

# The Brand “Made in China” as a Part of the Growth of the China’s Competitive Advantage

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In the eyes of consumers, each product has some kind of origin (its country, region, and continent). The image of the place of origin influences the assessment of products and brands (brand image) they come from. Traditionally, consumers extrapolate the characteristics of the country and its inhabitants on the characteristics of the product. Chinese products are very common and they can be purchased almost anywhere. The consumer does not have to take any special efforts to acquire products “made in China”. Many of these products do not have specific characteristics that allow them to be considered as the unique. Products, whose names indicate the place of origin, are witnessing an increasing popularity. In the case of products “made in China”, the matter is different. Often, consumers do not admit that they purchase goods produced in China. Research on consumer behaviour in the market of Chinese products, conducted among Polish citizens, indicated that these products are readily bought. This article presents the results of the research on consumers’ attitudes towards regional “made in China” which was conducted in April 2015 among Polish citizens. Furthermore, the article will include the comparison of attitudes towards Chinese products between consumers from Poland and other European countries.

*Keywords:* behavior, brand image, brand equity, China, country of origin

## Introduction

For many years, the globalization processes have been powered by the United States and the EU countries. This constant and a few decades long constellation of economic powers have been gradually moving towards Asian countries. The economic power of India and mainly China has been growing. The dynamic development of the “middle” countries awakes anxiety connected with the dramatically growing need for different resources and decreasing technological advantage of the highly developed countries. Even the most innovative branches and the strongest world brands are afraid of the power of China. There is no doubt that the economic power of China is going to be greater and greater (Hsieh, 2004).

Chinese enterprises are aggressively entering markets of the majority of world countries offering products which, most frequently, are cheaper but Chinese brands are not well known by the buyers. Some of the brands are even forced to fight with media which present negative opinions about the quality and safety of the products. Many people knew Chinese companies had to work really hard to free themselves from the image of cheap supplier and be recognized as a producer of high quality goods (Maison, 2004). And how are the Chinese

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brands seen by the Polish buyers? What are the attitudes of the Polish consumers towards them? The aim of this paper is to investigate the level of knowledge and awareness of country of origin, the point of consumer's view on Chinese products. The principal contribution of this paper is to analyse how Polish consumer perceived Chinese products. The author wanted to identify the determinants that have influence on buying Chinese products. To achieve this aim, the results of the survey carried out on 1,500 respondents in January 2014 will be helpful. In the analyzed sample, 546 people are women (44%) and 702 men (56%). The average age in this group was 37 years old. The largest group was people aged from 26 to 35—30%, another large group of persons aged 15 to 25—21%.

### **Literature Review**

China became the world's second largest economy in 2010, surpassing Japan (Meredith & Dyster, 2012). Rapid growth has averaged approximately nine percent between 1980 and 2012 (Datastream International, 2012). Development from an agricultural base has allowed millions of people to transition into more productive industries and escape poverty. This growth is driven by a comparative advantage in the production of labor intensive goods and efficiencies gained from liberalization and trade (Bergsten, 2008). China's development has been resource intensive, with greater per capita fossil fuel use than both India and Brazil (Garnaut, 2012).

The inclusion of China into the World Trade Organization in 2001 positively impacted trade in the region. Van Hoa (2008) highlighted that the 1989 Tiananmen Square Incident had a greater impact on the Chinese economy and trade than the 1997 Asian Financial Crisis and 2001 introduction to the WTO combined.

The country of the origin of a product plays a very important role for many consumers and it is the main criterion when buying a product. This phenomenon is not new, although one might think that Chinese products are concerned and the renaissance of Chinese products can be observed (especially in Poland). Chinese products are still a synonym of mass production, low price, and poor quality. The fact that China is considered to be the biggest producer of imitations adds to the unfavorable image of China (Chińska inwazja, 2015). Until now, China is considered to be a centre of product making—still 1/5 of world's production takes place just there. While analysing the situation of Chinese products and brands, one can have an impression that this era is coming to an end. Although China is associated with the negative aspects of production processes (cheap labor, violation of human rights, and low amount of labor) the country can boast itself with the most dynamic technological development and an enormous labor capacity.

A large number of products, meeting the highest standards and fulfilling all world's production norms, are produced in the Middle Eastern countries China, which make China have a chance to become a leader, not only as far as the consumption of goods is concerned, but mostly by making high quality goods. This fact makes the sale of Chinese luxury products on demanding European and American markets, is a reality. China is heading towards "new economy", and it bases its economy on modern, not only information but also biometric technologies. Also the brands concerned with the renewable resources are taking the market by the storm. In addition, more and more frequently it can be observed the image transformation from "made in China" towards "designed in China", which has a direct relation with the development of creative industries (Obermiller & Spangenberg, 1989).

Having the above in mind, it is worth to change the existing stereotypes. The managers of Chinese companies have already understood that they are undertaking more and more branding actions. Their aim is to create a certain image of a country as well as the products made in it.

The development of Chinese brands is possible due to financial resources of the native companies which allow for buyout of companies which have a positive image in the world but are facing financial difficulties. The improvement of Chinese enterprise image has begun with the expansion to Japan and acquisition of Japanese companies. In this way, the Chinese profited from the brands of these companies as well as from the effect of the “country of origin”.

Chinese companies have understood that their policies to enter global markets are not possible without strong brands. Although for many years Chinese paid little attention to expensive marketing actions, today they are introducing them on a bigger scale. Such companies as Huawei, TCL, or Peak Sport have changed the way they think. These companies have started the branding actions and asked the leading German sportsmen for cooperation. The activation of Chinese companies started in the autumn of 2013 when they marked their presence on few events simultaneously. One of them was European Baseball Championships in Ljubljana. It was there where stadium ring was traditionally used for advertising, the Peak Sport's advertisement appeared. For the majority, this brand is unknown and it belongs to the group of those which intend to enter Europe's and world's markets. Since the beginning of 2013, Peak Sport has supplied to more than 10 national basketball teams.

### **Research Methods**

This paper mainly takes the methodologies of literature review, and quantitative analysis questionnaire survey. The literatures reviewed here include company articles, academic papers, books, and website information. To improve the reliability and validity of the process of data analysis, the technique of triangulation was used, thus taking into account other researchers' interpretation of the data at different times or locations.

To gather the information needed for the purpose of this paper, a questionnaire was used. It was handed out to people aged 18-75 that are to represent the Polish consumer. The extent of the survey had a lower limit for the collected questionnaire that was acceptable. The limit was a set to a minimum of 600 questionnaires, which ought to have provided a basis on the size of former studies in the field of country of origin, which were similar to this study. The consumer was selected from the largest cities in Poland. Questionnaire was made so that the respondents only had a fixed alternative to answer. Consequently, all the collected data were quantitative.

### **“Made in China” Brand Image in the Consumer's Opinion—Research Results**

Chinese products are purchased more or less consciously, over 45% of respondents admitted that they knowingly bought Chinese products at least once (Figure 1). This group consisted of mostly students and people with low monthly incomes (less than 250 euro per person). Only 14% of people said that they always buy products “made in china”. The choice of Chinese products is dictated by the respondents mainly their low price—72% of responses, while as many as 48% of respondents believe that they are perishable goods and common—39% and 34% of respondents feel that price of these products meet their quality. The best selling Chinese products are: decorative articles (56% of responses), electronics (63%), clothes (49%), and toys (38%). Decorative items are usually bought by women (74%) and electronics by men (83%). Toys and clothes are mostly bought by women aged 26-35 years old with secondary education.

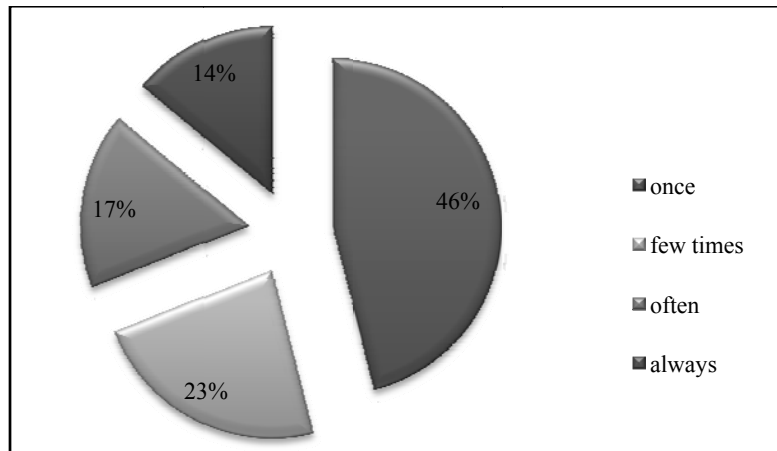


Figure 1. Frequency of conscious buying Chinese products by the respondents.

Being the second largest economy, China still doesn't have a global brand, the brand which causes the positive image of China in the world. The lack of global brand makes that the label "made in China" suffers from a shortage of prestige. China, as a leading factory in the world, producing everything—from iPads to the cotton t-shirts, plays an important role in the global economy. The reputation of global manufacturer becomes a problem for Chinese producers, reinforcing the perception of "Chinese food" as a synonym for cheap low quality products. Headlines western newspapers clamoring for Chinese toxic milk for babies, toys contaminated with lead or counterfeit drugs. Chinese products are subject to continual assessments and comparisons of similar products not originating in China. Unfortunately, opinions about the reputation of companies and Chinese goods are not too good. Nearly 70% of respondents do not trust products "made in China", and 45% of respondents say their negative attitude to companies and Chinese products (Figure 2).

The general opinion about China is that it is a country of high technology, because up to 54% of the respondents positively assess the innovation of Chinese products. Less than 15% of respondents believe that the quality of Chinese products offered on the market matched European standards (Table 1).

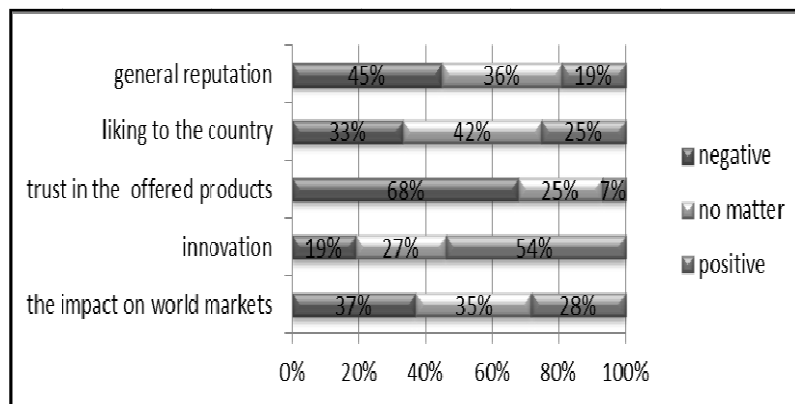


Figure 2. Assessment of the reputation Chinese companies and products.

China is seen as the country of the manufacturers of counterfeit products on the European markets. According to the respondents, the most "copied" by the Chinese producers are information and communication technologies (186 responses) and automotive parts (138 responses), and renewable energy (23 responses) (Figure 3). Among those who recognize China as a country manufacturers and sells counterfeit dominate men

aged 26 to 35 years old and are mainly people with higher education. There is, however, the relationship between education, or age and recognition of China as a country producing fakes.

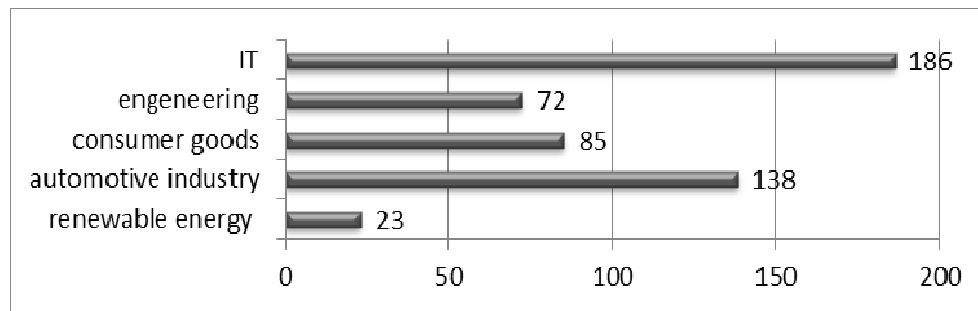


Figure 3. Sectors/industries most threatened by the Chinese economy.

Table 1

*Recognition of Chinese Brands and Assessment of Innovation by the Respondents*

Brands	ASUS	Acer	Lenovo	HTC	BENQ	Huawei	Giant	TCL	Comfee	Hisense
I know this brand	86%	87%	85%	82%	76%	81%	75%	5%	6%	56%
Average rating of innovation	4.8	4.7	4.8	4.8	5.0	5.1	5.0	4.9	5.0	5.0

China is a country consuming most of the world's luxury goods and services and one of the most famous manufacturers of many global brands. However, less than half of the respondents admitted that he knew the Chinese brand (48%). The Chinese brands are still difficult to compete with Western, which became popular throughout the world. The most known of the 10 brands offered by respondent were Acer (87%), ASUS (86%), Lenovo (85%), and HTC (82%). These brands offer products from the IT sector and compete with each other on European market. Despite the recognition of these brands, only half of the respondents were aware that these are Chinese brands (Table 1). A large group of respondents had assigned it an unspecified country as the place of origin of these products. Among those who recognize the brand, men predominated in age from 26 to 45.

In the report of Global Innovation Index 2013, China has found in the 35th's location. The results provide a basis for this, to anticipate that over the next several years, China has become the world leader in innovation. Assessing the scale of 1 to 10 innovative brands proposed respondents admitted all brands average score of 5 (Table 1). The highest quality in the assessment of respondents characterized by ASUS products (in ten-point scale, this brand was judged 6.8) and Acer (score 6.3). Comfee and Hisense were the worst rated products companies (Figure 4).

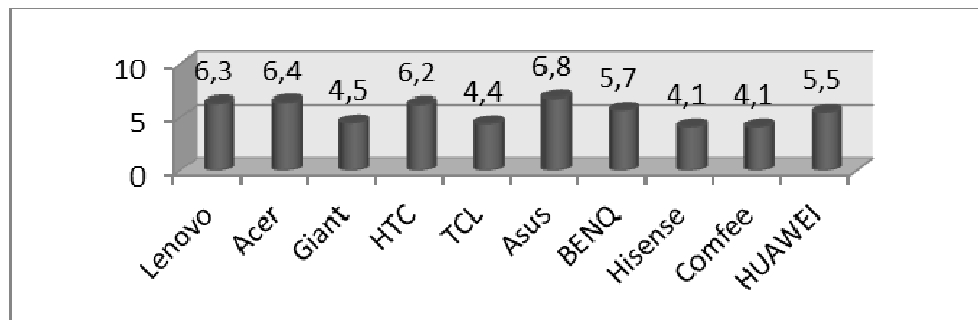


Figure 4. Quality assessment of selected brands manufactured in China.

### Discussion

From the standpoint of economic development and competitiveness of regions willingness of buyers to purchase Chinese products is of paramount importance. This is mainly due to the fact that only the existence of satisfactory demand for these products will allow Chinese companies to remain on the market and guarantee employment for the community.

Observation of the grocery market allows assuming that customer's satisfaction can only be achieved through the full range of products, coming from international, national, and regional levels of production. This, in turn, calls for the production of regional products to be an integral part of the regional development strategy and a vital element in promoting given territorial units. Production of regional products, based on intermediate (i.e. semi-finished) products from the region, not only supports native agriculture and SME businesses, but also allows for the appropriate management of the natural resources of the region (forests, fields, and meadows). As a result, it creates a diverse landscape that can improve the region's image as a place of residence and recreation.

Chinese products are mass-produced, they can compete with international companies as far as price is concerned. The growing similarity of prices to the level of the global market intensifies cost pressures, which becomes a huge challenge for producers. Maintaining a competitive position requires optimization of both costs and supply chains.

### Conclusion

The globalization and integration processes in the world economy are important factors determining changes in the macroeconomic and microeconomic. The lack of understanding of cultural differences in respect of, inter alia, the perceptions, values which are guided by consumers and the ways of meeting needs often leads to restrictions in the sphere of the use of market potential existing in different cultures, and consequently can lead to ineffective use of marketing strategies, including product strategy.

The phenomenon of the effect of the origin country is known in the marketing for many years. This effect may have different substrates, may be formed on the basis of a rational, affective, or normative. Competing with the brand gains in some sectors of particular importance, especially for those in charge of its products to international markets. Information about the origin of the product influences its perception and evaluation, and translates into real market behavior of customers.

Consumers are becoming more aware in their choices, despite the wide range of Chinese products and their low prices, they are not rated too highly. It can be found the terms "Chinese", or "Chinese fakes" have a negative connotation and rather discourage purchases. It can be noted, however, that the price of the product is the main factor determining the purchase, and this is undoubtedly the advantage of Chinese products. It can not be clearly assessed products "made in China", despite the general reluctance they are bought by a large group of buyers.

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