while younger people have been using products made in low-cost labour countries since they were born (Hill, 2005). With this in mind we thought that younger consumers are more tolerant to products made in China and older consumers have preconceived opinions about such products.

We therefore hypothesised that:

H_{1a} The impact of China as a COA is lower for younger consumers than older ones.

H_{1b} The impact of China as COD is lower for younger consumers than older ones.

This survey included four different product segments: Homogenous, little differentiated, medium differentiated and highly differentiated products. Homogenous products are often non-branded products that demand little involvement in the purchasing process. Little differentiated products takes little involvement in the purchase process, but still more than homogenous products. Medium differentiated products are often branded products which demand higher involvement than little differentiated products. Highly differentiated products are often hard to duplicate and rather exclusive. These products often demand high involvement from the consumer in the purchasing process (Kotler & Armstrong, 2005)

The difference in involvement in the different product categories may also have an effect on the COA and COD impact on the Swedish consumers. It is likely that the more differentiated a product becomes and the higher involvement it demands from the consumers, the higher impact will COA and COD of Chinese products have on the Swedish consumers.

With this in mind we hypothesised:

H_{2a} The more differentiated the product is the higher impact does China as COA have.

H_{2b} The more differentiated the product is the higher impact does China as COD have.

China has become one of the largest manufacturing countries in the world. Still, not many domestic brands are well known to consumers outside China. This creates an uncertainty about Chinese brands for the Swedish consumers which would make them prefer global brands assembled in China rather than Chinese brands. Consumers could have difficulties to separate COA and COD. One study shows that 80.5 % did not separate the two expressions. They associated the product with the home country of the

brand, in other words the COD (d'Astous and Ahmed, 1993). Another study found that the COA is the most important influence on product quality evaluation and choice (Acharya & Elliot, 2001).

This dissertation focused on the relations between China and Sweden, and with that in mind we especially had to consider what effects influence the Swedish consumers' perception. The cultural differences between Sweden and China could be a barrier in trust of quality and design of Chinese brands. Therefore we believed that the Swedish consumers appreciate a well-known brand and would find it harder to accept Chinese brands. Therefore we believed that the impact were higher on COD than on COA and hypothesised:

H₃ The impact of COD will be higher than the impact of COA in all product segments.

The survey was conducted to have an equal rate of respondents between men and women. Still, our study turned out to be over represented by women. A study conducted in Canada showed that there is no significant difference between men and women's opinion (Hung, 1989). To ensure the validity of this study it was in our interest to replicate the study conducted by Hung and find out whether his findings could be generalised for Sweden of today as well. We hypothesised:

H₄ There is no significant difference between the answers from males and females.

4.3 Product segments

We chose to use different product segments in order to find out whether China was perceived differently as COA and COD depending on the product. The segments we used were homogenous, little differentiated, medium differentiated and highly differentiated products. A similar

categorisation was used by Lampert and Jaffe in 1997 as they presented “a dynamic COO model”. They stated that the least effect of product image is likely to be for commodities and the highest effect among high prestige consumer products. Their focus was on the effect of product image on demand as a function of the level of product differentiation. Such approach was not relevant for us since our focus was on perception rather than demand. The categorisation did, however, suit our purpose well.

There is no perfect method for separating products into segments. We chose two products to represent each one of the four segments; eight products in total. The products used as examples were chosen from the consumers’ point of view. The target group was quite wide and it was necessary to present products that could fit all age groups and still be associated with China. The two that represented homogenous products were socks and dishcloths. None of them are a perfect homogenous product since quality can vary between samples. Still, both are products that consumers are familiar with and generally consider to be the same regardless of brand/distributor. Alternatives could have been sugar or salt which constitutes more typical homogenous products. We chose, however, to exclude food products since they are more sensitive to long transports.

Little differentiated products are those which consumers perceive only some differences between. We used a doll and a toaster to represent this segment since they vary but not in any crucial way. Medium differentiated products are those which the consumers perceive to be significantly different from each other regarding certain features. A TV and a portable computer were represented for this segment. For highly differentiated products the consumers perceive very large differences between brands or distributors. A car and an exclusive wristwatch represented this segment. An overview of the segments and the products exemplifying them can be seen in figure 4.1.

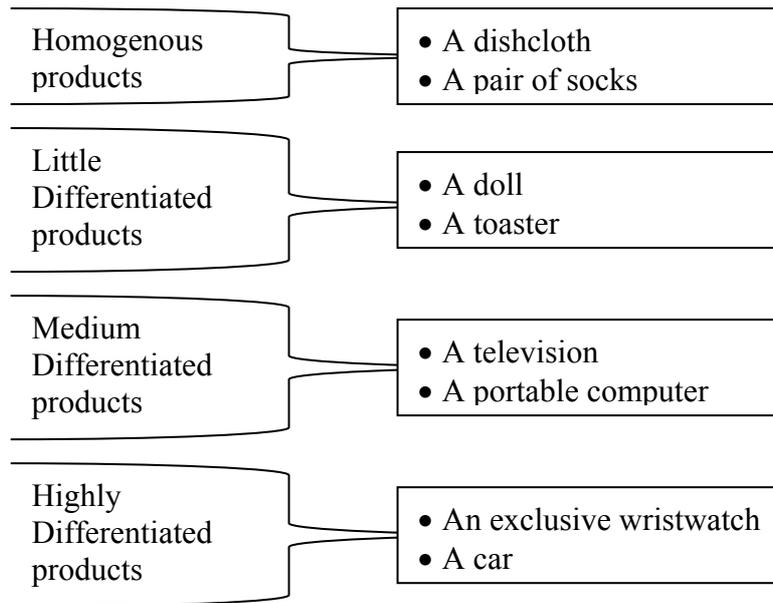


Figure 4.1 Product selections in each segment

We considered some other ways of dividing the products into segments. One way could be the degree of involvement, i.e. consumers are more involved when buying a car than they are when purchasing a pair of socks. Another way is the degree of technology or knowledge required to manufacture such products, meaning that it is more advanced to produce a car than a pair of socks. The segments could also have been different kinds of industries, e.g. automobiles and electronics. The latter has been a common method among researchers as a means of measuring a country's strengths in different product categories (Ahmed & Astous, 1994; *et al.*). Using such a method could be rather hard since Swedish consumers' knowledge about Chinese industries is limited. By using products in different segments, we got an overall picture of the consumers' perception of China as COA and COD.

4.4 The questionnaire

The hypotheses were tested through a questionnaire (appendix 6 & 7), a well used survey method. The advantage is that each respondent answers the

same set of questions, which will make it more efficient to collect a large amount of responses (Saunders *et al.*, 2003, 281).

The questionnaire contained four questions, including age and gender. These four questions allowed us to test our hypotheses. The first two questions, age and gender, were constructed to be answered by ticking off a square for which group the respondent belonged to. In the third question, the respondents were asked to form an opinion on whether they are negatively influenced by China as COD for eight different products. The question was designed as a 7-point numeric rating scale where 1 reflected “No, not at all” and 7 “Yes, a lot”. The fourth question was constructed in the same way but regarded China as COA instead.

The construction of the questions is crucial for the validity and purpose of the study. Therefore, a pilot questionnaire was conducted on ten persons to receive feed-back. This gave us the opportunity to adjust some weaknesses in the questionnaire. A second test was also done and the result was satisfying.

4.5 Population

Our focus was on consumers aged 18 – 65. People attain majority, are allowed to drive a car and normally start working at the age of 18 in Sweden. With this in mind, and the fact that we used a car as an example in the questionnaire, it was the proper lower age limit to use. Normally the Swedish worker retires at the age of 65 why we chose that as the upper limit.

The respondents were divided into four different age groups. With less than four groups, the people’s age in each group would differ a lot from the youngest person to the oldest person. These persons may perceive things differently from each other. However, using more than four groups can have the opposite effect. One might find a lot of people in one group that perceive things in the same way as people from another group.

4.6 Reliability

Reliability is about how well the research method yields the same results on other occasions and if other researchers could reach similar results. That is, the reliability is high if the survey results in the same findings each time it is conducted (Saunders *et al.*, 2003, 101).

The survey was conducted within a two-week period. This period was during a normal working week in the middle of the autumn and not close to any specific holiday. We tried to find an environment where the respondents did not feel stressed. This was to help them focus on the questionnaire and give them time to fill it in. In spite of this there might be occasions where time and stress could interfere with the result and it is something we considered as an uncertainty. It is however, something we saw as minor insecurity and nothing that should affect the final result.

Another factor that could be seen as an uncertainty was the design of the questionnaire. During the pilot survey we found that some questions were unclear and we made some changes that made it easier for the respondents to avoid any misinterpreting. Still, there may be people that interpreted the questions in a wrong way, which could lead to a misleading answer.

Since the questionnaires were handed out in public places and not in a private room, there was a risk that the respondents could be affected by their friends or surrounding environment. If they were uncertain of a question they might have asked or looked at their friends' questionnaire.

Because of the high number of respondents we believed that the risks of misinterpretation and stress were not crucial for the result.

4.7 Validity

When making a research it is important to have a high validity. The validity is whether the findings really is what it appears to be about (Saunders *et al.*, 2003, 101). In our case it was important that we receive the right information from the questionnaire.

In the questionnaire there were two questions concerning eight different products. These products were meant to represent four different product segments, each segment represented by two products. To be able to get a satisfying result it was important to have the right products representing each segment. Using wrong products for a segment could lead to a misleading conclusion and consequently, affect the purpose. The other two questions were structured questions. These concerned age and sex, which were presumed to be answered with high validity.

The four age groups were asymmetrical; the first and last group differed in size compared to the others. This leads to different response rates of the groups which could be seen as a potential uncertainty.

4.8 Generalisability

The term generalisability refers to the applicability of the results of a research study to other settings (Saunders *et al.*, 2003, 103). Our aim was to conduct a survey that could be generalised to the Swedish population. The respondents were picked randomly through a convenience sample. Selecting people randomly is a good way, because it should reflect the whole population (Eriksson, 1978). However, all together we collected 416 answers and it is rather hard to tell whether it is applicable to represent the Swedish population. We believed that the Swedish consumers do not differ that much from each other and therefore we can only assume that it could be generalised. We also looked at prior studies in the area of COO, to see how many respondents other researchers had asked. Several of the studies were in the range of our collected data. Some of these studies were also

generalised to represent the population of a nation. Still, we see this as a weakness in our dissertation; we are not sure whether the collected data are large enough to represent the Swedish population.

4.9 Response rate

This survey was conducted as a convenience sampling. This means that we asked potential respondents if they wanted to participate in the survey (Saunders *et al.*, 2005, 177). We kept asking until we reached the minimum quota of 400 answers. The apparent advantage of this method is that we do not receive any non-respondents (Eriksson, 1995).

4.10 Summary

In this chapter the empirical method used to reach the purpose of this dissertation was presented. The research strategy was to develop hypotheses and empirically test them through a field study. The data were collected by handing out questionnaires to Swedish consumers in the age of 18 – 65 in four of the largest cities in Scania. The respondents were picked randomly through a convenience sample and the field study resulted in 416 collected answers. Eight products were used to represent four product segments. The chapter ended with a discussion about the reliability, validity and generalisability of the study.

5 Results

In this chapter we present the results of our study. Each hypothesis is statistically tested and we state whether it is accepted or rejected. All conclusions will be based on the results presented in this chapter.

5.1 Age and gender

A collection of 416 samples was made. Table 5.1 shows the distribution of age of the respondents. It should be noted that the age group 18 – 30 constituted 46.2 % of the total sample size while respondents aged 41 – 50 only constituted 13.9 %. Such a distribution could be explained by the choice of method in the survey. It is possible that people aged 18 – 30 were more common as train-commuters than people in other ages who might use cars instead.

Table 5.1 Respondents divided into age groups.

	Age group	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 30	192	46.2	46.2	46.2
	31 - 40	77	18.5	18.5	64.7
	41 - 50	58	13.9	13.9	78.6
	51 - 65	89	21.4	21.4	100.0
	Total	416	100.0	100.0	

Table 5.2 shows the distribution between men and women in the survey. There was a majority of women of 60.1 % compared to 39.9 % male respondents. The difference in sample size between sexes could be a result of the distribution of sexes on the trains as well. It is, however, only an assumption; no such conclusions can be made.

Table 5.2 Respondents divided into male/female.

	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	166	39.9	39.9	39.9
	Female	250	60.1	60.1	100.0
	Total	416	100.0	100.0	

5.2 Hypothesis 1

The first hypothesis measured whether the impact of China as COA or as COD was lower for younger consumers than it was for older consumers. The mean values are presented in table 5.3 and the results are also shown as a chart in figure 5.2. The respondents were asked to answer on a scale from 1-7. We have adjusted the values on the y-axis to fit the results in all charts.

Table 5.3 Mean values of COA and COD of the age groups

Age group	Mean values, COA	Mean values, COD
18 – 30	2.50	2.49
31 – 40	3.50	3.59
41 – 50	3.06	3.13
51 – 65	3.37	3.30

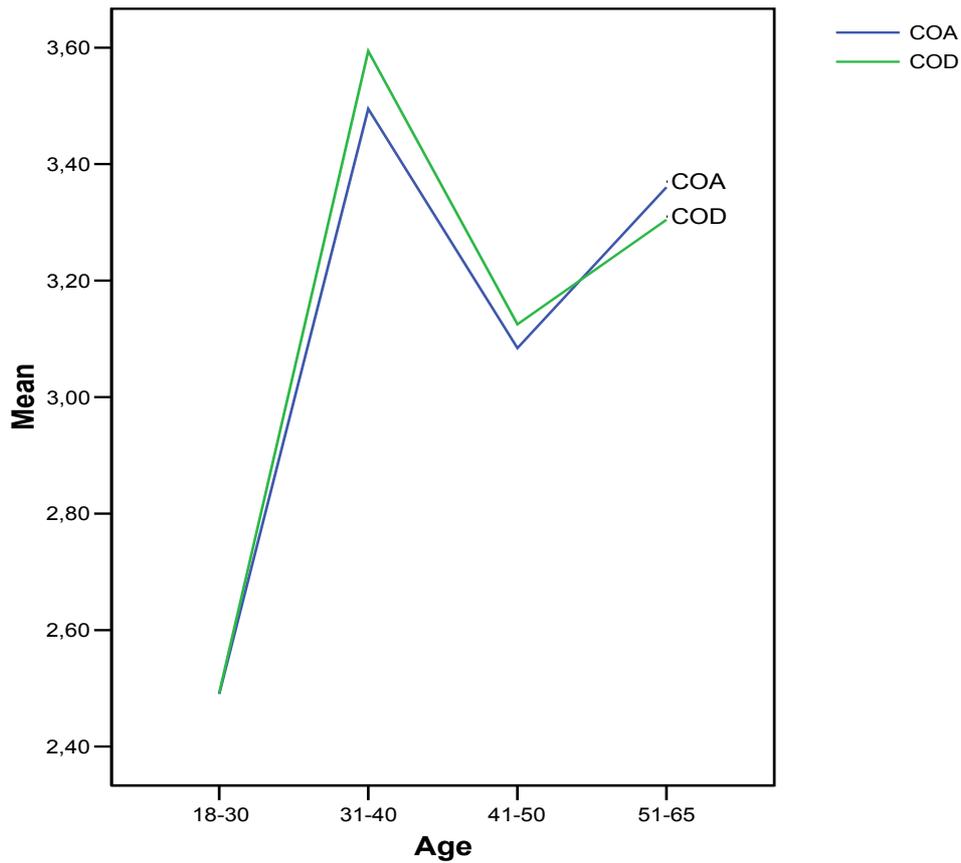


Figure 5.1 Mean values of COA and COA of the age groups

There was a significant difference between all age groups (appendix 2.2 & 2.4). In other words, people of various ages were affected differently by China both as COA and as COD. In line with the hypothesis, the youngest consumers were least affected. For age groups 41 – 50 and 51 – 65 the relation was also consistent with the hypothesis. The impact on age group 30 – 41 was, however, larger than expected and turned out to be the highest of all age groups. The hypothesis was therefore partially supported.

5.2.1 Country of Assembly

The impact on consumers in different age groups was also measured for the different product segments. The following figures display the results of China as COA. Table 5.4 shows the mean values while figure 5.2 presents the same data in a chart.

Table 5.4 Mean values, COA

Age	Homogenous products(A)	Little Differentiated products(A)	Medium Differentiated products(A)	Highly Differentiated products(A)
18 – 30	1.88	2.25	2.69	3.19
31 – 40	2.50	3.43	3.99	4.46
41 – 50	1.76	2.61	3.89	4.24
51 – 65	2.14	2.90	3.77	4.48

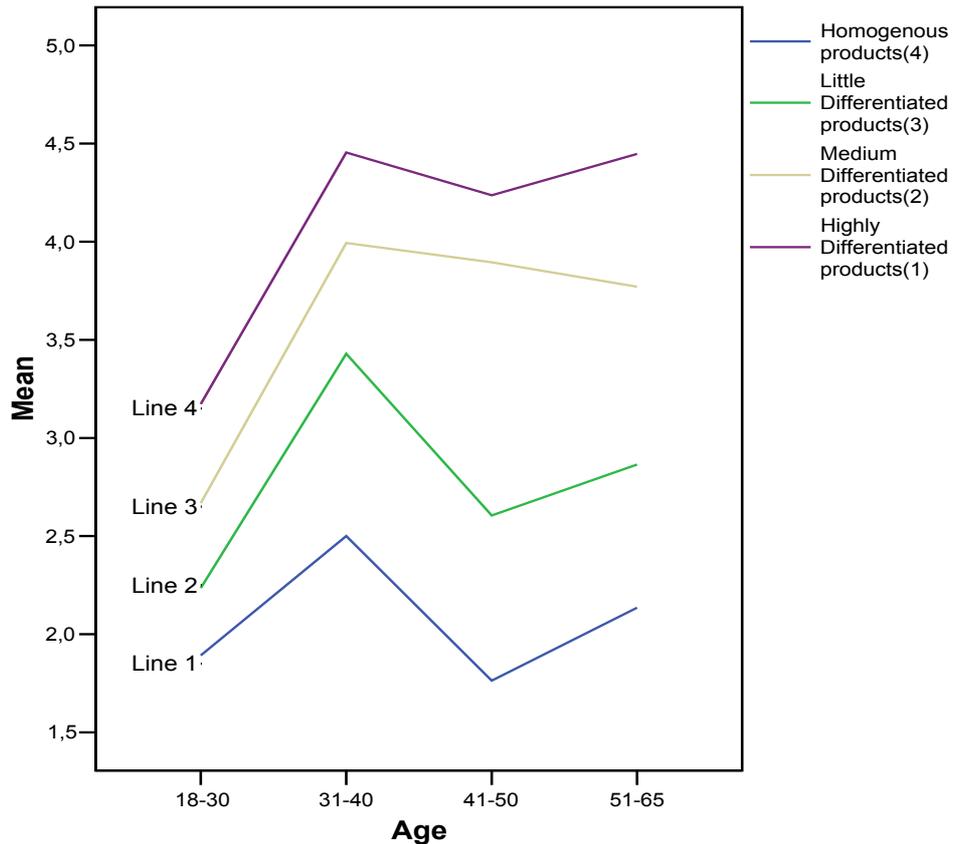


Figure 5.2 Impact of COA in different age groups.

Figure 5.2 shows the impact of COA in the different product segments and age groups. In the homogenous product segment the impact was lowest for those aged 41 – 50; thereby it deviated from the other product segments. Even though a significant difference could be found it was uncertain whether it could be said that the impact was higher for older consumers than it was for younger consumers (appendix 2.6).

Little, medium and highly differentiated products showed a significant difference in impact in the age groups (appendix 2.6). The impact was higher for older consumers than it was for the youngest consumers. Still, the impact was higher than expected for those aged 31 – 40 in all product segments and the difference was not in the expected direction in all age groups.

5.2.2 Country of Design

Table 5.5 Mean values, COD

Age	Homogenous products(D)	Little Differentiated products(D)	Medium Differentiated products(D)	Highly Differentiated products(D)
18 – 30	1.69	2.28	2.71	3.33
31 – 40	2.24	3.22	3.97	4.55
41 – 50	1.70	2.56	3.71	4.39
51 – 65	1.84	2.88	4.01	4.74

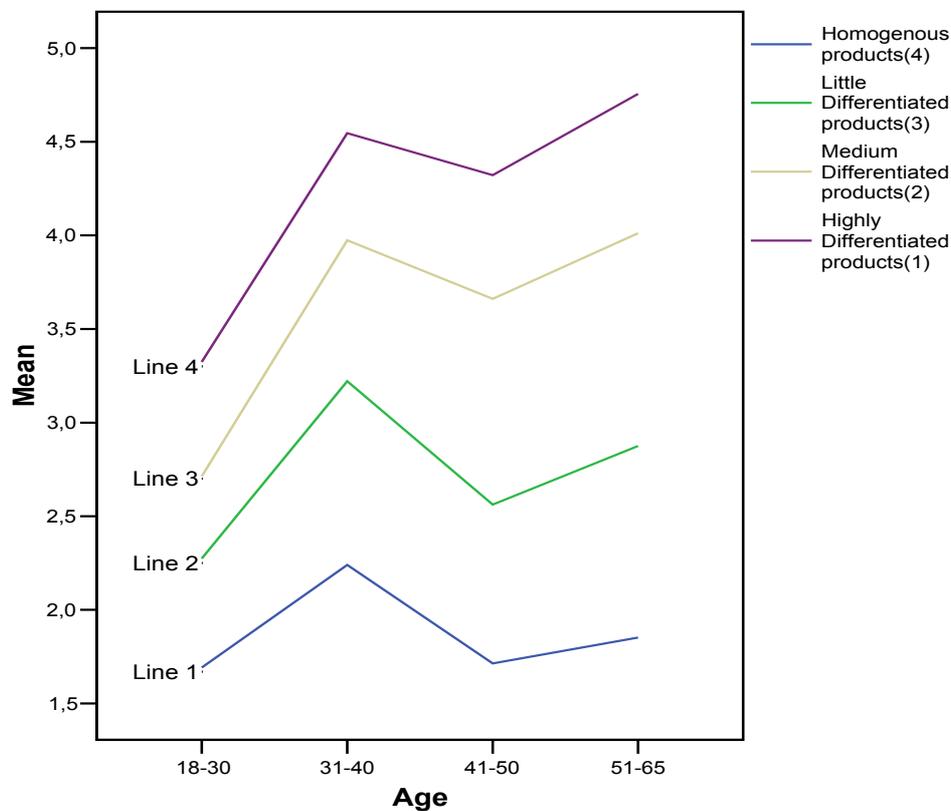


Figure 5.3 Impact of COD in different age groups.

Homogenous products had a similar impact in all age groups except for those aged 31 – 40 where it was higher. The ANOVA test shows that there is a significant difference in all age groups but the difference was lower than it was for the other product segments (appendix 2.6). In other words, the results do not vary as much in the different age groups for homogenous products as they do for the other product segments. It should be noted that even though there is a significant difference, it is not in the expected direction in all age groups.

The more differentiated the products become; the higher are the differences in most age groups. For little differentiated, medium differentiated and highly differentiated products the younger consumers are less affected than the older consumers, except for age group 31 – 40. This group differs as it is more affected than age group 41 – 50 in all cases. For little differentiated products age group 31 – 40 is even more affected than age group 51 – 65.

5.3 Hypothesis 2

The second hypothesis concerned the impact of China as COA and COD in different product segments. We assumed that the more differentiated the product was, the more involvement would be demanded from the consumers. Consequently, the higher impact would China have as both COA and COD.

A paired sample T-test (appendix 3.3) was used and the impact was measured against all product segments in order to detect any patterns. In other words, homogenous products were set against little differentiated products, little differentiated products against medium differentiated products and medium differentiated products against highly differentiated products.

5.3.1 Country of Assembly

In hypothesis 2a the impact of China as COA was measured. Table 5.6 summarises the mean values for all product segments. As can be seen, the values increase constantly as the product becomes more differentiated. It is also shown as a chart in figure 5.4 which clearly displays the correlation between the ascending values and the level of differentiation.

Table 5.6 Mean values for COA in all product segments

Segment	N	Minimum	Maximum	Mean	Std. Deviation
Homogenous products(A)	410	1.0	7.0	2.04	1.6434
Little Differentiated products(A)	409	1.0	7.0	2.66	1.7828
Medium Differentiated products(A)	407	1.0	7.0	3.33	2.0979
Highly Differentiated products(A)	411	1.0	7.0	3.85	2.1753

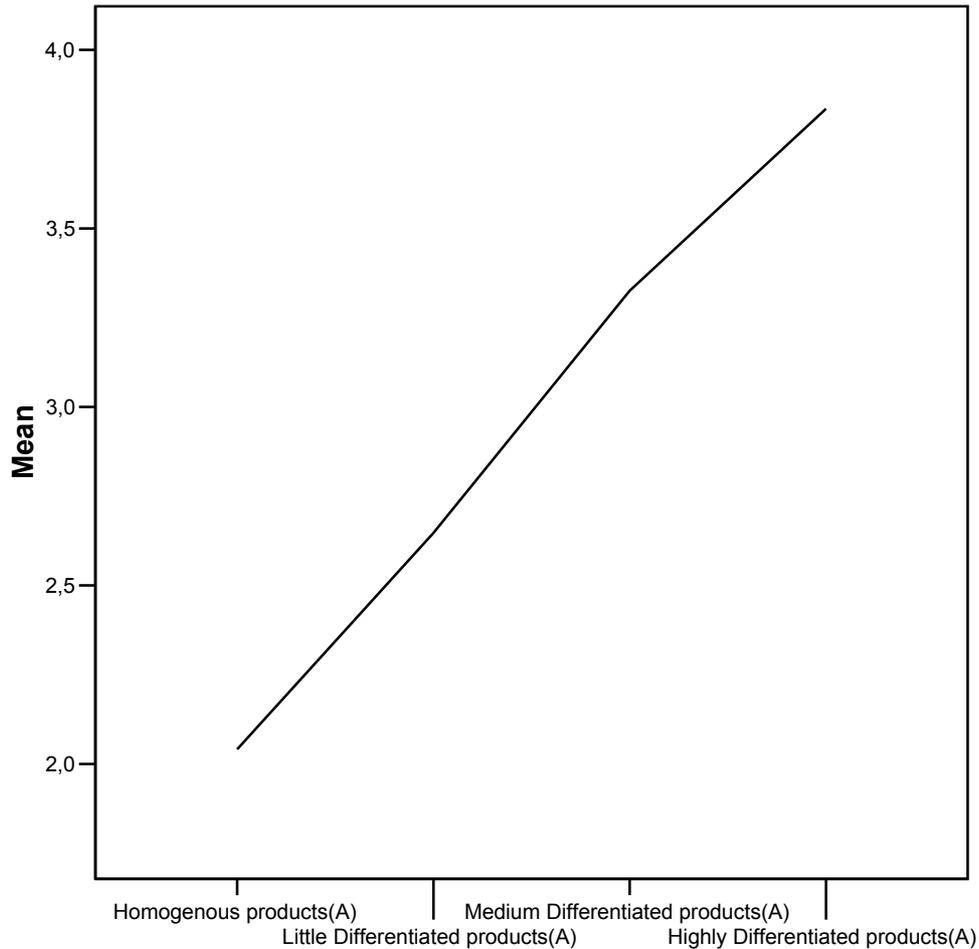


Figure 5.4 Mean values of COA in all product segments

The difference between every segment is significant (appendix 3.3). Hypothesis 2a is therefore accepted and we may state that the more differentiated the product is the more impact does China as COA have.

5.3.2 Country of Design

Hypothesis 2b measures the impact of China as COD. The results are similar to those of China as COA and the same pattern is seen; a clear connection between the level of impact and the level of differentiation. Table 5.7 summarises the mean values for all product segments while figure 5.5 shows a chart of the measured values.

Table 5.7 Mean values of COD in all product segments

Segment	N	Minimum	Maximum	Mean	Std. Deviation
Homogenous products(D)	415	1.0	7.0	1.83	1.3944
Little Differentiated products(D)	414	1.0	7.0	2.62	1.6980
Medium Differentiated products(D)	413	1.0	7.0	3.36	2.0571
Highly Differentiated products(D)	416	1.0	7.0	4.00	2.1212

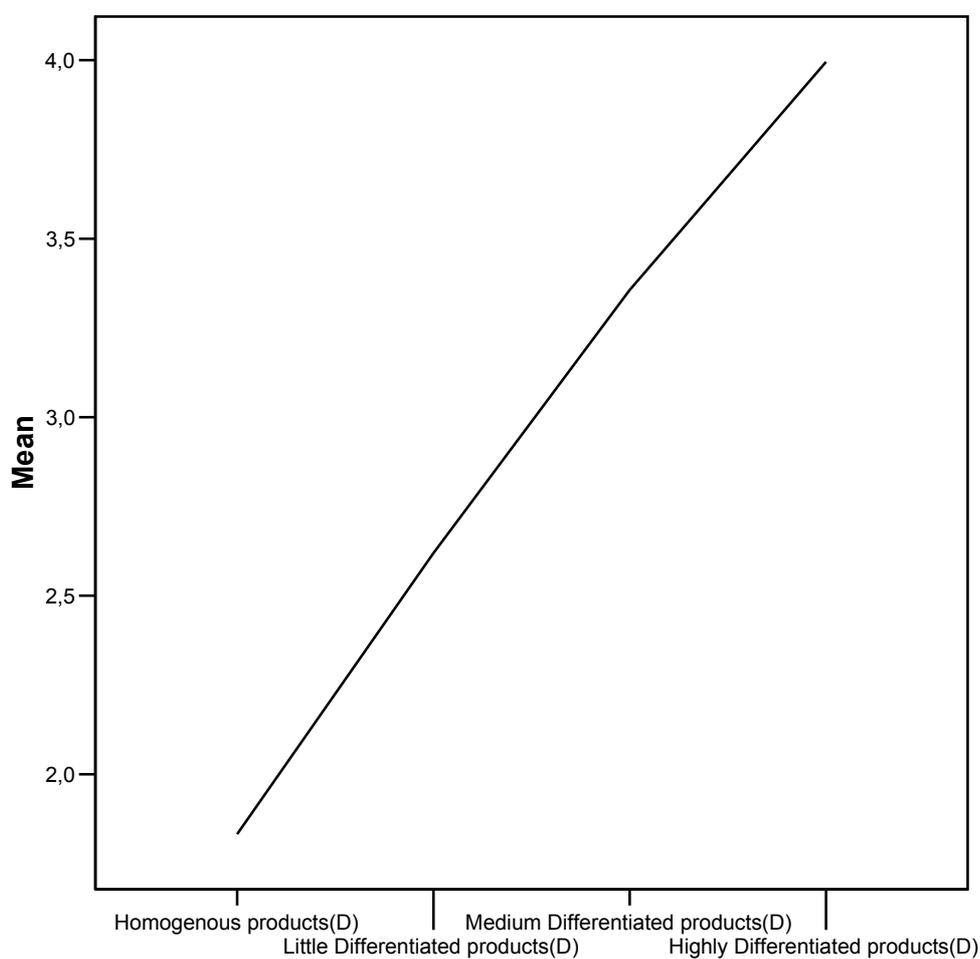


Figure 5.5 Mean values of COD in all product segments

A significant difference was found between all segments for China as COD as well (appendix 3.6). Hypothesis 2b is therefore accepted and we may state that the more differentiated the product is, the higher impact does China as COD have.

5.4 Hypothesis 3

To find out whether the impact of COD was greater than the impact of COA we conducted a paired sample T-Test (appendix 4.2). For each of the chosen product segments, the mean values of both COA and COD are shown in table 5.8. It should be noted that the sample size has been adjusted between each pair in order to use equivalent numbers. Consequently, the mean values are also slightly different.

Table 5.8 Mean values for both COA and COD in all product segments

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Homogenous products(COD)	1.83	409	1.3961	.0690
	Homogenous products(COA)	2.03	409	1.6426	.0812
Pair 2	Little Differentiated products(COD)	2.64	407	1.7057	.0845
	Little Differentiated products(COA)	2.66	407	1.7751	.0880
Pair 3	Medium Differentiated products(COD)	3.36	405	2.0647	.1026
	Medium Differentiated products(COA)	3.34	405	2.0988	.1043
Pair 4	Highly Differentiated products(COD)	3.99	411	2.1196	.1046
	Highly Differentiated products(COA)	3.85	411	2.1753	.1073

The impact of COD is lower for homogenous and little differentiated products than it is for COA. For medium differentiated and highly differentiated products the COD effect is higher. A significant difference could only be detected in the homogenous product segment (appendix 4.2). The difference is opposite to the expected direction and consequently, the hypothesis is rejected. Generally, the COA and COD effects are rather similar in all product segments which can be seen in figure 5.6.

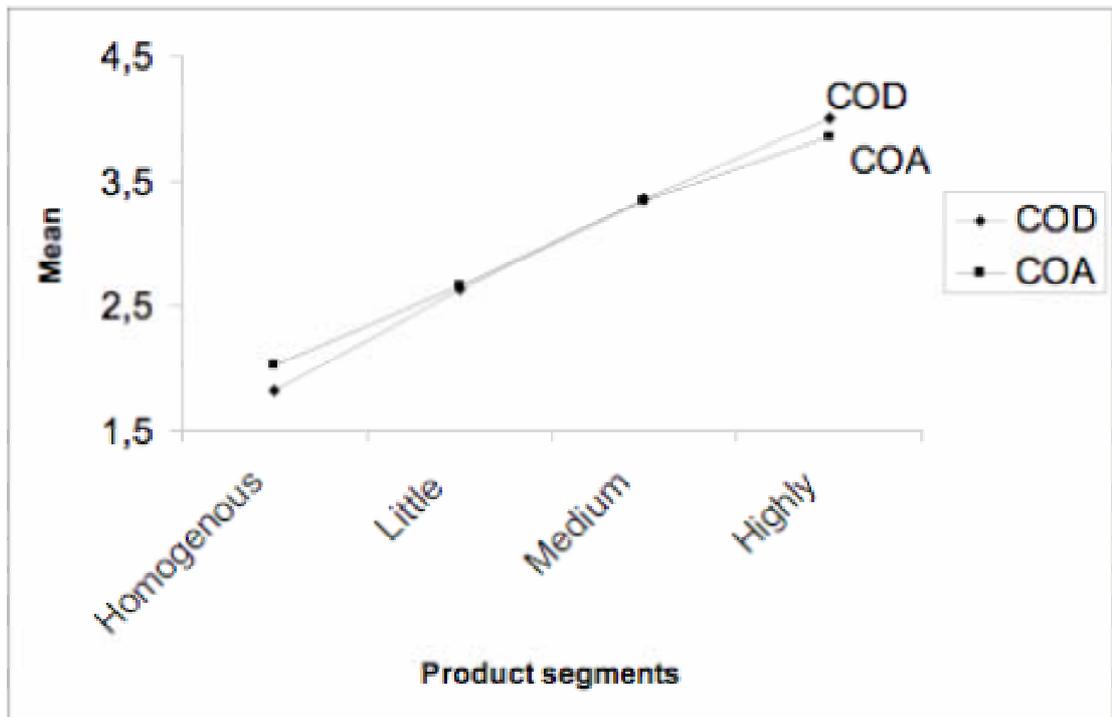


Figure 5.6 COA compared with COD in all product segments

5.5 Hypothesis 4

The last hypothesis was set up to find out whether there was any significant difference between males and females in the study. A T-test showed that no such difference could be found for any of the product segments (appendix 5.2). In other words, the opinions of male and female respondents are the same for all products segments and the hypothesis is supported.

A test on the differences between the genders of various ages was also conducted. The distribution of age and gender is shown in table 5.9. Table 5.10 shows the mean values in impact of China as COA for age groups and sexes while table 5.11 shows the same data but with China as COD. The result turned out to be in line with our expectations; no significant difference between the genders in different age groups could be found (appendix 5.5 – 5.12). The opinions of male and female respondents in different ages are therefore also the same which adds strength to the support of the hypothesis.

Table 5.9 Distribution, age and gender

Age	Gender		Total
	Male	Female	
18 - 30	71	121	192
31 - 40	33	44	77
41 - 50	17	41	58
51 - 65	45	44	89
Total	166	250	416

Table 5.10 Mean values, COA

	18 - 30	31 - 40	41 - 50	51 - 65
	Mean	Mean	Mean	Mean
Male	2.53	3.46	3.08	3.11
Female	2.48	3.52	3.06	3.65

Table 5.11 Mean values, COD

	18 - 30	31 - 40	41 - 50	51 - 65
	Mean	Mean	Mean	Mean
Male	2.53	3.75	2.87	3.09
Female	2.47	3.48	3.23	3.52

5.6 Summary

In this chapter the results of our survey were presented. A computer program called SPSS was used to work with the collected questionnaires. The answers for each hypothesis were compiled into tables and diagrams, which were presented together with a describing text. All relevant data needed to test the hypotheses were displayed and conclusions on whether the hypotheses were accepted or rejected stated. Table 5.12 summarises our findings.

Table 5.12 Summary of the hypotheses

Hypothesis	Hypothesis accepted	Hypothesis rejected	Hypothesis partially accepted
The impact of China as a COA is lower for younger consumers than older ones.			X
The impact of China as a COD is lower for younger consumers than older ones.			X
The more differentiated the product is the higher impact does China as COA have.	X		
The more differentiated the product is the higher impact does China as COA have.	X		
The impact of COD will be higher than the impact of COA in all product segments.		X	
There is no significant difference between the answers from males and females.	X		

6 Analysis and discussion

In this chapter the result of each hypothesis is analysed. Conclusions are made and the context of our findings discussed.

6.1 The distribution

The sample size consisted of 416 collected answers which are well in line with former studies in COO. Still, the distribution between ages is not perfect. Consumers aged 18 – 30 constitute 192 answers, almost half the sample size, compared to age group 41 – 50 which only contains 58 respondents. It is uncertain whether the latter is enough to represent the Swedish population of that age. A definitive answer cannot be given and it is necessary to keep this in mind as the results are interpreted.

6.2 Impact in age groups

In hypotheses 1a and 1b it was claimed that “The impact of China as a COA and/or COD is lower for younger consumers than older ones”. The result in chapter 5 shows that these hypotheses are partially accepted. Below we analyse and explain why this is the case.

6.2.1 Country of Assembly

The result from chapter 5 shows that the impact between age groups differs. When comparing the youngest consumers, 18 – 30, to the oldest consumers, 51 – 65, we clearly see that the impact is lower for younger consumers than for older ones. This strengthens our hypothesis. When we compare the four different age groups we get a different result; age group 31 – 40 has the highest impact overall (figure 5.2.1). The finding rejects the hypothesis because this group has a higher impact than both 41 – 50 and 51 – 65.

The reason why age group 31 – 40 has the highest impact is an interesting observation. A possible explanation is that this group could be affected by

earlier experiences of products from Asia. They might have a bad impression of products made in, for example, Japan in the 1960's to 1980's. These products were often perceived as low-quality replicas which led to a terrible reputation. Although products made in Japan today have a good reputation, past experience might act as a summary construct (Chapter 3.3.3) of Asian products among consumers in this age group. Still, people in age groups 41 – 50 and 51 – 65 should have the same experience and consequently, the explanation is rather uncertain.

Another reason why age group 31 – 40 has the highest impact of COA could be that they may see China as a threat to their current employment, while older people may have a more secure employment and younger people may not yet worry about such issues. People in this age might feel more exposed to such threats. Outsourcing jobs to China could lead to unemployment in Sweden, and to secure their future income they may criticise low-cost labour products more than other age groups. Since this age group has many working years ahead, they wish to secure their employment and therefore see outsourcing as a threat. It is common for people in this age to start a family, which makes it even more important to have a secured source of income.

When we specified the differences between the age groups and the product segment, some other interesting observations were seen (figure 5.2.). Homogenous products have a different pattern regarding impact of the age groups; age group 41 – 50 has the lowest impact and 31 – 40 the highest. As the products become more differentiated, the impact becomes larger in all age groups. Besides the fact that the impact is highest for group 31 – 40 in all product segments, we can see that higher ages have a larger impact than the younger ones. The medium differentiated product segment also differs since both age groups 31 – 40 and 41 – 50 have a higher impact than group 51 – 65. This is an interesting observation and could possibly be explained by the choice of products representing the medium differentiated segment. Televisions and laptops may be more known to age groups 31 – 40 and 41 –

50. They might have higher requirements of quality to these products than those aged 51 – 65.

Another interesting observation is that older consumers are more affected by the level of product differentiation than younger consumers. The impact on younger consumers does not differ much between product segments while the impact becomes rather strong on older consumers as products become more differentiated. The observation is seen both for China as COA and as COD.

6.2.2 Country of Design

The pattern between the age groups within COD is similar to the one in COA. The impact on the youngest age group, 18 – 30, is less than it is on the oldest group, 50 – 65. Therefore we can say that hypothesis 1b is accepted. We can also see, however, that age group 31 – 40 has the highest impact of all age groups. This is a contradictory finding to what we believed and that is why we say that hypothesis 1b is partially accepted.

The reason why age group 31 – 40 is affected the most probably has the same causality as for COA. Still, when China acts as COD the risk of jobs disappearing in Sweden is rather small. Thus, the higher impact in both COA and COD of those aged 31 – 40 could have other explanations. It should be mentioned that people might not be able to separate the COA and COD expressions which could lead to similar results. It could also be that if consumers aged 31 – 40 consider outsourcing to China as a threat to their employment, their overall country image of China becomes negative which also reflects their attitude towards China as COD.

When we analysed the differences between age groups in each product segment we found a different result than in COA. Age group 31 – 40 still distinguishes itself by the high impact in all segments. The impact does, however, become higher for the older consumers as the products are more differentiated. Consumers aged 51 – 65 seem to be highly affected by China

as COD for products with a higher level of differentiation. The results indicate that a known brand is rather important for older consumers as they evaluate such products, and they do not seem to favour the idea of buying Chinese brands.

The result proves that hypotheses 1a and 1b are accurate in the context that younger consumers are less affected by China both as COA and as COD, with the exception of age group 31 – 40. The observation that this age group distinguished itself from the others is interesting but we lack the adequate information to explain why that is the case. More information from the respondents in the survey would be needed in order to draw any conclusions. Since the result did not entirely match our expectations, we state that hypotheses 1a and 1b are partially accepted.

6.3 Impact in product segments

The COO effect is an extrinsic cue that consumers use for evaluating products. Still, products vary in characteristics and consequently, it is likely that the effect of COO varies accordingly. Products can be categorised in many ways and the level of differentiation is one of them. The results of this study showed a clear connection between the level of differentiation and the level of impact of China as both COA and as COD.

Homogenous products, dishcloths and socks in this study, yielded the lowest impact of all product segments. It seems logical that the impact of COA and COD is low for products which consumers consider to be more or less the same regarding attributes. Given that the level of involvement also ought to be low for such products the results should reflect the reality well.

Little differentiated products were represented by dolls and toasters in this survey. Such products do not vary much between samples, but still more than homogenous products. Some separating attributes can be detected between these products and consequently, more attributes affect the consumers' perception of the products. The COA and COD are part of these

attributes and that is why the impact of China as COA and as COD increases.

The third product segment was defined as medium differentiated products. The segment was represented by laptops and televisions in this study. Such products are often branded and carry more specific characteristics that are perceived as valuable for consumers. When product attributes vary between samples the decision process becomes more complex and the consumers' level of involvement increase. Therefore, extrinsic cues become more important and consequently, the COA and COD effects increase compared to less differentiated products.

As products become highly differentiated they are hard to duplicate and carry rather specific attributes. The COO could be a crucial cue for such products since the level of involvement is high from the consumer. As assumed, the impact of China as COA and COD was highest in this segment, which was represented by cars and exclusive wristwatches in the study.

The relation between the level of differentiation and the level of impact of China as COA and/or COD was clear in the study; a higher level of differentiation resulted in a higher level of impact. It can thereby be stated that Swedish consumers have a more negative perception of China both as COA and as COD for products that are more differentiated than they have for products that are less differentiated. A potential explanation is that the PCI of China among Swedish consumers is not connected to products with special characteristics. Products that are more differentiated often demand a higher level of knowledge and technology to produce. People may think that China does not yet master the skills necessary to make such products. Another characteristic among more differentiated products could be the status or personal value the products provide. Swedish consumers may not associate the PCI of China with a high status and therefore the attitude towards such products is negative.

The mean value of China among homogenous products was 2.04 as COA and 1.83 as COD on the 7-point numeric rating scale. The negative impact is therefore low and the attitude is not likely to affect the purchase intention of such products. Highly differentiated products are on the other side of the differentiation scale. The mean values for these products are 3.85 for China as COA and 4.0 as COD. The results indicate that Swedish consumers do have a negative attitude against such products and may avoid them in a purchase situation. Still, the impact is not crucially strong. Consumers are not likely to reject the products outright on the basis of their Chinese origin, given that the products have other attributes that appeal to the consumers, e.g. price and brand name.

6.4 Standard deviation

Standard deviation is an indication of how much the collected data is spread. It is calculated to show the differences between all data and the mean values. These values are shown in table 5.4. There is a pattern of increasing standard deviations in this survey for both the COA and COD effects when homogenous products are compared to highly differentiated products. This indicates that the respondents in the survey are more alike in their opinion regarding homogenous products than highly differentiated ones. The reason to this is most likely the connection between product segments and involvement. More differentiated products tend to have more involvement in the purchasing process than low differentiated products. More involvement gives the consumers a wider perception, which means that they have different opinions about these products. Different opinions give a wider answer spectrum and that increases the standard deviation.

6.5 Differences between COA and COD

The results show that the impact is lower for China as COD compared to China as COA for homogenous products. In other words, consumers are not as negatively affected by Chinese brands as they are by products with a known brand carrying a “Made in China” label. The result is contradictory to what we believed and hypothesised. One possible explanation can be that the country is positively associated with homogenous products since the brand is not that important for such products. People may think that Chinese companies are able to produce these products at a lower cost and of equal quality.

The COA effect was larger than the COD effect for little differentiated products as well. The significance level, however, was too small to make a distinction. A reason why little differentiated products do not make a difference for Swedish consumers can be that the brand of such products is still not as crucial as price in the product evaluation.

In medium differentiated products the COD impact exceeds the impact of COA. The difference is not significant and no conclusions can be made, still, it is interesting to notice. There are many probable reasons that can contribute to this. One factor that becomes more important for the consumers is the quality of the products. Since China does not have many well-known brands on the international market, consumers may mistrust the Chinese companies in being able to manufacture such products of high quality.

In highly differentiated products the COD effect is also larger than the COA effect. Still, no significant difference was found in this segment either. Consumers often have a high level of involvement when evaluating products in this segment. The quality is very important and may be the reason why China as COD has a higher impact on consumers; highly differentiated products, manufactured by Chinese companies, are not common on the international market.

To conclude the results of this hypothesis we may state that the impact of China as COD is not larger than it is for China as COA in any product segments. Our findings can be explained from different angles. One is that Chinese brands are better perceived than we assumed. If that is the case it means that Swedish consumers have a positive view of Chinese companies' ability to design their own products, and consequently the companies may be successful if they start exporting these products to Sweden. Still, the creditability of such an argument decreases as the level of product differentiation increase.

Another explanation could be that China is perceived more negatively as COA than we assumed. When international companies outsource their production to China consumers may relate it to unethical working conditions, e.g. child labour. Consumers may also think that jobs in Sweden disappear as companies outsource their production. Such scenarios would probably lead to a negative attitude to China as COA.

A third explanation is also worth considering. Even though the questionnaire was designed with examples the respondents may have found it hard to separate the terms COA and COD from each other. A study conducted by d'Astous and Ahmed (1993) found that 80.5 % of the consumers failed to do so.

6.6 Differences between genders

No significant differences could be found between the genders, either among product segments or between ages. All our results indicate that men and women have similar opinion about China and consequently, we may state that the COO is not a gender issue.

There are some smaller differences that can be detected by looking at the mean values. One pattern is e.g. found in age group 51 – 65 where it seems like women are a bit more affected than men are of both China as COA and as COD.

A similar study was conducted by Hung (1989) on men and women in Canada. He did not find any significant differences between the sexes in COO opinions either. The result of our study supports his findings and adds strength to the notion that there is not any significant difference between men and women in such contexts. This study also shows that his findings can be generalised for Sweden of today.

7 Inference

The final chapter summarises the dissertation and conclude our findings. We present the practical relevance of the information and discuss possible weaknesses. Further, some self-criticism and suggestions to future studies are given.

7.1 Summary of the Dissertation

China is one of the largest manufacturing countries in the world today. Companies are investing in, and outsourcing to China at a tremendous pace and that is why the label “Made in China” has become well known in the minds of consumers world wide. The country constituting the source of a product is known as the COO. Due to the impact of globalisation and multi-national production praxis, products are often processed in more than one country these days, and therefore the COO concept can be divided into COA and COD.

A country often carries an image which affects the consumers’ perception and evaluation of products from that country. Given the present burst of Chinese products on the market and the national differences between Sweden and China, investigating the image of China among Swedish consumers becomes a relevant topic today. In the past, Asian countries have had a rather negative image at the beginning of their internationalisation process and been accused of producing copies of inferior quality. Japan, South-Korea and Taiwan are examples of such countries. The image does, however, change over time and these countries are now perceived positively in some product categories. Since China is a new actor on the world market it is possible that the country experiences the same reluctant reception other Asian countries did as they started operating in the field of international business.

This dissertation aimed to find out whether China as COA and/or COD constitutes a negative impact on Swedish consumers. The impact has been measured both in different product segments, ranging from homogenous products to highly differentiated products, and in different ages, ranging from 18 to 65. The data were collected through a questionnaire handed out to Swedish consumers in four of the largest cities of Scania. Six hypotheses were set up and statistically tested in the computer program SPSS. The results have been analysed and the hypotheses either accepted or rejected. Further, the findings were discussed and possible explanations given.

7.1.1 Summary of our findings

This study has found that there is some sort of negative impact on Swedish consumers when products are made in China. The impact is not constant; some individuals are strongly affected while others experience no such influence at all.

One of the main objectives of the dissertation was to find out whether the impact differs between age groups. It has been found that such variance exists. The effect of China as both COA and COD is rather low on consumers aged 18 – 30, it is higher for those aged 41 – 50 followed by people aged 51 – 65. A remarkable finding is that it is highest on consumers aged 31 – 40. In other words, Swedish consumers aged 31 – 40 are those that are most negatively affected by China as both COA and COD. This is rather abnormal and the observation deserves further attention. Another notion that should be made is that older consumers are more affected by the level of product differentiation than younger consumers. The impact on younger consumers does not differ much between product segments while the impact becomes rather strong on older consumers as products become more differentiated.

Another objective of the study was to find out if the impact differs in the product segments. A clear connection between the level of impact and the level of product differentiation was observed. The more differentiated a

product is, the higher impact does it have on consumers. It can therefore be stated that Swedish consumers do not mind the Chinese origin when they purchase less differentiated products. They are, however, more hesitant to products with a higher level of differentiation.

The study also found that consumers' opinions do not vary much in regard of how they perceive China as COA compared to as COD. It seems like it is the label "Made in China" that matters, and not whether the product is designed and manufactured by a Chinese company or designed by a foreign company and assembled in China.

The difference in impact between genders was also measured. The effect was rather similar between the sexes and no significant difference was found. It appears like the COO effect is not a gender issue but has its explanation in other personal characteristics.

7.2 Aspects of our findings

There are some aspects that must be considered as the findings of this dissertation are interpreted. One of them is the role of COO effects in product evaluations and purchasing processes. Consumers base their decisions on a variety of cues which together constitute an entirety of information. The COO is one of these cues and consequently, has a certain level of impact on the consumers' decisions. The effect may be strong among some consumers; still it must not be overemphasised. For example, even though the impact of COO among older consumers is strong as they evaluate highly differentiated products, it does not necessarily mean that these consumers will not buy such products. Other attributes and cues, mainly price and brand name, are likely to have a greater impact than the COO on the consumers' final purchasing decision. Another important aspect to consider is that the respondents in the study were never put in a real purchasing situation. Thus, it is the attitude consumers have towards China as COA and COD that has been measured.

7.3 Practical relevance

This dissertation is a source of information for both multinationals and Chinese companies that are interested in the Swedish consumers' perception of products made in China. There are strategic benefits of using the COO theories. Companies that outsource their production may for example choose the location so that the image of the product is not negatively affected by the image of the manufacturing country. They may also choose to use COO as means of gaining competitive advantages by emphasising that the entire process is conducted domestically and thereby attracting nationalistic consumers. Regardless of what they choose to do; they need a profound understanding of the COO effect in order to draw the most value out of it.

The research result may be useful for several actors. Both Chinese companies that want to enter the Swedish market and the Chinese export council in Sweden could find it useful to know how their products are perceived. It is also valuable for Swedish companies, both for those who consider outsourcing their production to China and those who think about adding a Chinese brand to their assortment. Knowing how products in different segment are perceived by people of different age could also be helpful for marketers who are aiming at a specific group of people.

7.4 Self-criticism

The aim of this study was to measure the negative impact of China as COO. With this in mind we did not find out whether Swedish consumers were positively affected by China as COO in some product categories. To understand the entire COO effect of China such an approach would also be necessary.

The dissertation was conducted as a single-cue study and measured the COO effect only. Such approach does not fully reflect the reality since the purchase situation is more complex and includes more cues. Thus, the

results of this study indicate what attitude consumers have towards products made in China and not their purchase intention of such products.

There are several ways to categorise products. We have chosen the level of product differentiation to provide a broad picture of the impact China constitute as COA and COD. Other categorisations could have provided a more detailed picture of China, for example in specific product categories or industries. The choice of products representing the different segments can always be disputed. Since opinions vary between individuals it is hard to find a perfect match. A doll was used to represent little differentiated products and it seemed like some consumers associated the product with child labour. Such a connection could lead to a misleading result; still the standard deviation does not indicate such affection (appendix 2.5).

Most of the questionnaires were handed out on trains and it is uncertain whether train commuters constitute a specific group of people. Even though such a setting is unlikely it should be pointed out that the data collection method could affect the answers since it excludes people who do not travel by train. The distribution of respondents at different age is a bit distorted since people aged 18 – 30 are overrepresented. Consequently, the other age groups contain less respondents which creates an uncertainty.

7.5 Future research

A study in the positive aspects of China as COO would be a valuable contribution to the comprehension of the impact the words “Made in China” generate. It is possible that consumers have a positive PCI of China in certain product categories; a study that seeks to identify such products would be useful.

Japan is often associated with electronic products of high quality. If consumers do not have any experience of electronic products from China they might infer the image of nearby countries in their evaluation process. With this in mind, China may be able to free ride on the success of Japan

and achieve a positive image as COO for electronic products. Thus, a study of China's image as a producer of electronic products would be interesting.

It would also be interesting to adapt a more realistic approach and conduct a multi-cue study with China as COO. Such a study would take other informational cues like price and brand name into consideration and provide a more realistic picture of what impact China as sourcing country has. Especially price is an important cue to consider since most Chinese companies have adapted a low-cost strategy. A realistic approach could emphasise the collection of qualitative data and find out how important social factors like ethics and politics really are for the image of China. Both studies with a more realistic approach and multi-cue studies would therefore be interesting contributions to the field of knowledge.

The results of this study showed that the negative impact of China as COA and COD was higher among people aged 31 – 40 than other age groups. Future research could aim at finding explanations to why this is the case. It could also be interesting to add other demographic variables. Another interesting topic would be to replicate this study in another part of Sweden to find out whether our findings can be generalised for the entire country.

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