

Research on the Influence of Country-of-Origin Effect to Brand Attitudes of Chinese Consumers on Luxury Goods

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Abstract: This research aims to examine Chinese consumers' brands attitudes for luxury under the influence of country-of-origin effect. Qualitative and quantitative methods are applied, with the data of 200 respondents and analyzed with the SPSS software package. The research found that COO effect was significant in evaluation attitudes to general luxury brands. At the same time, significant COO effect did exist in evaluation attitudes to most luxury categories. All these showed that COO effect does generally exist to luxury in brand attitudes of Chinese consumers.

Key words: Country-of-Origin effect; Luxury; Brand attitudes; Chinese consumers

1 Introduction

China has been the focus of great business activities and has received increasing attention from both researchers and practisers for the past decades. With the growing trend of globalisation China has opened its door as a huge market. More and more multinational companies have entered China, bringing their brands and products to Chinese consumers. Among them the market of luxury goods had experienced spectacular growth. It is reported that Chinese luxury consumption was only 1% of the global luxury consumption in 1999; magically increasing, the percentage jumped to 12% in 2004 with the total number of 6 billion dollars; continuously climbing, it arrived 25% in 2010 with 15 billion dollars. It is predicted by Investment Bank Goldman Sachs that China will become the greatest luxury market of the world in the year of 2015, with 29% and 18 billion dollars. Therefore, it is important to understand the brand attitudes of Chinese consumers, due to the businesses target in this consumer segment. Within consumers' brand attitudes, Country-of-origin effect is an important concept and has been used extensively to analyse various aspects of consumers' brand attitudes. However, present studies connected it with Chinese consumers' luxury buying are lacking. As such, the purpose of this paper is to explore it in the context of the rapidly developing market.

2 Literature Review

2.1 About luxury

(1) Definitions

The term "Luxury" is derived from the Latin *luxuria*, which means "excess" or the "extras of life"^[1]. An official dictionary definition is: 1) Something inessential but conducive to pleasure and comfort; 2) Something expensive or hard to obtain; 3) Sumptuous living or surroundings. (*The American Heritage Dictionary of the English Language*, 4th Ed.) Now it stands for indulgence of the sense, regardless of cost.

In fact the definition of luxury depends on whom you ask. Luxury products could be told from the discipline of economics such as Engel curves, or inferior and Giffen goods. Kemp differentiates luxury and necessities according to income elasticity of demand^[2]. Vickers and Renand regard luxury products should be sorted in dependent of their socio-economic context which is decided by a country's framework, not their appearance or intrinsic qualities instead^[3].

(2) Buying motivations

Many researchers have contributed on luxury motivations. As a result, we can draw a frame (shown in Figure 1) to describe luxury consumption according to them^[4].

2.2 About COO and COO effect

The study of country-of-origin and its effect (COO and COO effect) has a long history, developing strongly over the last 40 years, particularly focusing on their definitions and the developments, on their theories and the explanations.

(1) The definitions and developments of COO and COO effect

The definition of COO in marketing theory is different from that in international trade, which is similar to the manufacturing place. As Schooler said, it was distinguished by "Made in"^[5]. However, under the background of global economics and international trade, works in multinational companies are

inclining to be separated. The accurate “Made in” has become more and more faint. Hybrid products appear, that is to say, the design, manufacture and assembly of products may have various nationalities. The concept of COO enlarge, including not only the manufacture place, but also design place, assembly place, even the brand.

In international marketing area, the general cognition of country-of-origin and its image would influence the valuation of other national brands and products, and influence consumers’ buying behavior in a deeper side, which is called as country-of-origin effect^[6]. So far, many outcomes have proved COO effect is significant in product evaluation and buying behavior. Brand origin country, product design country, product manufacture country, product assembly country are different dimensions. However, the researchers haven’t agree with the importance and sequence of them^[7,8].

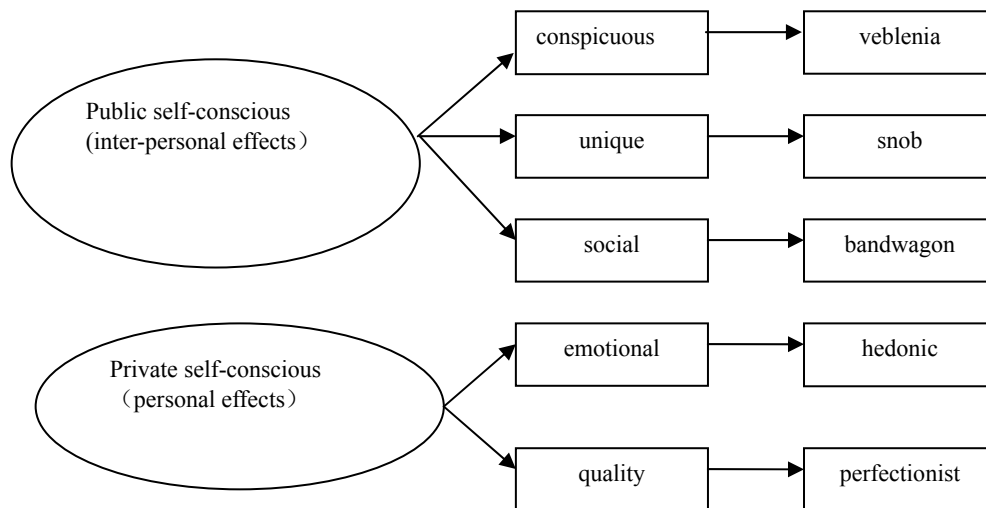


Figure 1 Luxury Consumption Motivations

(2) The theories and explanations of COO and COO effect

Signaling hypothesis regards COO is a signal, which may influence consumers’ evaluation to products by marking product’s quality. Consumers may infer products’ trait information according to COO^[9]. Summary construct mode believes consumers own richful knowledge of products. COO contains them and directly influences attitudes to brands. In other words, COO stands for consumers’ knowledge of different brands in various countries^[9]. The conduction courses from country image to consumers’ belief to their attitudes. Independent attribute hypothesis argues that COO is just a product trait, which would influence consumers’ evaluation to products with other traits of product^[10]. Flexible mode insists COO image and product belief influence attitudes to brands to different extents. However, we should connect culture factor when judging the power of influence^[11].

3 Questions and Research Methodology

3.1 The questions

In the early period of entering Chinese market, overseas luxury brands and products had their advantages. They attracted Chinese attention and pushed those national brands and products. Part reasons were national luxury brands were poor in quality and marketing. Was part reason COO effect? With the great development of era, consumption concept and structure of Chinese have changed in luxury consumption. The cohort has new traits and consumption moralities. Then under the background the questions are whether COO effect exists, and whether COO effect is significant if it does exist to Chinese in luxury consumption.

With the rapid development of technology and economics, some excellent and acceptable national brands have appeared. Then under the background the questions are whether COO effect is different to different luxury categories, and whether different sex has different brand attitudes in luxury consumption.

3.2 Data collection and analysis

(1) Data collection

During the research interview method was taken in order to know and collect luxury brands which are familiar by Chinese consumers. According to it, a questionnaire was made, with which consumption attitudes of Chinese to luxury brands were investigated, to test the existence and significance of COO effect.

Firstly 10 consumers were selected who have high income and are capable to consume luxury. They accepted the interview by himself with the purpose of knowing their main luxury behaviors and items. According to it and luxury classification, 6 luxury categories were chosen, including cosmetic and perfume, jewellery and watch, car, clothes, wine and cigar, and China and furniture. Every category contained 4 overseas luxury brands and 4 national brands to contrast, thus total 48 brands and the last questionnaire were finished.

Then 200 consumers among the grandest mall in Wuhan of China participated in the survey, in which all item statements adopted a 7-point Likert type scale labeled with “strongly disagree” and “strongly agree” at the end points. Among them 183 useable surveys were returned. Of the 183 useable surveys, 93 were completed by male while 90 by female. The gender split between male and female was approximately 51 percent to 49 percent, with a mean age of 38 years.

(2) Data analysis

All data were managed with SPSS 17.0 software package. In the research the first variable was luxury product category, including 6 levels; the second variable was original countries of luxury brands, including 2 levels of overseas and national items; and the third variable was sex. During data analysis, T test with paired samples was firstly used in order to test whether COO effect was significant or not. Then T test with independent samples was used, with sex as variable.

3.3 Findings and discussion

(1) Findings in test to COO effect of different categories in luxury brands

T test with paired samples was made to evaluate consumers' attitudes of 6 categories in luxury products. The result was showed in Table 1.

Table 1 T Test with Paired Samples

Paired differences		M	SD	t	df	p
Pair 1		0.06287	.73101	1.003	78	.000
Pair 2	Cosmetic and perfume	.91436	1.21951	8.042	78	.000
Pair 3	jewellery and watch	.23108	.93038	2.940	78	.025
Pair 4	car	.52487	1.26354	4.098	78	.000
Pair 5	clothes	.24319	1.38083	.878	78	.343
Pair 6	wine and cigar	.63722	1.72143	2.635	78	.024
Pair 7	China and furniture	-.78421	1.56497	-4.563	78	.000

From the Table 1, Pair 1: T test ($t=1.003$, $p=.000 < 0.05$) showed that difference was significant. So generally speaking, overseas luxury brands have more significant advantages than those national ones. Pair 2: T test ($t=8.042$, $p=.000 < 0.05$) showed that difference was significant. So to the category of cosmetic and perfume, COO effect is significant and overseas luxury brands have more significant advantages than those national ones. Pair 3: T test ($t=2.940$, $p=.000 < 0.05$) showed that difference was significant. So to the category of jewellery and watch, COO effect is significant and overseas luxury brands have more significant advantages than those national ones. Pair 3: T test ($t=4.098$, $p=.000 < 0.05$) showed that difference was significant. So to the category of car, COO effect is significant and overseas luxury brands have more significant advantages than those national ones. Pair 5: T test ($t=0.878$, $p=.343 > 0.05$) showed that there was no significant difference. So to the category of clothes, COO effect is not significant and overseas luxury brands have not more significant advantages than those national ones. Pair 6: T test ($t=2.635$, $p=.024 < 0.05$) showed that difference was significant. So to the category of wine and cigar, COO effect is significant and overseas luxury brands have more significant advantages than those national ones. Pair 7: T test ($t=-4.563$, $p=.000 < 0.05$) showed that difference was significant. So to the category of China and furniture, COO effect is significant and overseas luxury brands have less significant advantages than those national ones.

(2) Findings in test to COO effect of different sex in luxury brands

In T test with independent samples using sex as variable, male and female were consistent with evaluation attitudes to national luxury brands, while they weren't to overseas ones. The result was showed in Table 2.

Table 2 T Test with Independent Samples

	t	df	p
National cosmetic and perfume	.213	73.365	.819
Overseas cosmetic and perfume	-1.830	77	.086
National jewellery and watch	-.552	77	.436
Overseas jewellery and watch	-1.435	73.058	.162
National car	-1.215	77	.218
Overseas car	-3.120	73.914	.001
National clothes	-.822	77	.329
Overseas clothes	-4.417	77	.000
National wine and cigar	.115	73.762	.626
Overseas wine and cigar	-1.919	77	.055
National China and furniture	-.343	77	.707
Overseas China and furniture	-1.604	73.432	.238

On category of cosmetic and perfume, T test with independent samples to evaluation attitudes to national luxury brands ($t=0.213$, $p=0.819 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-1.830$, $p=0.086 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to overseas luxury brands.

On category of jewellery and watch, T test with independent samples to evaluation attitudes to national luxury brands ($t=-0.552$, $p=0.436 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-1.435$, $p=0.162 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to overseas luxury brands.

On category of car, T test with independent samples to evaluation attitudes to national luxury brands ($t=-1.215$, $p=0.218 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-3.120$, $p=0.001 < 0.05$) showed there was significant difference, so male and female aren't consistent with evaluation attitudes to overseas luxury brands. Male have higher evaluation attitudes to overseas luxury brands than female.

On category of clothes, T test with independent samples to evaluation attitudes to national luxury brands ($t=-0.822$, $p=0.329 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-4.417$, $p=0.000 < 0.05$) showed there was significant difference, so male and female aren't consistent with evaluation attitudes to overseas luxury brands. Male have higher evaluation attitudes to overseas luxury brands than female.

On category of wine and cigar, T test with independent samples to evaluation attitudes to national luxury brands ($t=0.115$, $p=0.626 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-1.919$, $p=0.055 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to overseas luxury brands.

On category of China and furniture, T test with independent samples to evaluation attitudes to national luxury brands ($t=-0.343$, $p=0.707 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to national luxury brands. T test with independent samples to evaluation attitudes to overseas luxury brands ($t=-1.604$, $p=0.238 > 0.05$) showed there was no significant difference, so male and female are consistent with evaluation attitudes to overseas luxury brands.

Table 2 showed that by double T test, male have higher evaluation attitudes to luxury brands than female on two overseas categories of car and clothes. There were no significant difference between male and female on evaluation attitudes to luxury brands on the left four overseas categories of cosmetic and perfume, jewellery and watch, wine and cigar, and China and furniture.

(3) Discussion

The research found that COO effect was significant in evaluation attitudes to general luxury brands, that is to say, advantage difference of overseas luxury brands is significant. At the same time, significant COO effect did exist in evaluation attitudes to most luxury categories. All these showed that COO effect does generally exist to luxury in brand attitudes of Chinese consumers.

The data showed the advantage of overseas luxury brands is significant. Among six investigated categories there were four. Chinese consumers may believe some luxury (perfume or watch) from a special original country (France or Switzerland) own reputation value and they connect them with social status of themselves^[12]. During the evaluation to car brands, consumers prefer overseas brands. It means technology element in products exerts. The higher technology, the more COO effect^[13]. During the evaluation to China and furniture brands, consumers prefer national brands. It means custom and life habits influence COO effect. China and furniture are such products with apparent orient living proneness, so consumers give national brands higher evaluation.

4 Conclusions

As discussed, the focus of this research was to examine Chinese consumers' brands attitudes for luxury under the influence of country-of-origin effect. Understanding the COO effect underlying consumers' brand attitudes is important, particularly in the China context due to the increasingly potential market. Along with the discussion, the research finds that COO effect does generally exist to luxury in brand attitudes of Chinese consumers. But variance of COO effect happens in different category of luxury brands and in different sex.

In addition, this study used samples from one single city- Wuhan of China as subjects of Chinese consumers in luxury. However, the segment also comprises of more consumers in more cities. Furthermore, the findings from this study focusing on luxury brands are perhaps limited here and should be enlarged to other luxury brand categories. The findings of this study of COO effect, therefore, may have limitations to infer Chinese consumers' brand attitudes in luxury. Therefore, future research could consider the aspect to include more consumers in more cities and/or applications to other luxury brand categories.

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