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**From ‘Made in China’ to ‘Created in China’
-The Development of a Country Brand in the International
Exporting Context**



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Abstract

Globalisation has created a world where countries compete with each other over trading. Historically, emerging countries started with a negative brand image to enhance exporting. This is particularly true in the Asian context where a general developmental path has been established by countries such as Japan and South Korea. Their success has gained a strong brand image for their products. China, after launching itself into the global market in the late 70s, has gained an increasing market share of 'Made in China' products. The reputation of 'Made in China', however, is perceived at low quality mass production of low-tech content, and there are only few Chinese brands which can stand out in the global market.

This study explores 'Made in China' phenomenon in the global market, especially from the producer's viewpoint. The literature review provides a background to the research. It covers the studies on Country of Origin (COO) effect, economic development strategies and competitive advantage theories. This research employs a mixed methods strategy that combines both quantitative and qualitative studies. The questionnaire survey was designed to reveal British importers' perception of 'Made in China' products. Netnography and Interview are adopted to investigate the voice from Chinese producers and manufacturers. The design of this research allows for triangulating the findings.

The results show the international buyers, i.e. British importers, perceive the biggest advantage for Chinese products is price. Chinese producers' contributions suggest four themes to represent the current situation of 'Made in China', namely the image, price, quality and imitation. In their view the future development lies in 'Created in China', which consists of other four themes: creativity, branding, designing and R&D. A model of -From 'Made in China' to 'Created in China'- is developed in this research. This model identifies the major obstacles that impede the development are thin profit and copying.

This research shed lights on the study of developing a country brand, especially for the emerging nation like China. For the first time, this research explores the producers' views to highlight the importance of their roles in a country brand's development. The findings also have the implications for Chinese policymakers and industrial development agency. It further offers knowledge to the emerging nations who wish to develop their country brand in the international exporting market.

DECLARATION

In accordance with the University of Edinburgh Regulations for Research Degrees, the author declares that:

- (a) This thesis has been composed by the author
- (b) It is the result of the author's own original research
- (c) It has not previously been submitted for any other degree or professional qualification
- (d) Preliminary results of this research were presented at international conferences and workshops as per attached list of Refereed Conference Papers.

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Date:

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Abbreviations

ASEAN	Association of Southeast Asian Nations
B2B	Business-to-Business
BRICS	Brazil, Russia, India, China, South Africa
COA	Country of Assembly
COB	Country of Brand
COC	Country of Corporate ownership
COD	Country of Design
COM	Country of Manufacturer
COO	Country of Origin
COP	Country of Parts
FDI	Foreign Direct Investment
HC	Home Country
IPR	Intellectual Property Rights
LCF	Late-Comer Firm
LDC	Less Developed Countries
MDC	More Developed Countries
NIEs	Newly Industrialized Economies
OBM	Original Brand Manufacturer
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer
PLC	Product Lifecycle
R&D	Research & Development
RBV	Resource-Based View
SMEs	Small and Medium sized Enterprises
SOHO	Small Office Home Office
TNC	Transnational Corporation

Chapter 1 Introduction

1.1 Introduction

This chapter provides an overview of the research disciplines and the context of the study. It introduces the initial research motivation, research objectives and questions, research significances and challenges.

In 2009, a buyer from Saudi Arabia wanted to import low-price toothbrushes to Riyadh. He visited toothbrush manufacturers in China, and finalized the deal for one container at a price of 0.6 yuan per item, which equates to 5 British pence according to the currency exchange rate at that time. In the UK retail shops, similar products branded by Colgate and Aquafresh, were sold at prices from £1.5 to £3.

This was a personal experience the author had when she was engaged in the exporting business. The price differential in this deal distinctly reflects the value of the ‘Made in China’ product in the international markets. For many years, the image of ‘Made in China’ was associated with low prices, low quality and low technical complexities. The author often perceived this view when she was doing business with global importers and local producers. This provoked author’s interest in exploring the need to develop and improve the ‘Made in China’ image, especially when facing the rising power of other emerging nations, the future of ‘Made in China’ is full of uncertainties. Through this study, the ‘Made in China’ effect in the global market will be investigated and the development of a nation brand will be studied within the international exporting context.

1.2 Research Objectives and Questions

Within the context of the recent extraordinary economic growth of China, the overarching aim of this thesis is to achieve a better understanding of ‘Made in China’ in the global market from the producer’s perspective. The impact of ‘Made in China’ as a nation brand in the development of international trade is considered through an

exploration of country of origin (COO) concept in the international market context, and complemented by studies from nation development strategies and competitive advantage theories, to achieve a closer fitness of applicability.

The overall research objectives are to identify the current situation of 'Made in China' in a global context, and further to explore the development of a nation brand in international exporting business from the producers' viewpoints. Lastly, to understand the evolution of changes and to see how it occurs.

In this respect, three research questions have been emerged:

What is the current perception of 'Made in China' in the global market?

What do Chinese producers think about the future development of 'Made in China'?

How can 'Made in China' evolve into the future?

These three research questions will be answered through this study and further explanation will be provided in the following chapters.

1.3 Research Significance and Challenges

The researcher's interest in the 'Made in China' context emerged from her professional experience. It was soon apparent that a thorough understanding of this global phenomenon might be applicable to other emerging countries. Japan, as an illustrative sample, rose from a low-price economy to a high-technology nation. This model was followed by other country that is keen to change the perceptions of their goods from negative to positive, such as China.

This research makes a theoretical significance in understanding 'Made in China' as a nation brand in the international exporting market. Previous research on country-of-origin (COO) has provided extensive understanding on how individual perception of products made in developed and developing countries. Whilst, there has been very limited study of industrial buyers' perceptions and little from Chinese exporters' viewpoints. Therefore, this research addresses this gap by investigating British

importers' and Chinese exporters' views on 'Made in China' products. In order to have a thorough understanding of the topic, the research explores issues arising from economic development, competitive advantage and RBV, to complement the research needs. Such approach contributes significantly to the literature knowledge in understanding the current situation of 'Made in China' from an economic developmental stance.

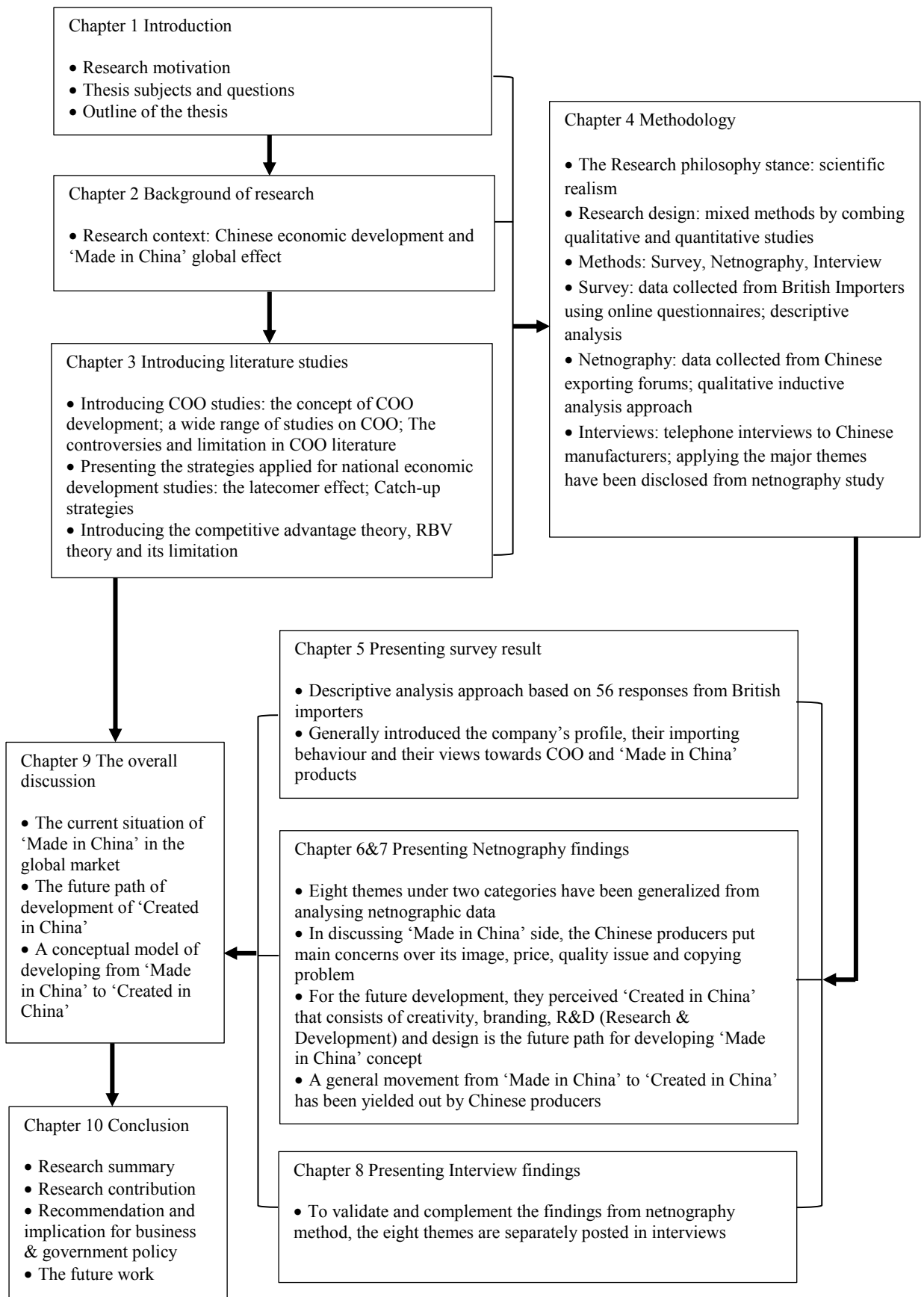
Meanwhile, this study also faces different challenges in both theoretical development and practical engagement. The phenomenon of 'Made in China' needs a conceptual road map based on the existing studies on COO. Yet, the literature studies on COO tended to lack theoretical constructs (Liefeld, 1993; Nebenzahl et al, 1997). The majority of studies are focused on consumer studies while limited knowledge exists for the Business-to-Business (B2B) field, especially from the producer's point of view. The lack of comprehensive theories to explain the study's context is the major challenge in terms of theoretical development. In order to address this challenge, other literature related to 'Made in China' national economic development, competitive advantage and Research-Based View (RBV) will be explored.

The issue of the 'Made in China' phenomenon is topical in the global market. This research will try to gain an understanding by gathering the views from international importers and Chinese manufacturers. This study is also important for Chinese exporters and policymakers in order to develop their economy, especially after various international scandals occurred to 'Made in China' products.

1.4 A Chapter-by-Chapter Road Map

This chapter-by-chapter road map is designed to offer the reader a comprehensive understanding of what lies ahead. The thesis is divided into three parts: the theoretical background, the methodology and empirical findings, and the integrated discussions. The process of this research can be seen in the following flowchart (Figure 1.1).

Figure 1.1 Chapters Flowchart



Part 1: The Theoretical Background (Chapter 2 to 3)

Chapter 2: Research Background

This Chapter introduces the background of the research context which is based on China and 'Made in China'. It provides a general understanding of the research context- China's economic development and the 'Made in China' effect in the global market.

Chapter 3: Literature Review

The relevant literature studies will be introduced and integrated in Chapter 3. It includes three strands of literature studies: the study on COO, the economic development review, and the competitive advantage and RBV. It starts by identifying different concepts derived from definition of COO and covers a wide range of topics that have been explored in the COO literature, include consumer behaviour, product evaluation and branding. Given the need to explore other aspects relevant to the study, the economic development and competitive advantage literature are considered. The economic development studies extend knowledge to the 'latecomer effect' and catch-up strategies. The competitive advantage and RBV theories are introduced in the last section of this Chapter. This Chapter offers a revision of the conceptual framework by providing an integrative approach to explain the phenomenon indicated in this study.

Part 2: The Research Methodology and Empirical Findings (Chapter 4 to 8)

Chapter 4: Methodology

The Methodology Chapter details the research positions and questions. It adopts a scientific realism as a philosophical stance for the research. It also employs mixed methods that combine survey, netnography and interview. Each method section presents detail information on data collection, data analysis and ethical consideration and further addresses and justifies research issues, methods and choices. Overall, this chapter provides a comprehensive description of the path taken to advance knowledge in the research area. It also triangulates the research findings and expands the scope of study.

Chapter 5: Survey Results

This Chapter presents the findings from the survey. It covers information on British importing companies' profile, their importing behaviour and the views on the COO effect. The design of this chapter is to understand the international buyers' perception in regard to 'Made in China' products.

Chapter 6 and 7: Netnography Results

The findings from the netnographic data will be presented in two chapters: Chapter 6 and Chapter 7. Chapter 6 introduces the four themes generated from data, including the 'Made in China' image, price, quality and copying issues. These four themes are under the umbrella of 'Made in China' that underpin its current situation.

Chapter 7 demonstrates the other four themes under the topic of 'Created in China'-creativity, branding, design and R&D. Based on the netnographic data, 'Created in China' is deemed to be the future development for 'Made in China' and these four themes construct a wish list for the future.

Chapter 8: Interviews Findings

To complement and validate the findings from the netnography, this Chapter presents the results of interviews to Chinese producers. It is structured under the eight themes derived from the netnographic findings: image, price, quality, copying, creativity, branding, designing and R&D. It outlines the perception of Chinese producers and introduces the different themes in detail.

Part 3: The Integrated Discussion (Chapter 9 to 10)

Chapter 9: Discussion

The Discussion Chapter brings together the findings from Chapter 5 to Chapter 8 by combining the theoretical knowledge presented in Chapter 3. This chapter firstly justifies the stance of this research on the producers' point of view rather than the individual consumers' interests. Thereafter, it reviews the overall findings of this research. In addition, an integrative discussion is made of literature and the context

of this research. Finally, a conceptual model from 'Made in China' to 'Created in China' is introduced.

Chapter 10: Conclusion

This research is concluded in Chapter 10. It will discuss the research contribution to the theoretical knowledge and managerial application. This chapter underlines the limitations arising from the study and addresses the future research. The chapter recommends some policies to the Chinese government and the emerging countries who would like to develop their country image in the international market context. Other additional recommendation is made to improve the context of industrial development.

Chapter 2 Background of Research

2.1 Introduction

This research is targeted at Chinese products - 'Made in China' in the international exporting context. As a starting point for the whole thesis, this chapter provides a general background of the research context: Chinese economic development and the 'Made in China' global effect. This chapter is intended to provide a foundation for the further research.

2.2 Chinese Economy in pre-1949 and post-1949

Some researchers (Thomas, 2006; Naughton, 2007) have studied the Chinese economy in the pre-1949 and post-1949 settings. In examining China's economic development performance before 1949, the situation clearly can be seen as one of prolonged stagnation rather than successful growth. Thomas (2006) stated that before 1800, Imperial China under the Qing Dynasty was a major world economic power which accounted for roughly 32 percent of the world's economy (Maddison, 1998). From 1800 onwards, particularly after 1860, China's economic growth began to stagnate and grew at less than one percent annually until 1949, and might have even declined (Maddison, 1998). By 1949, China's share of an expanding world economy had shrunk to about five percent and China was seen as one of the poor countries of the world with a per capita annual income of about US\$50 (Naughton, 2007).

The reason for the descent of China's economy, Thomas (2006) and Richardson (1999) argued that it might vary from foreign-imposed obstacles and domestic factors such as a corruptive Chinese official system, to China's Confucian ideology and family-oriented business structures. One major domestic limitation was the failure to industrialize during the 19th century while Western countries did. These were contributed to the stagnation of China's pre-1949 economy and potentially influenced current economic development.

In 1949, the newly established People's Republic of China led by the communist government took full sovereignty and complete control of China's economic development. The strategy designed in terms of economic developmental policies led to an annual average economic growth rate of about four percent from 1953 to 1978, among the highest in the developing world at the time (Thomas, 2006; World Bank, 1997). In 1978, led by Deng Xiao Ping's Open Door policy, China began post-Mao economic reforms and gradually transferred from a planned economy into a market economy. It further opened China to foreign trade, foreign investment, foreign technology and export-led development.

Since then, China has achieved per capita economic growth of 8-10 percent annually, among the highest rates in economic development history (World Bank, 1997; Wang, 2000; Thomas, 2006). Especially during the 1990s to 2000s, China's GDP grew by double-digit percentages points on average per year and it is still expected to grow by over 8% in the next five years (2014-2018) (Dorrucchi et al, 2013). This growth rate is virtually unprecedented for a poor, largely agricultural country (Thomas, 2006).

Figure 2.1 illustrates the most recent data on GDP annual growth rate in China from 2008 to the third quarter of 2013. By the end of year 2010, China surpassed Japan as the world's second largest economy (Flanders, 2011). Many organizations, such as Tom Miller of GK Dragonomics, a Beijing-based economic consultancy, claim that it is more likely for China to replace the US as the world's top economy in the near future if China can maintain its current rate of growth.

Figure 2.1 China GDP Annual Growth Rate (percent change in Gross Domestic Product)



Source: National Bureau of Statistics of China (see at www.tradingeconomics.com)

Just as other successful Asian regions did, i.e. Japan, South Korea, China’s economic growth is mostly supported by booming exports. Historically, Imperial China had for many years permitted international trade to be carried out in the city of Canton (Guangzhou). It exported products like tea, silk, and ceramics, to meet the high demanded European and other markets (Thomas, 2006). After the economic reforms in 1978, China achieved its phenomenal export growth by highlighting the sophistication of its exports and the diversification of its products (Amiti and Freund, 2007).

According to the data provided by the General Administration of Customs, exports in China reached \$190.608 Billion USD in August 2013, and the exports of goods and services now constitute 30% of GDP. China’s major exports are: electromechanical products (57% of total exports) and labour-intensive products like clothing, textiles, footwear, furniture, plastic products, bags and toys (20% of total exports). In recent years, the export of high-tech products have also increased and it accounted for 29% of total exports in 2012. China’s main export partners are the United States (17%), the European Union (16%), ASEAN ¹(10%) and Japan (7%)². Figure 2.2 shows the

¹ The Association of Southeast Asian Nations

² See at <http://www.tradingeconomics.com/china/exports>

historical data on Chinese exports by month (in USD Hundred Million) from January 2000 to August 2013.

Figure 2.2 China Exports by Month (USD Hundred Million)



Source: General Administration of Customer (see at www.tradingeconomics.com)

The success story of the Chinese economy is mainly clustered in coastal regions (see Figure 2.3 The map of China), and different regions led by different economic development models. Coastal regions, such as Guangzhou, Shenzhen, have enjoyed a long history of industrialization and have developed as relatively mature market. Other regions such as the north coast were developed by State-owned heavy industry. Jiangsu- a city located at east coast, was driven by FDI (Foreign Direct Investment), and Zhejiang economy has been renowned for SMEs (Small and Medium sized Enterprises).

Figure 2.3 The Map of China



Source: <http://www.chinapage.com/map>

One of the most salient models - ‘industrial cluster’ - has contributed to Chinese economic development significantly (Zeng, 2012). There are different concepts of industrial districts introduced in the literature. The first strand was highlighted by Marshall (1920) as generally referred to ‘industrial district’, other three types of industrial districts were proposed by Markusen (1996), namely: a ‘hub-and-spoke’ industrial district centring on a few dominant externally-oriented firms; a satellite platform (a congregation of brand facilities of externally based multi-plant firms); and a state-anchored district, which relies on one or more public institutions. The Detroit ‘auto cluster’ fit into the ‘hub-and spoke’ model despite its recent bankruptcy. China is best suited to the Marshallian model referred to as ‘industrial district’ or ‘cluster’ where a large number of small firms congregate and interact closely with one another, while other types of cluster are less prevalent in China (Long and Zhang, 2012). The idea of an industrial cluster is referred to often as Chinese businesses and policymakers have embraced and capitalized on it to win business through cooperation (Liu, 2008).

A cluster economy is made up of professional towns and villages functioning as production hubs, with one or more towns focusing on a single product. It is illustrated with the concepts of ‘one village, one product’ or ‘one town, one industry’ as exemplified by the phrases ‘Shengze textiles’, ‘Hengshan sewing machines’, ‘Ningbo costumes’, ‘Wenzhou shoes’, ‘Shaoxing synthetic textiles’, ‘Haining leather coats’, ‘Yiwu small commodities’, and ‘Yongkang hardware’, to name but a few (Liu, 2008; Hung, 2008). The presence of many firms in a single area helped to encourage innovation and the diffusion of new ideas, business flexibility and specialization.

2.3 ‘Made in China’ Global Effect

China has earned the ‘World Factory’ title through its success in the exporting sector (Flanders, 2011). Chinese products emblazoned ‘Made in China’ label, have been delivered to all over the world. Over the last few decades, ‘Made in China’ positioned itself as a producer for the cheap and mass goods to satisfy the world demand in low price. It benefits to consumers with the great value from Chinese ultra-low manufacturing model which involves high volumes and fast delivery. Yet, ‘Made in China’ suffers from the dilemma of producing Western brands, and at the same time, not being seen as products of value because they are ‘Made in China’ (Loo and Davies, 2006).

Over the years, a number of scandals on the recalled Chinese products on toothpastes, toys, drugs and tyres (Chinen and Sun, 2011) have created a major impact on the ‘Made in China’ image. Other scandals in China even added more controversial image to ‘Made in China’ product itself. For instance, in early Spring 2003, China was associated with the SARS epidemic and violent protests over social problems. Those negative events affect the consumer’s perception towards a country and further influence their attitudes towards products originating from that country in the same manner (Morello, 1984).

The Chinese government has put efforts into repairing the image of ‘Made in China’ and further improving the country’s reputation. The 2008 Olympic Games was one of the best opportunities for China to show the positive side of its great economic and political power. It provided a platform to challenge many of the negative perceptions and stereotypes that China has (Blair et al, 2010).

In 2009, the first advert for ‘Made in China’ was broadcasted on CNN International and other media agencies. This advert was designed by the Chinese government agency, Beijing Commerce Department together with another four subordinates (China Advertising Association, Machinery and Electronic Products Import and Export Chamber of Commerce, Light Industry and Handicrafts Textile Import & Export Chamber of Commerce). It was deliberately made to enhance the role of Chinese collaboration with foreign companies in producing high-quality and high-tech goods. The advert not only showed the positive image of ‘Made in China’, but also signalled the shift in power with a climb from low-quality cheap products to high-value supply chain products. This is one of the strategies the Chinese government has taken to refurbish its nation brand image, especially after a series of quality and safety scandals involving a range of products, from toys to dog food to dry wall that may have damaged it (Skoloff, 2010). With these efforts, the Chinese government is hoping to improve its nation image.

2.4 Conclusion

From the late 1970s, ‘Made in China’ gained great exporting power by means of its low cost advantage. The world has witnessed the rise of the Chinese economy in a relatively small number of decades. However, the development of the Chinese economy also led to rising production costs. In this regard, ‘Made in China’ has started losing its cost advantage to its neighbouring countries who can offer even lower prices. Other challenges faced by ‘Made in China’ include the lack of Chinese brands in the global market (Fan, 2008) and a relatively negative nation brand compared with developed countries (Loo and Davies, 2006).

Loo and Davies (2006) pointed out that the central question in developing China's nation brand is based on whether China can evolve a coherent brand image. They stated that in the longer term, China will need to develop brand names of its own. For an indication of future direction, the Asian expert such as Lehmann (Lausanne Business School) suggest that Chinese producers should pay more attention to quality, brand development, governance and transparency to prevent further harm to the 'Made in China' brand (Kasriel, 2007). A recent survey conducted by European consumers also suggests that international consumers would be more willing to accept 'Made in China' products if China could be more transparent in how the products are made (Calling Brand, 2011).

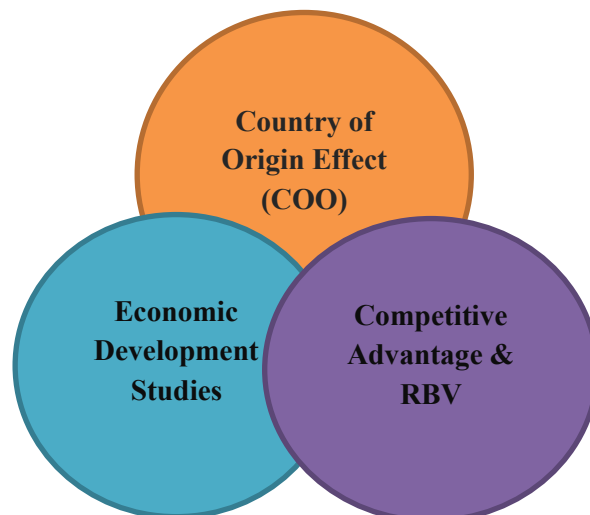
'Made in China' and its related issues have become a complex phenomenon in the global market. Many scholars and practitioners have tried to understand it from different research angles, i.e. product, country and policy, or from different levels- customer, firm and government. In a similar vein, this research is designated to explore 'Made in China' issues from a firm's level in the international trading context and to further understand the future direction for its nation brand. The following chapter introduces the relevant literature to build a theoretical background. Chapter 3 will take a different perspective with regards to the COO effect, a nation's economic development and the competitive advantage and RBV theories.

Chapter 3 Review of Literature

3.1 Introduction

In this chapter the relevant literature is reviewed to provide an understanding of the research carried out. It will discuss the key concepts in the studies of country of origin (COO) effect and the different grounds covered by the COO effect, including product evaluation, consumer purchasing behaviour, consumer's emotional affection and its association with branding. To further understand the 'Made in China' effect and the change of a nation brand in the exporting market, the studies of economic development, competitive advantage and Resource-Based View (RBV) theories are introduced. Figure 3.1 indicates an overview structure of this chapter. It is intended to provide a comprehensive understanding to the research objectives through the literature. The aim of this review is to point out the key concepts and theories that are necessary for interpreting the research findings. Meanwhile, a number of gaps and limitations have been identified at the end of each section to address the aim of this research.

Figure 3.1 Literature Structure



3.2 Country of Origin (COO) Definition

The concept of country-of-origin is diverse, and it covers a number of the research fields that relate to the impact of consumer's reaction to the goods produced globally. The term has been widely defined by various scholars in this field. Some researchers define COO with a 'Made in' cue, for example Bilkey and Nes (1982) perceived a product's country origin was communicated by the phrase of 'Made in (name of country)' as the informational cue. Johansson et al (1985) suggested that COO concept was attached to the country where the headquarters of the company that manufactures and markets the product or brand was located, or the place of manufacture influences the product's evaluation (Gurhan-Canli and Maheswaran, 2000a; Zhang, 1996). Therefore, the widely accepted concept of COO is commonly referred to as a 'Made in' perception (Parameswaran and Pisharodi, 1994; Amine et al, 2005; Chattalas et al, 2008).

Nevertheless, there was a great degree of misconception in defining country-of-origin and country-of-manufacture amongst the majority of early researchers. They mixed a consumer's perception of the country with which a product/brand is identified with the country that a product is made/manufactured (made-in cue). These mixture concepts were acceptable in the earlier time. However, the constantly changing nature of globalization has entangled the scope of COO research and it has resulted in an increasing number of studies on the hybrid products (Uddin, et al, 2013). Rapid product outsourcing by multinational firms indicates the need for research to adopt a multidimensional perspective on country-of-origin by distinguishing between the concepts of country-of-origin and country-of-manufacture (Saeed, 1994; Ahmed et al, 1994; Nebenzahl et al, 1997).

Furthermore, an intertwined transnational network of exchanges in ideas, R&D, product design and distribution, has created new concepts of country of design (COD), country of assembly (COA) and country of parts (COP). These different definitions have been given by various authors (Saeed, 1994; Leonidou et al, 2007; Jaffe and Nebenzahl, 2006:29), are generalized below:

Country of origin (COO): the country which a consumer associates with a certain product or brand as being its source, regardless of where the product is actually produced.

Country of manufacturer (COM): The country name that appears on the 'Made-in' label, and denotes the location of manufacture or assembly of a product.

Country of design (COD): the country in which either a part of or the entire finished product is designed.

Country of assembly (COA): the country where final assembly takes place. This concept is identified by the 'Assembled-in' label.

Country of parts (COP): the country that is the source of identified key parts or components.

Nebenzahl et al (1997) have further suggested the concept of *Home Country (HC)* as the country in which the consumer resides. It is necessary to identify the consumer's home country as consumers may be also affected by their own nationality and culture in identifying a product (Chasin et al, 1989; Amine, 1994; Sharma, et al, 1995). A recent study by Sinrungtam (2013) listed that COM (country of manufacture), COA (country of assembly), COP (country of parts), COD (country of design), COB (country of brand), and COC (country of corporate ownership) are the six dimensions under the umbrella of COO (country of origin).

A single product that used to be defined easily before has now become extremely complicated to establish its country of origin. The case of Apple products created by Steve Jobs team demonstrates the hybrid product phenomenon vividly. Take the example of the iPhone which is produced and assembled in China, designed in California, and where its component and product's parts come from Japan, South Korea and Germany (Arnold, 2012). Despite the various COD, COA, COM and COP an iPhone represents, consumers still perceive it as an American product. Hence, the definition of COO can be related to the country in which the product's brand originates (Saeed, 1994; Agrawal and Kamakura, 1999) and it may be dependent solely on the perception of the consumer.

3.2.1 Image, Brand Image, Product and Country Image

Studies on the COO effect and image have been widely spread on the research fields of consumer's purchasing behaviour and international marketing. Before proceeding to the further exploration, it is important to identify the definitions of image, brand image, product image and country image first. The early research conducted by Nagashima (1970) on the consumer's perception on the product's country origin has stated that 'image' as *'ideas, emotional background, and connotation associated with a concept'*. A similar definition was given by Kotler (1997:607) who described image as *'the set of beliefs, ideas, and impressions that a person holds regarding an object'*. When image definition applies to a product, it is defined a product image as the particular picture that a consumers acquires of an actual or potential product (Kotler, 1997:317), and furthermore, a brand, country or place's image is similarly defined as the consumer's mental picture of a brand, country or locality (Jaffe and Nebenzahl, 2006:15). COO image refers to 'a buyer's opinions regarding the relative qualities of goods and services produced in various countries' (Bilkey 1993, p.xix), and the definition of 'Made-in' image was presented in the studies of Nagashima (1970) and Narayana (1981) as follows:

“The 'Made in' image is the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions.” (Nagashima, 1970: 68)

“The aggregate image for any particular country's product refers to the entire connotative field associated with that country's product offerings, as perceived by consumers.” (Narayana, 1981: 32)

Based on these two 'Made in' images, Roth and Romeo (1992) defined a product's country image as:

“The overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses.” (Roth and Romeo, 1992:479)

It is not difficult to detect the interactive relationship between the different image concepts. The image of a product held by the consumer may relate to the product's functional use, size, packaging, price range, brand-name, or related country image (Jaffe and Nebenzahl, 2006:18). Similarly, the image of a country is influenced in the perception of its people, level of economic development, quality of its products, and products in which it has comparative advantages. Hence, the image of COO can be further associated with the originating country's technology level, international trade relations, and customer's personal purchasing experiences. A positive country image can promote product sales, new market entries, and favourable international trade. The relative importance of country image cannot be viewed as simply a brand. As Papadopoulos (1993, P.XXI) asks rhetorically, *'it is often said that brand name like McDonald's are worth millions. If so, how many billions is Germany's image worth?'*

3.3 COO Literature Studies

The COO cue has long been of great interest to both practitioners and researchers in international marketing field (Magnusson et al, 2011). Dichter (1962) originally suggested that the phrase of 'Made in' can have a tremendous influence on the acceptance and success of products. It was believed (Magnusson et al, 2011; Uddin et al, 2013) that the first empirical study on COO was conducted by Schooler (1965) who evaluated the consumer's perception towards products made in different countries in Central America. The results showed that the existence of COO cues affects the consumer's opinion as regards the product. Following his research, a large number of studies by a range of scholars have explored the COO effect and it has become the 'most-researched' issue in the international marketing field (Papadopoulos and Heslop, 2002; Pharr, 2005). The topic has produced more than 1,000 published works since the 1960s (Papadopoulos, 2004; Uddin et al, 2013) which has examined a variety of methodologies, product categories, and source countries. The broad range of topics emerging from nearly 50 years of research have included: the COO effect on product evaluation and consumer purchasing decision making (Bilkey and Nes, 1982; Johansson et al, 1985; Okechuku, 1994; Verlegh and

Steenkamp, 1999; Josiassen and Harzing, 2008; Sharma, 2011), comparative studies on product made by developed versus developing countries (Ghymn, 1983; Alden et al, 1999; Batra et al, 2000; Pappu et al, 2007 etc), the country image perception as regards product category (Eroglu and Machleit, 1989; Roth and Romeo, 1992), the stereotyping studies on product made in different countries (Nagashima, 1970; Maheswaran, 1994; Verlegh et al., 2005) and the nation brand (Dinnie, 2008; Fan, 2010; Fetscherin, 2010).

Given the large body of COO-related literature, Appendix 3A illustrates the relevant COO studies. The chart shows that the majority of COO studies are focused on the topic of product evaluation, consumer behaviour, country comparison and the interaction between COO and brand. In spite of a large body of research on the consumer's perspective, little attention has been given in industrial trade and very limited research has focused on the manufacturing sector. Appendix 3A presents an overview background for the subsequent development of the research propositions. The generalized but specified fields on COO effect research are introduced in the following sections.

3.3.1 COO and Product Evaluation

The first study of COO effect on product evaluation was carried out by Schooler in 1965, since then, the effect of a product's COO on buyer perception, evaluation and intention have been one of the most widely studied phenomena across different research fields (Peterson and Jolibert, 1995; Usunier, 2006; Wang et al, 2012). It has long been accepted that where a product is made has an impact on the consumer's judgment as regards product quality and it further influences their purchasing decision (Bilkey and Nes, 1982; Gaedeke, 1973; Han and Terpsta, 1988; Okechuku, 1994; Pharr, 2005; Sinrungtam, 2013). Hence, both the product quality evaluation and purchase intentions were regarded as the two most popular areas amongst the numerous strands in the study of COO effect on product evaluation (Kabadayi and Lerman, 2011).

As regards the COO effect on product's quality evaluation part, Gurhan-Canli and Maheswaran (2000a) found that featuring Japan as the COO led to favourable perceptions of product quality. Product quality evaluation has a major influence on the consumer's purchase intention. A study supported by Dodds et al (1991) used product's quality assessment in terms of likelihood, probability and willingness to buy in measuring the purchase intention. These results showed the influence of quality evaluation on purchase intention. Sinrungtam (2013) pointed out that the four dimensions of COO (COC, COM, COP and COB) have significant effects on both product quality and perceived value and purchase intention. Other researchers such as Peterson and Jolibert (1995) and Verlegh and Steenkamp (1999) applied meta-analysis to suggest that a favourable COO image can influence customers' perception of the quality of a product and influence their purchase intention. Therefore, COO cues have a moderate impact on judgements related to purchase value (Hui and Zhou, 2002; Pharr, 2005) and a strong impact on quality perception (d'Astous and Ahmed, 1999).

Given the empirical evidence in supporting of the COO cues as an indicator of product's quality (Rezvani et al, 2012), one would expect that such COO effects influence the consumer's price perception. More specifically, the consumer perceives products from a better product-country image with premium price, while a product originating in a country with poor product-country image may have to offer a discounted price due to the country's image. This price premium/discount should exist above and beyond the price differential due to quality differences (Agrawal and Kamakura, 1999).

3.3.2 COO and Consumer Purchase Behaviour

The effect of COO on consumer behaviour is considered one of the most extensively researched concepts in international consumer research (Peterson and Jolibert, 1995; Jain, 2007; Uddin et al, 2013). The intensive research on this area suggested that consumers use COO cue as a signal to help them in the purchase decision-making process by posting judgement about products' quality (Agrawal and Kamakura,

1999; Kang and Yang, 2010; Roth and Diamantopoulos, 2009; Shi et al, 2012; Koschate-Fischer et al, 2012).

Consumer research has shown that individuals base their purchasing decisions on information cues, and that information cues can be categorized as either intrinsic cues (e.g., product design, taste, performance) and extrinsic cues (e.g., brand name, price, country of origin) (Olson and Jacoby, 1972; Saeed, 1994, Ahmed et al, 1994; D'Alessandro and Pecotich, 2013). Consumers consider intrinsic cues, such as product design, quality, colour and package when they have a purchasing intention. They use both intrinsic and extrinsic cues to evaluate the product in a real purchasing setting, whilst, the extrinsic cues are more likely to be used in the absence of intrinsic cues (Olson and Jacoby, 1972; Gerstner, 1985; Herz and Diamantopoulos, 2013). A COO cue is used as one of the important extrinsic cues as a shortcut to purchasing decision making, especially when intrinsic cues are not readily available (Johansson et al, 1985; Johansson, 1989; Saeed, 1994; Niss, 1996; Bredahl, 2004). Therefore, for companies originating from countries that elicit strong national images abroad, the use of their national image as a positioning tool may therefore be an effective strategy to adopt, especially in the introductory stages of their export marketing (Niss, 1996; D'Alessandro and Pecotich, 2013).

Furthermore, Kaynak et al (2000) categorized individual consumers into novices and experts, and claimed that when the type of attribute information was unambiguous, experts based their evaluations on attribute strength while novices relied on COO information. This has confirmed by D'Alessandro and Pecotich (2013) in the study of customer's involvement in evaluating wine from different countries. They found when attribute information was ambiguous, both experts and novices used COO in product's perception and evaluation.

Since a COO cue is regarded as an extrinsic cue, there is no difference in COO when comparing with other extrinsic cues like price, brand or retailer reputation. However, a large number of studies showed that COO cue can greatly influence other extrinsic and intrinsic cues. It acts as a 'signal' for product quality (Dawar and Parker, 1994), which shows that consumers in developing countries place a product's country of origin in a more important position. For instance, consumers from developing

countries place a higher value on products from advanced countries, as they rate higher in products' quality and performance. Consumers are also willing to pay an extra premium for products made in Japan over those manufactured by the same company in Indian.

3.3.3 COO and Product Categories

Despite the potential large differences in price, consumers are likely to prefer French over Austrian champagne; Italian over Finnish fashion; German over Chinese cars and Japanese over Mexican electronics (Chattalas et al, 2008). Research indicates that the COO effect is highly related to product's category-specifics. The establishment of a country-product link in order to generate useful data was recognized by Yaprak (1978). Empirical studies have shown that buyers hold different sets of beliefs across product categories and that their perception toward a product from a given country varies by product category (Bilkey and Nes, 1982; Roth and Romeo, 1992; Pappu et al, 2006). Roth and Romeo (1992) propose a framework for managing COO effects through matching product category and country image perception by posting four dimensions to measure the country image (innovativeness, design, prestige, and workmanship). Their results shows that consumers from certain countries (such as USA, Mexico and Ireland) were willing to purchase products from countries which were evaluated high on dimensions that were important to the product category in question. Conversely, consumers were unwilling to buy products from countries that had an unfavourable product-country match, i.e. a car made in Mexico or Hungary.

However, Dinnie (2004) questioned whether the four dimensions of measurement as regards the fitness of a country image and product category is considered a weakness, as he stated that it has failed to take into consideration the cultural dimension of country image. This hints at further research regarding whether country image can be adequately captured by using only product category dimensions or whether a cultural dimension should also be included in the measurement of country image, regardless of product category (Dinnie, 2004).

The majority of researchers have focused their studies on the comparison of various product categories, examples as listed by Fetscherin and Toncar (2009) in comparing cars with appliances, clothing, perfume, and toiletries (Darling and Kraft, 1977); cameras and calculators (Yaprak, 1978); pharmaceutical products (Niffenegger et al. 1980); foods (Hooley et al, 1988; D'Alessandro and Pecotich, 2013); carpets, air conditioners, and refrigerators (Al-hammad, 1988); TVs (Han and terpstra, 1988; Han, 1989). There are a number of studies that have been conducted on the automobile industry while very few them (Johansson et al, 1985; Lawrence et al, 1992; Baker and Michie, 1995; Chinen et al, 2000; Brodowsky et al, 2004 etc) have conducted an in-depth investigation of the COO effect of cars from multiple countries (Fetscherin and Toncar, 2009).

Early research (Strutton et al, 1994) examined the perception of US consumers towards automobiles from the USA and Japan, with the result that American consumers prefer Japanese made automobiles in terms of the dimensions of style, investment properties and quality. Subsequently, Chinen et al (2000) investigated the automobile brand Toyota and its country of origin by made in Japan, the USA and Mexico. The findings supported the view of COO influences a consumer's product evaluation. Other study by Fetscherin and Toncar (2009) filled a gap in the literature on the automobile industry as regards in the US consumer's brand perception of Chinese and Indian cars. Their results gave a higher rating to Chinese cars in terms of more daring, up-to-date and 'outdoorsy' than the others.

3.3.4 COO and Brand

Some studies (Bilkey and Nes, 1982; Ahmed et al, 1994) have argued that the most studies on COO effect regarding it as a single cue to assess product evaluation, and it is necessary to present other extrinsic information cues such as brand name, price, and warranty along with the COO cue. Following this suggestion, other research reveals that the relative importance of COO diminishes when other additional extrinsic information is provided (Hastak and Hong, 1991), and the brand name is commonly used as one of extrinsic information by buyers in evaluating products. It shows that the brand name moderates the effects of COO (Johansson and Nebenzhal,

1986). By contrast, COO is used to evaluate the brand and its importance is even higher for electronic products (i.e. TV set, car radios) (Okechuku, 1994) than apparel products (i.e. blouse and shirts) (Ettenson et al, 1988). The effects on product evaluation tend to be more devastating for low-equity brands than high-equity brands (Hui and Zhou, 2003).

On-going research on the impact of COO as regards brand and what strategic approach an international brand should take has been carried out for decades. Early research by Johansson and Nebenzahl (1986) found that sourcing the production of Honda and Mazda automobiles in South Korea, Mexico or the Philippines would detract considerably from brand attractiveness compared to location production only in Japan. A similar study that used tourist coaches as a product category by Stewart and Chan (1993) found that Mercedes-Benz buses made in Brazil and South Korea had a significantly lower image compared to those produced in their home country. Han and Terpstra (1988) also indicated that the brand image of automobiles made in the USA and Japan eroded when production shifted to South Korea.

Consumers tended to evaluate product quality and technological superiority based on brand image rather than country of manufacture (Uddin et al, 2013). Various debates have been focused on whether an international branding company should concentrate production in developed countries or adopt countervailing strategies, such as emphasizing the German origin of automobiles even though they are made in Brazil (Han and Terpstra, 1988), or using a ‘neutral’ brand when producing in a low-image country (Tse and Gorn, 1993), or even discounting the product price (Johansson and Nebenzahl, 1986). Moreover, Nebenzahl and Jaffe (1996) have conducted research on investigating the joint effect of brand and ‘Made in’ country images as regards consumers’ evaluation of globally sourced brands.

3.3.5 COO Image as ‘Halo and Summary’ Constructs

One of the most researched topics on COO image and brand effect is on the ‘halo and summary’ construct (Erickson et al, 1984; Johansson et al, 1985; Johansson, 1989; Shimp et al, 1993). Nebenzahl et al (1997) stated that the halo construct

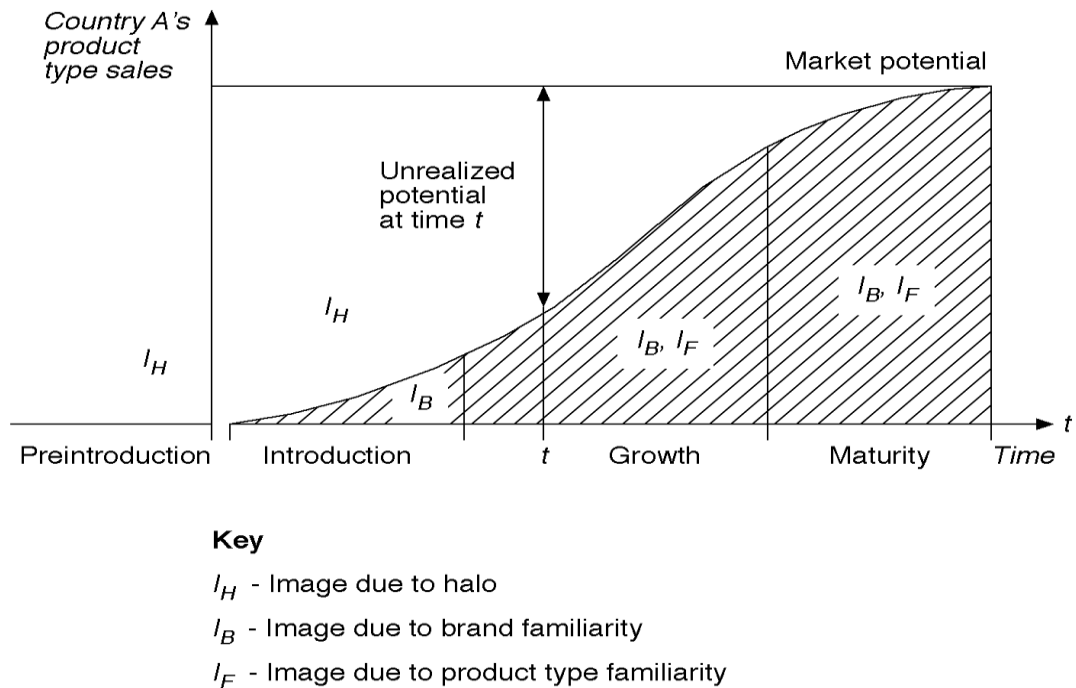
assumes a consumer's perception of COO image directly affects attitudes in situations where she or he knows little about a country's products. In this case, knowledge of the country, i.e. level of economy, political and social development, will have a crucial impact on brand attitude and product evaluation (Han, 1989). The 'summary' construct assumes that COO image is based on perceived attributes of products made in a given country. By attributing these perceptions to the attributes of products made in a country and sold under a certain brand name, COO image, in turn, directly affects consumer attitude toward the brand (Crawford and Garland, 1988; Hong and Wyer, 1989; Howard, 1990) or the specific product.

Conversely, Lampert and Jaffe (1998) extended this into three different situation based on the familiarity and experience with cognitive state to a country's product (see Figure 3.2), namely the introduction stage, growth stage and maturity stage. The 'halo effect' is positioned in the situation in which the individual has no experience with the product, but has a general image about the country to project the specific product category (Erickson et al, 1984; Johansson et al, 1985; Johansson, 1989). This is also defined as 'the tendency to rate individuals or institutions either too high or too low on the basis of one outstanding trait' (Chaplin, 1973). The definition is given below (Krech et al, 1969):

“The so-called halo effect... generally refers to the fact that the favourableness (or unfavourableness) of one's first impression of another very often leads us to attribute to him all manner of good (or bad) traits. It is as if we tended to make first a broad evaluative judgement about a social object and then a halo of specific traits compatible with that single, organizing judgement around it...”

Lampert and Jaffe (1998) stated that the image of COO may play a significant role in an unfamiliar brand regardless the actual value of product. However, it changes when consumers gain higher brand familiarity until the product reaches a maturity stage, which the evaluation will be based on the product's both real and perceived value (as shown in Figure 3.2). It is a selective process because the more expert and knowledgeable the consumer, the less likely the COO cue will be important, only in the case of when it is consistent with the past experience of a product from a relevant country or brand (D'Alessandro and Pecotich, 2013).

Figure 3.2 The Product Life Cycle of Country as Product Type and its Relationship to Product Image



Source: Lampert and Jaffe (1998)

3.3.6 COO Stereotypes and Consumer's Emotional Affection

Stereotypes are fixed impressions which are commonly defined as ‘a socially shared set of beliefs about traits that are characteristic of members of a social category’ (Greenwald and Banaji, 1995: 14), or described as stored beliefs about characteristics of a specific country which are socially shared (Kunda, 1999; Herz and Diamantopoulos, 2013). It can be formed through direct experience or indirectly via education or media exposure (Verlegh and Steenkamp, 1999; Herz and Diamantopoulos, 2013). Country stereotypes help a consumer to make inference about quality, particularly when other information cues are inaccessible or too complex to assess (Askegaard and Ger 1998; Chattalas et al, 2008) or when consumer expertise is low (Maheswaran, 1994; D’Alessandro and Pecotich, 2013).

COO acts as a cognitive cue for consumer to infer beliefs about a product based upon their understanding of the country in which the product originates (Verlegh and

Steenkamp, 1999; Lotz and Hu, 2001). In other words, people form their overall evaluations and preferences based on the image of stereotyping to the product's origin country (Erickson et al, 1984; Bannister and Saunders, 1978; Johansson, 1989). Prior research indicates that some countries have primarily functional stereotype (i.e. Germany associated with utilitarianism) (Jaffe and Nebenzahl, 2006) and others have emotional country stereotypes such as France with a hedonic stereotype (Chattalas et al, 2008; Leclerc et al, 1994).

Individuals often have stereotypical beliefs for particular attributes associated with the product image of certain given countries. For example, they perceive products made in Japan are considered to be durable, those made in Germany are often associated with precision or workmanship (Wang et al, 2012) and products from developing countries tend to imply that the stereotypical judgments involve unfair 'biases' against these countries (e.g. Johansson and Nebenzahl, 1986; Johansson, 1989). Researchers have also suggested that in the situation of a consumer who is not familiar with a country's product, they tend to use the country's image as a single cue in evaluating the product (Maheswaran, 1994; Aaker, 1996; Klein et al, 1998) and this has been confirmed as an automatic activation to stereotyping COO on product (Liu and Johnson, 2005; Martin et al, 2011; Herz and Diamantopoulos, 2013).

For the individual consumer, the COO stereotype effect may be varied as some base it on experience with a product from the country and others on a personal experience, knowledge of a country, or even, political beliefs, ethnocentric tendencies or fear of the unknown (Saeed, 1994; Kumara and Canhua, 2010). Early research by White and Cundiff (1978) indicated the statistically significant differences in the perceptions of quality depending on the originating country. Subsequently, research conducted by Maheswaran (1994) separated the consumer into novice buyers and expertise buyers, which was similar to a study conducted by Kaynak et al (2000) as stated in the previous section. However, his argument indicated that novices rely on the stereotyped country image heavily during the purchasing decision process, rather than engaging in detail attribute processing. This is also referred to the 'halo' effect in which consumers make inferences about product quality based on the image they

have of the COO (Sharma, 2010). Conversely, the expert buyer looks at COO information when attribute information is ambiguous. Similar concept refers to this is the ‘summary’ effect in the previous section on consumers make abstractions of the product information into a country image (Sharma, 2010; Gurhan-Canli and Maheswaran, 2000b; Verlegh et al, 2005)

As regards the COO cue on emotional affection, a number of studies report a preference for domestic made products. The early study by Nagashima (1970) found that American consumers showed more patriotic feelings in rating their own product higher than other countries and overall, 93% of US respondents gave first place to products that were ‘Made in USA’. Darling and Kraft (1977) showed, in a similar study, that Finnish consumers rated domestic products significantly higher than foreign goods, in spite of the fact that most of the foreign origins countries in the study were major trading nations with dominant positions in world markets (Papadopoulos et al, 1990a). The findings as regards the comparison of imported and domestic products show that the developed countries rated domestic products to be more favourable than imported products (Morello, 1984), while in the case of developing countries, national products tend to be evaluated less favourable than imported goods from developed countries (Lumpkin and Crawford, 1985). Niss (1996) tried to explain why developed countries rate their own products more favourably saying it was partly due to consumer patriotism. Han and Terpstra (1988) claim that the patriotic consumers from developed countries do prefer to buy domestic products not only on the basis of strictly nationalistic feelings, but that they also consider their own products as being of high quality and of better service than similar foreign-made products.

Jaffe and Nebenzahl (2006: 87-103) have identified four consumer segments as regards emotional ties with a product’s country origin. Besides the patriotic type as mentioned above, the other three segments include ‘*hostiles*’, ‘*traitors*’ and ‘*cosmopolitans*’. ‘*Hostiles*’ are generally referred to as having animosity towards a certain country. Such a consumer may not buy imported goods from certain countries they consider to behave badly in the international arena. A highly referenced paper by Klein et al (1998) illustrated that consumers in the city of Nanjing, the China’s

11th largest city, holds an animosity towards Japanese products due to the World War II crimes against the local population. This research showed that the greater the animosity toward Japan, the lower the incidence of Japanese product ownership. Such animosity can reduce trust in the product from that country (Jiménez and Martín, 2012) and it can easily cause boycotts of products from particular country. Further studies on hostile attitudes vary by socio-demographic and psychological consumer characteristics (Wang and Lamb, 1983).

An opposite view is that the '*traitors*' segment that have a clear preference for imported, rather than domestic goods. For example, Jaffe and Martinez (1995) found that Mexicans value domestic-made products much lower than those imported from the U.S. or Japan. Consumers in former Socialist countries prefer imported products because they have been conditioned over the years to consume inferior goods made in state-owned factories that were protected against foreign competition (Ettenson, 1993; Jaffe and Nebenzahl, 2006). Batra et al (2000) also found that consumers in developing countries prefer foreign 'non-local' goods because they believe it is more prestigious to own them. Finally, *cosmopolitans* are consumers who do not have a bias against either imported or domestic goods and judge all products on an equal basis. Cosmopolitans do not ignore the COO cue and consider it an attribute of products and brands.

3.3.7 COO and Other Consumer Studies

Apart from the mainstream studies presented in the above sections, further studies on the consumer's background have also attracted attention from scholars (Gurhan-Canli and Maheswaran, 2000a; Amine and Shin, 2002; Suh and Smith, 2008; Sharma, 2011 etc) who have looked at demographic characteristics such as the consumer's age and gender (Bannister and Saunders 1978; Schooler 1971), race and education (Schooler, 1971), and nationality (Papadopoulos et al, 1990b) and they found that such factors have an impact on COO image. Beverland and Lindgreen (2002) argued that not all consumers use COO cues to evaluate products, nor do they use them in the same way. Consumers with different levels of education and income regard the foreign products differently, and the individual's personal experience can

also influence their attitudes towards foreign-made products (Anderson and Cunningham, 1972; Niss, 1996). COO cues appear to be stronger among the elderly (Shimp and Sharma, 1987; Arndt, 2004), the less educated, the politically conservative (Anderson and Cunningham, 1972) and those with a high level of purchases (Ahmed et al, 2004). It also has a larger affect on big spenders rather than the economy shoppers (Cordell, 1992).

As regards cultural perspectives, the COO effect may vary across cultures on the basis of the diverse cultural patterns present in different countries (Gurhan-canli and Maheswaran, 2000a). The evaluations and cognitive responses converge to show that the 'individualists' evaluate the home country's product more favourably only when it was superior to the competition. In contrast, 'collectivists' evaluated the home country product more favourably regardless of its superiority (Gurhan-canli and Maheswaran, 2000a).

3.3.8 COO and Industrial Trade

While the majority of COO research dominated by household buyers, there are limited studies have investigated in COO perception amongst industrial buyers (as seen in Appendix 3A). Among household buyers, results show that brand name together with COO cues were found to be a strong predictor of quality and purchase value (d'Astous and Ahmed, 1992; 1993) while in industrial purchases, brand name played a very limited role. Instead, the country of design is a more important cue in organizational purchase decisions than country of assembly and brand name (Ahmed et al, 1994). Ahmed et al (1994) explained that the reason might relate to the industrial buying process, in that brand name would reflect simply the prestige of different manufacturers, and that it also might be that purchasing managers tend to be more rational and informed than household buyers and as such, less likely to be swayed by brand name.

Some empirical evidence supported by exporting managers stressed that COO is regarded as more important in the trade marketing and Business-to-Business (B2B) field than in consumer marketing, especially when forming new partnerships or

venturing into new markets (Niss, 1996). Results show that SMEs depended more on country image in their export marketing than the larger and more international-oriented companies (Niss, 1996). However, the idea of COO marketing will be gradually regarded as an 'outdated' strategy by the grow-up of company size. When a company evolved into the mature stage in the international markets, they no longer found COO information relevant in an increasingly competitive international environment, as they are competing more in terms of product quality, branding and other aspects. Appelbaum and Halliburton (1993) explained this as a consequence of development stage, and the position will tend to be informative in the introduction and become increasingly abstract and emotional in the growth stage.

Nevertheless, this is still useful for SMEs as they often lack the resources to create their own brand, and hence they need a positioning tool in the initial stages of the product lifecycle (PLC) (Niss, 1996). Organisations deal with limited resources, and therefore, attempt to develop strategies appropriate to their resource base. In all cases, COO was utilised as part of a differentiation strategy in international markets. In the Beverland and Lindgreen (2002) case studies of products originating from New Zealand, in most instances organizations believed that their 'New Zealandness' gave them a distinct advantage over their competitors. Even some of the marketers placed more weights on their own reputation as opposed to their COO. In contrast, specialist marketers relied heavily on COO for products such as wine, and there are obvious links between location and taste (D'Alessandro and Pecotich, 2013). The same is true for wool, where the availability of feed and the climate affect the fineness of the fibre.

In literature, the industrial products produced by industrial nations were categorized in various groups. Some research has demonstrated the effect of COO image on products, i.e. Lamper and Jaffe (1993; 1998). Generally speaking, the more homogeneous and standardized products are in a product category, the less the effect of perceived product image affects demand. Alternatively, the higher the level of differentiation in a product category, the more the perceived product image effects demand. In other words, products like commodities are the least likely to be affected

by country image, and high prestige consumer products are more likely to be influenced by other image types (Lampert and Jaffe, 1998).

3.3.9 COO and Nation Brand

The concept of a nation brand can be associated with various dimensions including economy, tourism, geography, nature, culture, heritage, society, science and technology, and also government (Rojas-Mendez, 2013). In the exporting realm, COO is often outlined as a national brand. It is arguable that nation brand has more in common with corporate brands due to their multidimensional nature and diverse stakeholder interactions (Hankinson, 2004; Trueman et al, 2004; Rojas-Mendez, 2013). Just like a product brand or corporate brand has its own logo, jargon, culture or employees, a nation brand has its own flag, language, culture and citizens. However, the nation brand concept is much more exciting, controversial and complex than the product or corporate brand (Dinnie, 2008), there is little theory that the academic community has been able to produce, and it is also harder to validate (Rojas-Mendez, 2013).

The definition of the scope of nation brand is diverse. In an early attempt Kotler and Gertner (2002) define country brand as:

“The sum of beliefs and impressions that people (foreigners) have of the place. The image represents a simplification of a large number of associations and pieces of information connected with a place. They are the product of mental processes to choose the essential information in a lot of information there.”

More recently, Fetscherin (2010: 468) offer the following definition:

“A country brand belongs to the public domain; it is complex and includes multiple levels, components, and disciplines. It entails the collective involvement of the many stakeholders it must appeal to. It concerns a country's whole image, covering political, economic, social, environmental, historical, and cultural aspects.”

Dinnie (2008) and Fan (2010) also provided a similar definition and they have outlined the most common concepts of a nation brand, including: information,

culture, image, people, elements and stakeholders. The complexity of the concept can easily cause confusion with other concepts such as destination brand that relates to the tourism field.

Since the concept of ‘nation brand’ coined by Anholt in 1996, substantial attention by different countries has paid in positioning themselves positively as regards foreign consumers. One of the reasons for this increasing interest in the nation brand concept is the fierce competition among countries to attract limited international foreign resources in order to increase a country’s product exports (Loo and Davis, 2006; Papadopoulos, 2004; Ryan, 2008). In the international trading dimension, a country brand is designed to promote the exporting business and the concept of COO is often mixed with that of a nation brand.

3.3.10 Disputes and Limitations of COO Studies

In the COO effect literature, one can generalize that the root of most COO effect studies lies in the buyer’s perception toward a particular product. The existing knowledge shows that the most COO studies are associated with product related variables, such as the perception of product quality, price, design, technology and brand, and these product attributes are assessed by the customers who are influenced by its COO image. However, the converse way of how those attributes affect the image of COO is less studied. In other words, the COO image may be changed by the attributes that associated with the country’s product, and this part of studies needs to be explored further.

In the case of ‘Made in Japan’, the country’s image is associated with high quality high technology, yet the early study by Narayana (1981) indicated that the US customers perceived that products made in Japan did not match the same quality standards as products made in their own country. In the post-World War II, Japanese products were regarded as cheap and low quality and deserved a significant price discount in the international market. The same was true about German products in the early time that the products imported from Germany were required to have a ‘Made in Germany’ label to indicate the inferior quality in the UK market (Plötner,

2012). This shows that the perception of COO changes over time, but the studies on how it did exactly change, still reminds fractions. Furthermore, the controversies and limitations in COO studies indicate the restrictions to develop this research if based on single COO studies.

One of the biggest controversies in the COO literature is the significance and insignificance of COO cues on the product evaluation. Despite the salient interest in COO research and the abundance empirical evidence to support the COO effect on consumer purchase behaviour in the academia, one may argue the disconnection between reality and academic research, and that in reality, most consumers care very little about a product's origin. Research conducted by Liefeld (2004) found that very few consumers (6%) actually knew the COO prior to the purchase while the majority of them (88%) reported that they did not know or had no interest in knowing a product's origin. Similar results were found by other researchers (Samiee et al, 2005; Balabanis and Diamantopoulos, 2008) that consumers neither possess much accurate knowledge of the origin of brands, nor actively seek out such information (Arndt, 2004; Magnusson et al, 2011). Usunier (2006) also argues that COO is no longer relevant because COO information has become increasing difficult for consumers to ascertain, in part due to the change in labelling requirements. Alternatively, as more countries develop the necessary wherewithal to manufacture products, a product's COO is of little importance as the advent of the 'global village' is making national borders less important (Johansson, 1989). Despite a number of 'buy local' campaigns promoted in different countries, research indicates that there is a large gap between respondents' desire to buy local and their actual shopping behaviour. The main effect on buying local product sales is based on the consumer's guilty feeling about purchasing imports (Frank, 1999: 241). Overall, there is no significant increase in the sales of domestic made goods (Jaffe and Nebenzahl, 2006: 171-172).

The limitations of such COO studies can be seen from several aspects. First of all, much of the mainstream research surrounding the COO theme tends to focus on the consumer's perspective, particularly on how COO affects consumer's evaluation of product quality (Wang et al, 2012). As indicated earlier, little research has been done on how the COO effect has changed over time (Lampert and Jaffe, 1998). A few

longitudinal studies have measured the changes on COO over two or more time periods, e.g. Wood and Darling (1993), but they have failed to provide a theoretical explanation for the changes observed (Lampert and Jaffe, 1998). Some researchers (Nebenzahl, and Jaffe, 1991; Niss, 1996) mentioned that even though the COO concept has often been deeply entrenched and tends to endure over time, they are not inexorable. A negative country image may be improved through various marketing activities such as advertising or national export promotion campaigns. These all seek to enhance the general image of a country and their national product's image.

Overiewing the COO literature, in spite of the generalizations deduced from the combined literature on COO, a recurring criticism is that the main thrust of the studies has been as 'effect' studies rather than 'theory' studies (Johansson, 1989) and there is no integrated theory in this field (Liefeld, 1993; Nebenzahl et al, 1997). Very few studies have been theoretical or conceptual framework-driven or linked to buyer behaviour models (Obermiller and Spangenberg, 1989), such as the Koschate-Fischer et al (2012) linked up equity theory with COO and consumer's willingness to pay.

Another limitation lies in the methodology. Table 3.1 (as seen in Appendix 3B) lists a number of empirical studies on COO during the last 50 years. This list of empirical papers shows the dominance of quantitative research methods in COO studies and a great number of empirical investigations are atheoretical, typically consisting of simple opinion surveys of students (Saeed, 1994; Amine and Shin, 2002). The argument about whether student sample are representative of 'real consumers' have raised a considerable debate in marketing and consumer research (Sternthal et al, 1994; Verlegh and Steenkamp, 1999). Some research provides justifications such as those students are the actual users of the test products, and refer to its convenience as a low-cost method of generating research proposition. Verlegh and Steenkamp (1999) used meta-analysis to test the differences between using student sampling and 'representative' consumer samples and found the COO effect is similar for students and consumers in general.

Other's argued that student samples differ from general consumer samples in two important respects (Verlegh and Steenkamp, 1999). Firstly, they are different in terms of socio-demographics. Students are younger and higher educated than the

average consumer. It has been shown that COO effects are generally smaller for younger consumers and for consumers with a higher level of education (Usunier, 1996). Secondly, student samples are more homogeneous than consumer samples. Consequently, student samples may yield larger effects because they have lower response variances due to individual differences (Sternthal et al., 1994).

The most notable exception in COO studies is a quota sample of 2,220 consumers in eight countries by Papadopoulos, Heslop and Bamossy (1990a). However, the ongoing argument among researchers on the methodological limitations of COO studies of actual consumers rather than students, and their real-life decisions in real-life retail situations sparks continuing research. As Johansson (1989:47) stated:

“The COO studies have generally taken the form of surveys of people’s evaluations of products from different countries or experiments where the country of origin is manipulated by a shift in the made-in label. In either case, most studies suffer from demand characteristics, with respondents attention often directed explicitly towards the country of origin effect: ‘How important to you is it to know what country the product is made in?’ these kinds of studies have generally low external validity when it comes to the relevance of the country of origin information for consumer choice.”

In other words, traditional COO research is mostly based on survey and experimental studies with the availability of COO that ‘forced’ respondents to evaluate products (Magnusson et al, 2011). This has produced ‘artificial’ effect sizes that have exaggerated the effects of COO (Samiee, 2010) with its associated lack of validity and reliability measures, as Bacharach (1989:496) stated: *‘this is a collection of constructs and variables that does not necessarily make a theory’*.

A further limitation lies in the country for study. Past COO research has compared the US (Gurhan-Canli and Maheswaran, 2000a), the member countries of the European Union, Japan, newly industrialized economies (NIEs) in Asia, Mexico, and Brazil. Fong and Burton (2008) reviewed 99 COO studies in investigating the perceptions of consumers from 34 different countries, and found that most COO research has been conducted in more developed, Western countries (Al-Sulaiti and Baker, 1998). They found that very limited studies have investigated the COO effects in mainland China (i.e., Zhang, 1996; Schroath et al, 1993), the less developed

countries like India and Nigeria (Cordell, 1993), and the Eastern European countries (Papadopoulos et al, 1990b).

Last but not the least, a number of COO studies are heavily focused on the individual consumer while a very limited number of studies have been conducted with industrial buyers (Ahmed et al, 1994), such as Cattin et al (1982), Kaynak and Kucukemiroglu (1992), and White and Cundiff (1978). Since the buying behaviour of industrial buyer and consumer is somewhat different (Moriarty and Spekman, 1984), empirical findings from consumer research may not be readily applicable to industrial buyers. Therefore, there is a need for more research on the role of COO cue in the purchase behaviour of industrial buyers. Moreover, although previous research has provided strong evidence on the effect of COO on consumer behaviour, little is known about how this observed effect has influenced firms' behaviour (Agrawal and Kamakura, 1999).

3.4 Economic Development Studies

One of areas COO effect has covered is the association with economic developmental levels. A number of researchers (Amine and Shin, 2002; Leonidou et al, 2007; Fetscherin and Toncar, 2009) have paid attention to this area by comparing product made in developed and developing countries. It has been suggested that more developed nations (the USA, the UK, Germany, Japan etc) enjoy a favourable (positive) product/brand evaluation with respect to their COO, while less developed nations such as Bangladesh, China have negative product evaluation (Krishnakumar, 1986; Hong and Yi, 1992; Kaynak et al, 2000). At this point, COO effect studies seek to understand how individuals' perception and the evaluation of products are formed by the knowledge of the country where the products were made (Kaynak et al, 2000). These studies indicated that products that originate from advanced countries are associated with very similar attributes in good or very good quality, reliability, performance and good workmanship, whilst the products originating from developing countries are perceived to be less desirable in quality (Kaynak et al, 2000).

Such studies show the relationship between COO image and a nation's economic developmental level. It is one factor that underlies the nation brand's development. Verlegh and Steenkamp (1999) outline the biggest differences in perception of COO with products made in less developed countries (LDC) and more developed countries (MDC). Their findings show that the COO effect is larger when subjects are asked to compare products from MDCs with products from LDCs. Part of the explanation for this indicates that consumers' perceptions were associated with quality. Consumers might think MDCs contributes more advanced technology and skilled workers into production rather than LDCs. Therefore, for a latecomer nation, developing its national economy can have major impact on the perceptual change of their product's image on quality and technology level.

The following section will introduce the literature on economic development as the traditional focus of COO studies on the consumer's viewpoint is not sufficient to provide a context for this study. The phenomenon of 'Made in China' on the one hand can be explored from a micro level of the individual product and consumer's viewpoint, and on the other hand, can be expanded to the macro level of the industrial development and nation economic development. In order to provide a comprehensive context, the knowledge of economic development will be outlined. This part of the literature will extend to the economic development model by introducing the 'latecomer effect' and 'catch up' strategies (Mathews, 2006).

3.4.1 The 'Latecomer Effect'

In 1950s, Russian economic historian Alexander Gerschenkron stated 'Latecomer Effect' of economic development (Gerschenkron, 1962; Mathews, 2006). His main focus was firmly on the building of new institutions and the pursuit of fresh strategies to overcome latecomer disadvantages and take advantage of whatever latecomer advantages there might be at the particular time development was being attempted (Hobday, 2003). The 'latecomers' being able to secure advantages by entering industries utilizing the most advanced technologies, at a greater scale of activity, and without the hindrance of institutional forms which harked back to earlier

periods and acted as a brake on the innovative potential of earlier industries (Gerschenkron, 1962).

Gerschenkron argued that the study of industrial revolutions of the past could not provide a sensible guide for today's policymakers wishing to promote economic development (Hobday, 2003). In other words, there were no automatic stages of development that countries could pass through as others have done in the past since the barriers to entry and opportunities for development have changed. Therefore, it is essential to emphasize the importance of variety and the difference in the developmental paths of nations. The latecomers have to plot their own distinctive path of development by taking account of how other earlier developers had progressed (Hobday, 2003) and assess their own advantages. In Gerschenkron's model, the central importance of economic development is strategic innovation in relation to government policy, development path, technology acquisition, institution building and so on. He also recognized that even latecomer nations have to choose and follow a distinctive path for development; the path will not be entirely fixed, as it will have to embody at least some innovative features to cope with the new environment. This innovation should be linked up with the development process in general (Hobday, 2003).

In the case of latecomers in the 60s, Asian regions such as Korea, Taiwan, Singapore and Hong Kong as NIEs gained tremendous industrial power in the last few decades. At the starting point of their rapid growth period, they faced latecomer disadvantages as regards foreign market access and technology. They were for the most part disconnected from the developed country markets that they hoped to export to, especially the USA and Europe. There are various mechanisms of foreign technology acquisition and market entry for latecomers to apply, i.e. joint ventures, licensing, imitation, sub-contracting, OEM (Original Equipment Manufacturer), company acquisitions etc.

One exporting technique that proved an extremely important aid to the exporting sector is the so-called OEM system. OEM is a specific form of subcontracting under which a complete, finished product is made to the exact specification of the buyer, often a large TNC (transnational corporation) (Hobday, 2003). It requires a close

relationship with the foreign partner. Under OEM deals, the local firm produces goods to the exact specification of the foreign company. The foreign firm then markets the product through its own distribution channels, under its own brand name. OEM often involves the foreign partner in the selection of equipment, training of managers, engineers and workers. It is to be contrasted with own design and manufacture, ODM (Original Design Manufacturer), where the local firm designs the product to be sold by the TNC (Hobday, 1994). Typically, those TNCs will transfer the necessary technology to the latecomer firm in order to gain the advantages of low-cost labour, or other advantages. OEM is an important way for latecomers to leverage resources from advanced nations.

In the case of Asian economic development, Hobday (2003) indicated an industrial development process from OEM to ODM to OBM (Table 3.1)

Table 3.1 Stages of Latecomer Development: from OEM to ODM to OBM

	Technological transition	Market transition
<i>1960s/ 1970s</i> OEM Original equipment manufacture	Local firm learns assembly process for standard, simple goods	Foreign TNC/buyer design, brands and distributes/gains nonmanufacturing value-added
<i>1980s</i> ODM Original design and manufacture	Local firm learns process engineering and detailed product design skill	As with OEM, TNC buys, brands and distributes, TNC gains non-manufacturing value-added
<i>1990s</i> OBM Original brand manufacture	Local firm conducts manufacturing, product designs and conducts R&D for new products	Local firm has own brand, organizes distribution and captures all value-added

Source: Amended from Hobday (1994), see as in Hobday (2003)

The latecomers first rely on an OEM system to acquire technology and access exporting market channels. They gain economies of scale and learn basic production operating techniques. Gradually, the latecomer firm may be expected to develop minor product improvement skills to allow production of company designed goods. Finally, they reach the advanced stage of OBM, and carry out all the stages of production and innovation, including manufacturing, with new product design and R&D for materials, process and product. This was particularly the case in the electronics sector, which was the fastest growing exporting industry in the previously named four countries, and accounted for the largest single export industry (Hobday, 1994). By connecting the concept mentioned in COO literature, the developing process from OEM to ODM and OBM produces some linkage with the concept of COA (country of assembly), COD (country of design) and COB (country of brand). However, one is at the firm level and the other is at the country level.

Latecomer firms, like latecomer nations, are able to exploit their late arrival to tap into advanced technologies, rather than having to replicate the entire previous technological trajectory. They can accelerate their uptake and learning efforts utilizing various forms of collaborative processes and with state agencies to assist with the process, by passing some of the organizational inertia that holds back their more established competitors (Mathews, 2002).

The latecomer firm is not a 'late entrant', neither is a 'start-up'. Comparing with 'late entrant' and 'start-up', a latecomer firm has to make the best of it with its limited or few resources available from a resource-poor initial situation. Mathews (2002) introduced a time-bound category of 'late-comer firm' (LCF) to distinguish it from late entrant and start-up and claimed the goal of a latecomer is to move out of such a category as fast as it can (Mathews and Cho, 1999) and become a player in the industry. Mathews (2002) provided an exclusive definition of the latecomer firm with four conditions (industry entry, resources, strategic intent and competitive position) and defined a late entrant as an industry which by historical necessity has its initially a resource-poor situation. Its primary goal is to catch up with its initial competitive advantage of low costs. Hobday (1995) defined latecomer firms in terms

of their deficiencies in technology and market access which is captured in the notion of ‘resource deficiency’ in the present definition.

It is through the initial connection that it can leverage its foothold, and through strategic innovation, seek advantages that are intrinsic to its latecomer status and to its earlier experiences in less technologically demanding industries.

3.4.2 Catch-up Strategies

As regard latecomers, they use various strategies to catch up with the advanced countries or firms. The common strategies they apply are the ‘Linkage, Leverage and Learning’ processes (Mathews, 2006) and the movement from imitation to innovation.

Linkage-Leverage-Learning (LLL)

Mathews (2006) outlined the ‘Linkage, Leverage and Learning’ strategy for latecomer firms. He explained that the latecomers linked up with the global value chains as suppliers to leverage their resources, knowledge, technology and market access, and repeating the application of such linkage and leverage strategies to achieve the industrial learning. This also was noted as one of the advantages possessed by latecomers (Mathews, 2002). One way to leverage resources for latecomers is to forge entry into an established industry by seeking ways to secure the needed technology, possible through undertaking contractual work for existing firms. It not only produces revenue but also knowledge can be extracted.

For latecomer nations their initial economic developmental strategy is to overcome their disadvantages and ‘catch up’ the earlier leaders. In the case of Germany, that caught up with Britain as a steel and textiles producer, and rapidly moved to a position of leadership in science-based industries such as chemicals (Mathews, 2002). The rise of Asia, led by Japan in the post-war era moved to encompass Korea, Taiwan, Hong Kong and Singapore, provides more weights to the argument about ‘catch-up’ application in ‘latecomer’ fashion. They utilized state agencies to engineer

their entry into export markets and then hopefully move into high technology areas. Other countries such as China could follow such a pattern.

The latecomer firms began resource-poor and were driven by a strategy that searched for ways of capturing resources which can then be internalized and turned into dynamic capabilities needed to compete in demanding, technology-intensive markets. The strategic choice the latecomer usually undertakes is catch-up by a linkage, leverage and learning process (Mathews, 2002; 2006).

Linkage

As many of the global branded firms are seeking low cost to prolong their global competitive advantage, many of them keep an eye on latecomer firms which perfectly fit the latecomer's initial goal of moving from its category to be global players. This creates linkage opportunities for latecomers to apply, such as: outsourcing, OEM contracting, local sourcing, second sourcing or technology licensing. One of the common forms of outsourcing as mentioned previously is OEM contracting, which has been generalized to encompass the notion of 'global commodity chains' (Gereffi, 1999), 'global production networks' (Best, 2001) or, the term of preference, 'global value chains' (Humphrey and Schmitz, 2000). It is especially well known in the sectors of electronics and apparel industries. Typically, the small-scale latecomer firms in the newly industrialized regions have been able to upgrade their production and innovation capabilities through such linkages. By inserting itself into the global value chain and taking the advantage of initial low costs, they secured the initial linkages with the global economy that lead to leverage possibilities (Mathews, 2002).

Leverage

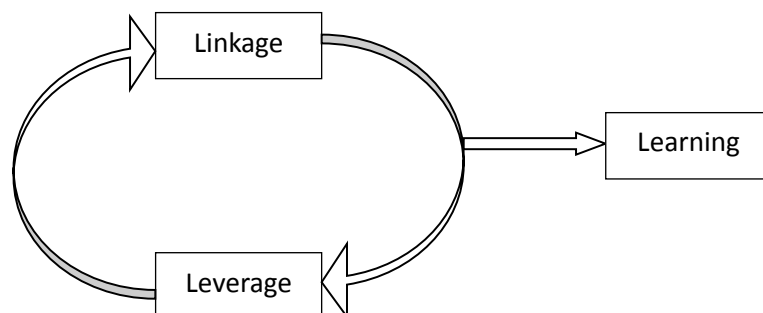
As the latecomer initializes its resource-poor situation, by linking up with the global value chain, latecomers enjoy 'resource leverage'. Resources in this sense can be interpreted as technologies, know-how or market access (Mathews, 2006). Through linkage, the latecomer firm can secure more than just a stream of revenue. It can tap its links with more advanced firms to acquire resources that are beyond the firm's limitation, such as knowledge, technology and market access.

Learning

The latecomers acquires its initial resources through leverage and turns them into capabilities, and then expands and deepens these capabilities through iterated rounds of leverage and internal competence development, paced by the demands of high technology markets. By repetition of this linkage and leverage continues until the firm enhances its capabilities and becomes, potentially, similar to advanced players themselves. The sustained and repeated practice of these strategies by groups of firms can be described as a form of industrial learning. The development occurs in the process of strategizing by latecomers, though the steps of linkage, leverage and learning.

The whole process of linkage, leverage and learning could be termed ‘developmental resource leverage’, and can be explained as the Figure 3.5 below

Figure 3.5 Linkage-Leverage-Learning Process



Source: Author

From Imitation to Innovation

Imitation is often used as business strategy to catch up the advanced firms. Imitation is a common practise of behaviour that develops in a variety of business domains. It is often viewed as a strategy pursued by inferior firms attempting to catch up with

market leaders, but not overtaking them (Posen et al, 2013). Firms imitate each other through various business activities, i.e. introducing new products and processes, adopting managerial methods and organizational forms, or by timely investment and market entry. Imitation of superior products, processes, and managerial systems is widely recognized as a fundamental part of the competitive process. It was suggested that firms are more likely to follow the competitors that are perceived to be 'fashion leaders' or 'trend setters' – a status that imparts significance to their choice (Abrahamson, 1996; Bikhchandani et al, 1992).

The causes and implications of imitation are various: firms may through imitation avoid falling behind their rivals, or decode the information possessed by their competitors and avoid environmental uncertainty. Such imitation tends to reduce the innovator's profits while generating broader gains in economic welfare as prices and costs fall. Through imitation, firms can minimize costs (Katz and Shapiro, 1985) when network externalities give rise to higher standards. Lieberman and Asaba (2006) state that the advantages of imitation may spur productive innovation, or can amplify the errors of early movers. Posen et al (2013) further find that imperfections in imitation can enhance the efficacy of imitation rather than hinder it, and moreover, from time to time, imperfect imitation can enable follower firms to surpass superior firms.

In the relationship between first movers and their followers, Semadeni and Anderson (2010) examined the competitive advantage and disadvantages of both. The first mover that proactively enters a new market or product may enjoy a temporal competitive advantage over follower firms (Suarez and Lanzolla, 2007). However, they may in fact be more likely to suffer from competitive disadvantages as their competitors may choose to imitate all or a portion of the first mover's innovation (Semadeni and Anderson, 2010). The competitors of first movers, just like latecomers, are more likely to choose to bypass the innovation to imitate especially in the belief that the innovation is too risky or the environment is too uncertain (Dougherty and Heller, 1994). For followers, there is of dilemma whether to imitate or not. It will be uncertain and risky imitating if the first mover has made a mistake and the innovation is not well received by the market. To imitate such a situation is

simply repeating the mistake. Conversely, there is a possibility that the first mover may hit the 'next big thing', and that the followers, by not imitating the innovation, may miss a significant market opportunity (Semadeni and Anderson, 2010).

Lieberman and Asaba (2006) find that a firm's imitation decision making is based on information and rivalry. The information-based imitation has two critical antecedents: perceived information asymmetry, manifested in the belief that a competitor may possess superior market information, and environmental uncertainty. The decision to imitate a new offering is likely to be multi-level in nature, dependent on the characteristics of both competitors and offerings (Semadeni and Anderson, 2010). The rivalry-based imitation centres on efforts to maintain competitive parity to retain the competitive status quo. These two bases are not mutually exclusive; a firm may follow both theories in pursuing imitation. However, the level of information asymmetry differentiates in favour of one theory over the other (Semadeni and Anderson, 2010).

The relationship between innovation and imitation is regarded as rationality and progressive (Abrahamson, 1996). It was suggested that firms should balance the norms of rationality against the norms of progressiveness while introducing a new product or service into the market (Abrahamson, 1996). Rationality dictates that firms' offerings appear reasonable and in-step with the market (i.e., not implausible or outrageous) in order to gain acceptance. However, the norm of progressiveness must be fresh and innovative, lest firms appear staid and lagging behind changing market conditions. Firms have to find a balance between the norms at the heart of the tension between innovation and imitation. Innovation generally advances progressiveness, but imitation reinforces rationality (Semadeni and Anderson, 2010). Both imitation and innovation can co-exist within a firm (Chen 1996). Firms that tend to favour innovation may also pursue imitation in some circumstances and also firms that favour imitation may also engage in selective innovation (Semadeni and Anderson, 2010).

Imitation to mitigate rivalry is most common when firms with comparable resource endowments and market positions face one another. Competition can be very intense in such cases, with prices and profits easily eroded (Peteraf, 1993). To alleviate this

situation, firms can pursue either differentiation or homogeneous strategies (Baum and Haveman, 1997; Deephouse, 1999). Firms that differentiate their resources and market position from those of competitors become insulated from the actions of rivals. This reduces the likelihood of imitation and leads to higher profits, if the differentiated position proves sufficiently attractive. Pursuing a differentiation strategy, however, is often difficult and risky. A firm cannot be certain that the new position or niche will be superior. Faced with a choice, firms therefore often choose to pursue homogeneous strategies, where they match the behaviour of rivals in an effort to ease the intensity of competition or reduce risk. However, the ultimate goal for these latecomer firms is not to stay as ‘fast followers’ forever, but to catch up with the world’s best and to become sophisticated advanced leading players themselves as fast as possible. There is abundant evidence that firms which started as latecomers gradually moved to become innovators. Korean firms such as Samsung are the best representatives of the movement ‘from imitation to innovation’ (Kim, 1997). Thus, while the frequency of imitation behaviours often negatively impact societal outcomes, such as leading to price competition and the erosion of profits. On the other hand, imitation can lead to large positive outcomes for individual firms and society as a whole.

3.4.3 Conclusion

As part of literature to explain the ‘Made in China’ global effect, this part of studies yielded the important association of a product’s image with the country’s economic developmental level. Most COO studies focused on advanced countries with a favourable national image, while the products from emerging countries still bear their negative COO effects (Papadopoulos et al, 1990b; Kaynak et al, 2000). Especially in the early developmental stage, many of them focus on exporting-oriented growth model by adopting ‘catch-up’ strategies (Abramovitz, 1986) that focus on imitation rather than innovation. This further creates a negative image of those countries.

Japan might be regarded as the exemplar of this type of development. During the post-war period, Japan enjoyed economic success based on its sales volume and global market share (Schaede, 2012). However, the rising competition from other Asian neighbours, such as South Korea, Taiwan, and eventually China, Japan had to update its market strategy by adopting 'choose and focus' in order to reach higher margins based on higher rates of innovation and specialization in some particular areas in order to create its core competitiveness (Schaede, 2012). Gradually, Japan has dispelled the image of producing mass cheap and low value-added products, and developed a positive COO image with high quality, high technology and innovative products (Knight et al, 2007). Other East Asian countries, i.e. South Korea and Taiwan, have successfully followed the Japanese model and gradually developed a positive country image.

In the case of China, a latecomer, the country primarily produced phenomenal growth through manufacturing products for international companies delivering a substantial number of international branded items bearing the 'Made in China' name. The Chinese economy has gained tremendous benefits from initial export-oriented development and eventually replaced Japan to be the world's second largest economy. Having the title of the 'World's Factory', China may have passed its hungry 'start-up' stage after half a century of development. Yet the image of 'Made in China' does not have a positive reputation, and with its increasing volume of production, the global consumer views it as low value and poor quality product emerging market (Leonidou et al, 2007). Moreover, the rise of neighbouring countries with even cheaper labour is leading to the departure of global businesses from China seeking lower costs. China has reached a transitional stage which potentially could jeopardize its development. China is in the stage of gaining its economic power to further influence its country's image.

However, economic development alone cannot explain why a particular country is in vogue in the global market, such as French wine, German Cars, Italian clothes, and Japanese electronics (Verlegh and Steenkamp, 1999). It should be realized that the competitive context changes over time, as demonstrated by above nations. The global diffusion of production technology enables developing countries to establish their

own competitive advantage in the global market. The following part of this chapter will introduce the studies on the competitive advantage of developing a positive nation brand.

3.5 Studies on Competitive Advantage

The development of transportation and communication has resulted in fierce rivalries on a global scale. Firms are forced to respond to the changing business environment by constantly searching for a sustainable competitive advantage that will enable them to distinguish their organizations from others. Some choose to build their own uniqueness by using advertisement campaigns, or by creating a 'secret formulas' (the Coca Cola case) (Baker and Ballington, 2002). One attribute that has the potential for conferring a competitive advantage is a product's country image, also described as the COO effect (Baker and Ballington, 2002; Agrawal and Kamakura, 1999).

Studies (Agrawal and Kamakura, 1999; Jaffe and Nebenzahl, 2006) have shown that firms use a positive country image as a competitive advantage tool in order to promote their brand internationally and have gained tremendous benefits by associating their products with a particular country image. For instance, American ice cream brand Haagen-Dazs created 'Danish-sounding' name to build the association with European quality level, since in the late 1950s, European ice cream was associated with quality (Jaffe and Nebenzahl, 2006: 124). Evidence shows that firms regard a favourable country image as a competitive advantage tool in the global market. In this section, the literature on competitive advantage and resource-based view (RBV) will be introduced.

3.5.1 Competitive Advantage Theory

Competitive advantage is defined as the asymmetry or differential in any attribute of factor that allows a firm to serve its customers more effectively than others and hence to create a better customer value and achieve superior performance (Ma, 1999). Porter (1985) indicated that there are two ways a firm can actually create and

sustain a competitive advantage in its industry, namely cost leadership and differentiation. He suggested that competitive advantage is achieved by utilizing the competitiveness of the supply chain to identify activities contributing to cost leadership and differentiation.

Creating a competitive advantage requires a weighing of the factors that may put a firm in a better position in relation to its competitors in the marketplace (Awwad et al, 2013). Connor (2003) and Wheelwright (1984) identified four strategic capabilities that can be considered competitive priorities, namely: low cost, quality, quick delivery and flexibility. Alternatively, Passemard and Kleiner (2000) claimed that competitive advantage is derived from five sources of innovation: new technologies; modification of demand or emergence of new demand; emergence of a new segment; changes in costs or the availability of means of production; and changes in regulation. In the same vein, quality and productivity are also used as strategic weapons in order to achieve a competitive advantage (Helms, 1996). Consumers always look for other evidence in order to enable them to discriminate meaningfully between closely competing alternatives. The physical and tangible attributes of a firm are relatively easy to benchmark. Besides, there is a list of variables also available to determine firms' competitiveness, as suggested by Molina et al (2004), which include market share, profits, technological provision, quality of product and services, after-sales service, managers' educational background and customer loyalty etc.

The extensive literature on this subject makes it clear that to achieve a sustainable competitive advantage invariably involves the ownership of a unique feature that cannot be acquired or copied by competitors (Baker and Ballington, 2002). The RBV theory also indicated a similar view that a firm's competitive resources should be not easily imitated by rivals (Barney, 1991). The detail of RBV is discussed in the following section.

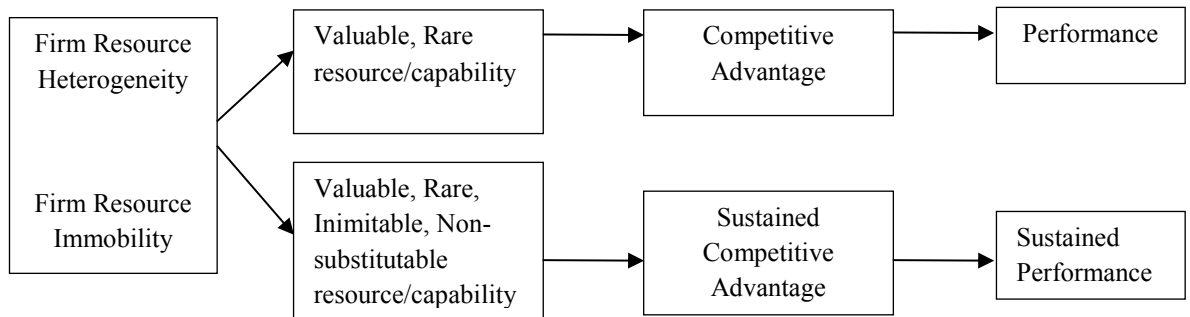
3.5.2 Introduction to RBV

The resource-based view (RBV) of the firm is one of the most widely recognized theoretical perspectives in the strategic management field (Powell, 2011; Priem and Butler, 2001a; Rouse and Daellenbach, 2002; Newbert, 2007). It examines firms' resources and capabilities that enable them to generate above-normal rates of return and a sustainable competitive advantage (Oliver, 1997). The RBV was developed based on a theory of the firm's growth by Penrose (1959). Penrose was one of the first scholars to recognize the importance of resources to a firm's competitive position. In 1959, she argued that a firm's growth, both internally and externally through merger, acquisition, and diversification, was due to the manner in which its resources were employed. She described a firm as a collection of resources and continued arguing that it was the heterogeneity of the services available from resources that gave each firm its unique character (Penrose, 1959). Wernerfelt (1984) later defined a firm's resources as tangible and intangible assets which are tied semi-permanently to the firm and posited that it is possible to develop a theory of competitive advantage based on the resources that a firm controls in accordance with the dualistic reasoning of economics. The field of RBV also attracted other scholars' attention such as Rubin (1973), Barney (1986), Prahalad and Hamel (1990). Most of their works are rather terse and abstract in nature, or mainly focused on static resources and a firm's inimitable skills, technologies, knowledge, and contained no testable propositions (Newbert, 2007).

One of the most influential papers in RBV was Barney (1991), entitled '*Firm resources and sustained competitive advantage*', which is widely regarded as the first formalization of the fragmented resources-based literature into a comprehensive theoretical framework which is also empirically testable. Barney's (1991) paper presents a framework that is based on two fundamental assumptions: (1) firm resources and capabilities are heterogeneously distributed across firms, and (2) resources and capabilities are imperfectly immobile (i.e. resources are sticky). These assumptions are the axioms of the RBV. Based on the assumptions, two fundamental arguments arose: firstly, resources that are both rare and valuable can produce a

firm's competitive advantage. Secondly, such resources are also simultaneously not imitable and not substitutable, and not transferable, and those resources may generate sustained competitive advantage (Barney, 1991). His conceptual model is interpreted in Figure 3.6.

Figure 3.6 RBV Conceptual Model



Sources: Barney, 1991; Newbert, 2007

In addition to the above framework, simply possessing value, rare, inimitable (which by then included non-substitutable) resources, a firm also needed to be organized in such a manner that it could exploit the full potential of those resources if it was to attain a competitive advantage (Barney, 1997; Barney and Wright, 1998). Barney added ‘Organizational’ components such as structure, control systems, and compensation policies (Barney, 1997; Barney and Mackey, 2005). In short, the organization of a firm was considered to be a firm-level orientation, strategy, or context that encouraged a general and unified approach to the utilization of its resources (Newbert, 2007). Therefore, this framework is now referred to as Barney’s ‘VRIO’ (Valuable, Rare, Inimitable and Organizational) framework. Rarity and value are each necessary but not sufficient conditions for competitive advantage, whereas non-imitability, non-substitutability, and non-transferability are each necessary but not sufficient conditions for sustainability of an existing competitive advantage (Priem and Butler, 2001a; Brahma and Chakraborty, 2011). Based on the use of a valuable, rarity, inimitable and non-substitutable, organizational component,

Hinterhuber (2013) extended this framework to a practical viewpoint by adding customer's unmet needs to be *VRIO*LU (*V*aluable, *R*are, *I*nimitable, *O*rganizational, *L*arge and *U*nmet). He stated that the resources and capabilities should be sufficient 'Large' and it enable a company to address customer's 'Unmet' needs (Hinterhuber, 2013).

3.5.3 Diffusion of RBV

By extending Barney's (1991) framework, Priem and Butler (2001a) claimed that most researchers have defined any new terms of interest without formally specifying the original, underlying RBV terms. Similarly, too much of the conceptual and empirical RBV research has either paraphrased Barney's RBV statement or simply cited his article without augment definition (Priem and Butler, 2001a).

Besides the great stimulation to the field of strategic management (Amit and Schoemaker, 1993; Barney, 1991; Conner, 1991; Peteraf, 1993; Rumelt, 1984), RBV has also extended its influence into related fields, including human resource management (Lado and Wilson, 1994; Wright and McMahan, 1992), operations management (Cox, 1996), marketing (Hunt, 2000; Hunt and Morgan, 1995), and management information systems (Bharadwaj, 2000; Mata et al, 1995). Furthermore, scholars have refined and extended the RBV's core tenets to explain how dynamic capabilities (Dyer and Singh, 1998; Teece et al, 1997), i.e., Teece et al (1997) proposed the dynamic capabilities framework to explain how combinations of competences and resources can be developed, deployed and protected. According to them, they defined a dynamic capability as 'a firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments' (Teece et al., 1997:516).

Oliver (1997) has extended the boundary of the RBV to incorporate institutional perspective to explain firm-level performance variance. She argued that a firm's sustainable advantage depends on its ability to manage the institutional context of its

resource decisions which includes internal culture and broader influences from state, society and inter-firm relations.

3.5.4 RBV Limitations and Summary

During this long journey of theoretical development, much has been questioned, debated and tested in validating the RBV theoretical stance (Barney, 1991; Priem and Butler, 2001b; Barney, 2001a; Barney, 2001b). Criticism of the RBV has originated from various standpoints, such as questioning RBV logic as paradoxical, contradictory, ambiguous and incompatible for managerial practices (Brahma and Chakraborty, 2011). Priem and Butler (2001a) post four concerns over RBV: (1) the theory is tautological; (2) underdeveloped role of product market; (3) many different resource configurations can generate same value for firms and therefore, would not be the source of competitive advantage; and (4) limited managerial prescription. Bowman and Collier (2006: 192) stated: ‘the RBV literature currently lacks any meaningful or useful prescriptions that practitioners can use to move their firms forward.’

Other arguments in RBV can be seen in the issue of tautology (Priem and Butler, 2001b). The original statement made by Barney (1991) that ‘*valuable and rare organizational resources may be a source of competitive advantage*’ was questioned by Priem and Butler (2001b) and they pointed out that competitive advantage is defined in terms of value and rarity’ and the resource characteristics leading to competitive advantage are, again, ‘value and rarity’ which is tautological (Priem and Butler, 2001b). Therefore, RBV has had little to contribute to the explanation or prediction of competitive advantage, it only can be defined once it is achieved, but not to be explained or predicted with the RBV.

There are very limited studies that make an assessment of RBV and the actual level of empirical support for the RBV remains uncertain (Newbert, 2007). According to Brahma and Chakraborty (2011), there are two studies that investigated RBV empirically: Barney and Arkan (2001), and Newbert (2007). Barney and Arkan

(2002) reviewed 166 articles on RBV and classified them into three broad disciplines: strategic management, human resources and others. On the other hand, Newbert (2007) criticizes the statement with a carefully selected sample of 55 studies which he grouped them into four categories: the conceptual level studies which obtained highest support (77%), the organizing approach with 58%, and followed by resource heterogeneity approach and dynamic capability approach. In the literature of RBV assessment studies, Barney and Mackey (2005) pointed out that the best resource based empirical work is to involve collecting primary data from firms in a carefully drawn sample. To fill the gap in limited empirical studies to test the RBV at the conceptual level, Newbert (2008) surveyed 664 firms across a variety of industries to examine the relationship between value, rareness, competitive advantage and performance. The results indicate that value and rareness are related to competitive advantage can lead to performance and that also a competitive advantage mediates the rareness-performance relationship.

To conclude, the extension of knowledge on competitive advantage and the resource-based view (RBV) is crucial in order for a firm to gain a sustainable competitive advantage in the global market. Firms should examine the business environment and structure to find a unique resource that is not easily copied or transferred. A positive country brand is often used as a competitive tool to gain quality trust from consumers. For an emerging market like China, its current competitiveness relies on cheap labour resources; however, such competitiveness can be easily copied and transferred by other neighbouring countries. One could argue that there is urgent need for China to find the next competitive advantage for its long-term development.

3.6 Conclusion

This chapter introduced the literature studies covering a wide range of COO effect areas. The studies on economic development strategies, competitive advantage and RBV theories were also discussed. The structure of this literature review is intended to provide a most comprehensive understanding to the research objective: the ‘Made

in China' effect, and further to learn the evolvement of nation brand in the international exporting market.

The literature on COO studies indicated the COO image reflects the product-associated variables, such as quality, price, innovation, technology and brand. It has the impact on the consumer's perception towards a product from a particular country. While the disputes and limitations on COO studies as stated previously have indicated a need in learning the economic development literature, to further understand the 'Made in China' global effect. China, as a latecomer nation, has practiced the strategies of 'Linkage-Leverage-Learning' and from imitation to innovation, to catch up the advanced countries. In order to have a sustainable competitive advantage in the global market, 'Made in China' has to create its own valuable, rare, non-imitable and non-substitutable resources.

The book *'National Image and Competitive Advantage'* by Jaffe and Nebenzahl (2006) indicates that a positive national image works as a competitive advantage in the global market. Most advanced countries, e.g. the U.S., Japan, UK, Germany, enjoy a positive and favourable image in the products they produce. However, for a country to develop a favourable country image requires a significant amount of effort by firm, industry and government. This literature has shown the process of developing a positive country image requires different level of participants, from macro-level of a nation, industry, to micro-level of firm and product. Further study will focus on the manufacturer's point of view to understand the effect of its country image, and to further explore what they think about their country brand and how it can be changed over time.

Chapter 4 Methodology

4.1 Introduction

This chapter will firstly introduce the research objectives and questions that drawn from the previous chapter. The methodology part is designed to explore the research by suggesting a complementary approach. It combines both quantitative and qualitative studies in which it presents a multi-dimension design. Then, the chapter discusses the research philosophy approach that has been compromised to this study. A carefully designed fieldwork comprises of three methods will be presented individually, namely survey, netnography and interview, and each method covers research process, methods of data collection, justification of research subjective, data analysis, and ethical consideration. The appendices associated to the data, like questionnaire for the survey and interview, are presented at the end of the thesis.

4.2 Research Objectives and Questions

This research focuses on the business stance from producer's viewpoints instead of the consumer's on the traditional COO studies. The central players of research fall into two categories: global importers and Chinese exporters, also known as producers. The global importer is represented by the British importer for a geographical convenience. The Chinese exporter generally includes the Chinese business institutions that are involved in the exporting section, such as the local export-oriented manufacturers. The aim of this study is to learn 'Made in China' effect in the global market, and further to investigate the future development for 'Made in China' in the international marketing context. The initial approach to international importers is targeted at understand their attitudes towards 'Made in China' product as a receiver. The subsequent approach will be exploring producers' role in developing 'Made in China' brand. The researcher's personal experience will strengthen the knowledge through access to exporters or manufacturers and an intermediary, especially from the intermediaries' side as essential role to balance the goals of the other players (importers and exporters). This will provide a holistic

insight into the process of international trade. The research objectives and questions are showed at Table 4.1 below:

Table 4.1 Research Objectives and Questions

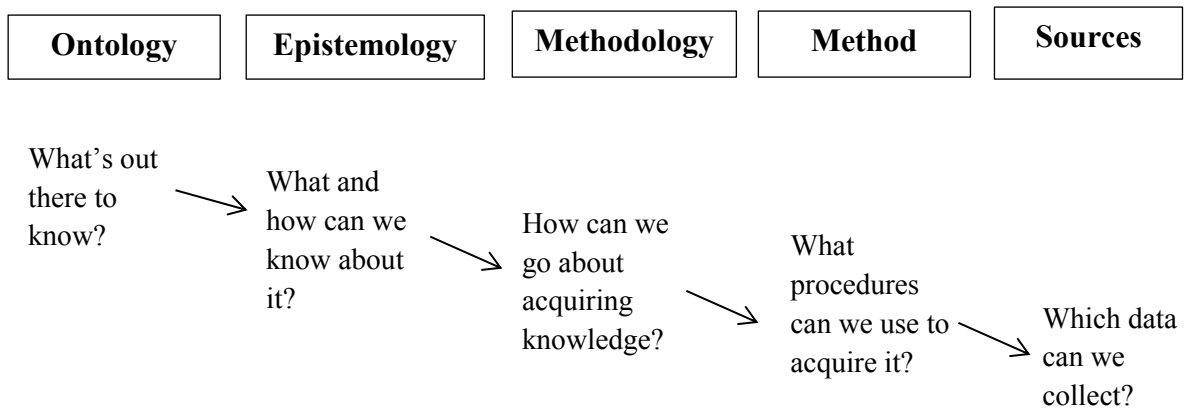
Research Objectives	Research Questions
To identify the current situation of ‘Made in China’ in the international exporting context	Q1: What is the current situation of ‘Made in China’ in the global market?
To explore future development of ‘Made in China’ in the global market	Q2: What does the Chinese producer think about the future development of ‘Made in China’?
To understand the development of a country brand and how it evolves over time	Q3: How can the evolution from ‘Made in China’ to it future be obtained?

Source: Author

4.3. Research Philosophic Stances

Any discipline or area of human inquiry is guided by a philosophy, a set of perspectives and principles that provide the grounding and rationale for its existence (Enis et al, 1995). Research philosophy contains important assumptions and reflects the researcher’s view of the world. These assumptions will underpin research strategy and the methods chosen as part of the strategy. Hay (2002) developed the relationship between a particular view and the process of knowledge development as presented by the following chart:

Figure 4.1 Knowledge Development Processes



Source: Hay (2002: 64)

It is important for researcher to address the ontological (the nature of reality and the study of being) and epistemological (the relationship between reality and the process of knowing) issues as the grounding stance for their research. In the social science field, the philosophy concerns the principles regulating the search for and acquisition of social knowledge about social reality through a series of inter-subjectively accessible and justifiable methodical steps. This research places scientific realism as its philosophical stance to guide the research process and the choice over methodology. The following subsections will provide justification of scientific realism by comparing positivism with interpretivism.

4.3.1 The Positivist Stance

Positivists view the world as being real and existing independently from the human existence. The world is seen as an ordered, structured place that is governed by physical laws. In its broadest sense, positivism is a rejection of metaphysics. It is a position holds that the goal of knowledge is simply to describe the phenomena that we experience. Positivism was in the dominative position in marketing and social science field in the early stage (Peter and Olson, 1983). Positivist ontology perceives the world is 'out there', it operates in a systematic and lawful manner, discrete and

observable events, and the reality is separates from human meaning-making (see below).

‘Positivist is working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists’ (Remenyi et al., 1998: 32).

Positivist epistemology believes the knowledge can only be gained by gathering facts in a systematics and objective manner, predominately by the experimental method and by testing of hypotheses in order to gradually build laws. The aim is to refine them and achieve applicability on a universal level. The purpose of positivism science is simply to stick to what can be observed and measured, other knowledge beyond that, a positivist would hold is impossible. Positivists do believe that social scientists should use quantitative methods and aim to identify and measure social structures (Abbott, 2010). It is more likely to generate a research strategy to collect data that are likely to use existing theory to develop hypotheses. These hypotheses will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which may then be tested by further research (Saunders et al, 2009).

Statistical and mathematical techniques are central in the research methods adopted by positivist researchers and they adhere to specifically structured research techniques to uncover the single and objective realities. The positivism identifies the world with deductive strategy approach. The goal of positivist research is to make time and context free generalizations and they believe this is possible because human actions can be explained as a result of real cases that precedes their behaviours (Carson et al, 2001; Hudson and Ozanne, 1988).

4.3.2 The Interpretivist Stance

On the contrary to positivists, interpretivists believe that the reality is relative and multiple. According to this tradition there can be more than one reality and more than a single structured way of accessing such realities. Lincoln and Guba (1985) explain

that these multiple meanings are very difficult to interpret as they depend on other systems for meanings.

Since human beings think and reflect, interpretivists take the view that scientific methods are inappropriate for the study of society. Unlike objects in nature, human beings can change their behaviour if they know they have been observed. So interpretivists argue that if we want to understand social action, we have to delve into the reasons and meanings which that action has for people. i.e. to some certain situation, a positivist would argue that researcher can simply measure a situation by using quantitative methods and identify patterns and correlations. An interpretivist would argue that social scientists need to understand the definition and root behind the phenomena, and investigate the further interaction between different social elements (Abbott, 2010)

Interpretivism is an epistemology that advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. This emphasises the difference between conducting research among people rather than objects. In theatrical productions, actors play a part which they interpret in a particular way and act out their part in accordance with this interpretation (Saunders et al, 2009).

The goal of interpretivist research is to understand and interpret human behaviour rather than to generalize and predict causes and effects. Interpretivist researcher enters the field with some prior insight about the research topic but assumes that this is insufficient in developing a fixed research design due to complex, multiple and unpredictable nature of what is perceived as reality. In terms of research techniques, interpretivists have made extensive use of qualitative techniques of data collection and analysis. It is primarily identified with an inductive rather than a deductive research strategy (Ritchie and Lewis, 2003).

4.3.3 The Compromise of Scientific Realism

Both positivist and interpretivist as discussed above show certain limitations in understanding the world. Scientific realism is considered as the most appropriate philosophical stance for this research. It is a positive epistemic attitude towards the content of best theories and models, and it recommends believes in both observable and unobservable aspects of the world described by the sciences. Realists acknowledge that scientific methods are not fool proof and agree that humans are reflective. However, they would say that this does not mean either set of method, positivist or interpretivist, have to be ditched. Realists argue that social scientist can be pragmatic and use whatever methods are appropriate for particular circumstances. Social reality is complex and so social scientists can draw on both positivist and interpretivist methods (Abbott, 2010)

At the late 20 century, an on-going debate on the most appropriate philosophical and methodological foundation for social science over positivism and scientific realism has spread into marketing field (Kavanagh, 1994). Hunt (1991) referred it as 'spirited' debate and he held a strong view against positivism as it in the dominative position in marketing and social science field at that time. He claimed the marketing research on the philosophical and methodological foundations was full of misrepresentations, misunderstandings, misconceptions and mischaracterizations (Hunt, 1991). According to him, the logical positivism which was initially developed by German philosophers in Vienna (the Vienna Circle) has been misconceived in the field of marketing in terms of causality, the machine metaphor and nature of reality. Take the example of ontology (the nature of reality), positivist embraced a minimal realism called 'empirical realism', yet, in fact they avoided the unobservables and viewed it as metaphysical concepts.

In the area of marketing, the intangible unobservables, such as explaining/ predicting/ investigating of the perception, attitudes, intentions, are existed independently with or without researcher labelling them. In this case, the positivism did not have a realist view with respect to scientific theories (Phillips, 1987:94), and could not motivate marketing research. Neither did logical empiricism as it stood on

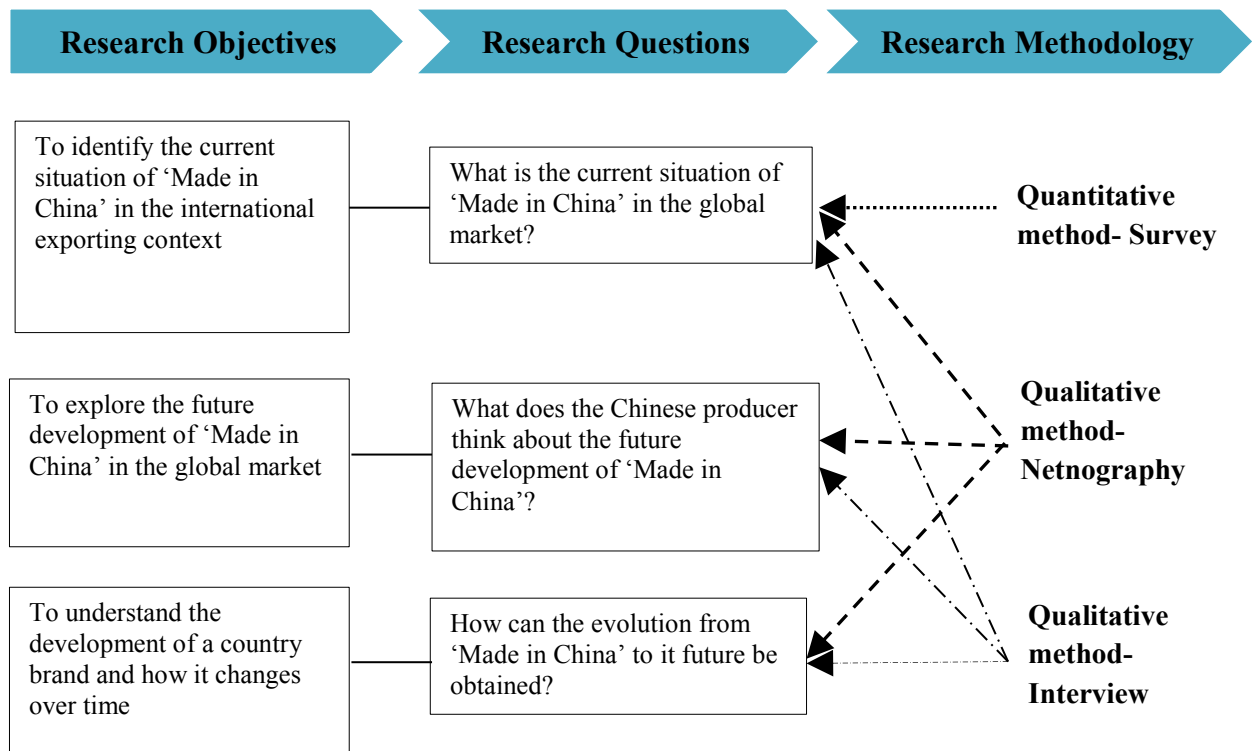
the same ground of logical positivism that both embrace human scepticism and reject 'realism' with regard to the theories, laws, and explanations, and consider 'causality' to be a metaphysical concept that was superfluous to science.

By contrast, scientific realism contends the unobservable may actually exist, and it typified by an epistemically positive attitude towards the outputs of scientific investigation, regarding both observable and unobservable aspects of the world. Scientific realism consists of three dimensions: a metaphysical (ontological) dimension; a semantic dimension; and an epistemological dimension. It commits to a mind-independent world, literal semantics, and epistemic access to unobservable. Based on the ground it stands, Hunt (1990) regarded it as 'an appropriate philosophy for guiding marketing theory and research'. This philosophical stance therefore is adopted by this study, and it will guide researcher's view to the world and further influence the methodology choice in this study.

4.4. Research Design

Standing on the scientific realism philosophic viewpoint, this research adopts a mixed research techniques that combines both qualitative and quantitative studies. This is intended to employ the great strength from both sides and to minimize the drawbacks from each single method. As mentioned by Denzin (1970a:308): *'the flaws of one method are often the strengths of another, and by combining methods, observers can achieve the best of each, while overcoming their unique deficiencies'*. There are some drawbacks in mixed methods, i.e., the high requirement in resources and skills from both methods, time consuming, high cost etc. In general, the mixed methods research is designated for five types of research purposes: triangulation, complementarily, development, initiation and expansion (Greene et al, 1989; Bryman, 2006), and these five types fit to the expectation of this research. The design of research approach is shown in Figure 4.2:

Figure 4.2 Research Approach



Source: Author

This hybrid research approach combines quantitative and qualitative techniques helps to provide insightful knowledge for the study. Such research model is designed for complementary purpose to address different research questions (Robson, 1993: 290). It uses the quantitative techniques in the source of positivism approach to combine with qualitative research outside of an interpretivist epistemology, thus, a hybrid strategy stands on scientific realist philosophic view is aimed to provide a balance to each incomplete finding.

This multi-dimension research design will firstly employ a quantitative method of survey to understand the views of the British importers. It is designed to investigate the international importers' perception towards 'Made in China' product as an exploratory step to pave the way for further research development. It further offers a greater knowledge to complement the other methods. Afterwards, the qualitative method of Netnography or online ethnography will be carried out with Chinese

exporter through online forums. The reason of choosing Netnography to explore the exporter's view is based on researcher's previous practical experience as an exporter. It was discovered the Chinese exporters relied on internet to exchange information and business ideas heavily. This has resulted in rich and sufficient data available from exporting forums. Further justification will be given in the Netnography section (see 4.6 Netnography). Lastly, based on the result from netnography method, interviews will be applied to Chinese exporters, particularly those exporting-oriented manufacturers to validate the result and complement the findings. The following sections will explore each method in detail.

4.5 British Importer Survey

4.5.1 Mode of Data Collection

Survey methods are viewed as a traditional research tools for data collection. It can be used through different modes, for instance, the telephone interviewing, mail questionnaire, and Internet survey. This study adopts Internet-survey to investigate the perception of 'Made in China' from British importers' viewpoints.

In the early time, the most academic and government surveys were done through in person and household interviewing methods. Lately, the telephone interviewing became a major mode to collecting data (Fowler, 2009:6). Up until late 1990s, telephone (an interview) and mail (a questionnaire) were the two most popular mediums for survey data collection (Hoonakker and Carayon, 2009). Nowadays, with the development of Internet Technology there has been tremendous growth in collecting data through Internet. Hoonakke and Carayon (2009:349) described the development of Internet utilization in timeline as showed below:

“The very first Web browser (1989) was written by Tim Berners-Lee while he was at CERN (a European center for physics research). The year 1991 meant the birth of what we now know as the World Wide Web. In 1993 the World Wide Web opened to nontechnical users. After 1993, the situation changed dramatically...”

Their study stated the increasing number of people have access to the World Wide Web from 3 million in 1994 to 1,463 million people in 2008. The number of e-mails

sent annually rose from 100 billion in 1995 to 5.5 trillion in 2002 (Hoonakker and Carayon, 2009). More recent figure (2010) by Radicati Group³ indicated the number has reached to 90 trillion emails per year, which means 294 billion emails sent per day and more than 2.8 million emails were sent every second. Amongst those large number of people connected to the Internet and emails, the access to a wide range of respondents by using online survey has become possible for researchers to collect data.

Today, Internet survey is commonly perceived as a faster, easier, better, and cheaper method (Schonlau et al, 2002; Gigliotti, 2011). Compared with the traditional survey modes of telephoning and mailing, the online survey is believed to be easier for administration as the databases provides information to track the number of respondents and allow researcher to send the targeted reminders (Hoonakker and Carayon, 2009). In contrast to the advantages, the disadvantages of Internet survey are the low response rate and sampling error. Table 4.2 provides a list of advantages and disadvantages of using Internet survey.

Table 4.2 Advantages and Disadvantages of Internet Surveys

Advantages	Disadvantages
<ul style="list-style-type: none"> • Easy access to large (worldwide) populations • Speed • Reduced costs • Reduced time and error in data entry • Ease of administration • Higher flexibility • More possibilities for design • Higher response quality 	<ul style="list-style-type: none"> • Coverage error • Sampling error • Measurement error • Nonresponse error • Lack of anonymity • Computer illiteracy • nondeliverability

Source: Hoonakker and Carayon (2009)

³ Radicati Group: <http://www.radicati.com/>

According to Gigliotti (2011), there are a number of different types of Internet surveys, such as the e-mails with embedded surveys, the mail surveys that include an Internet address as an alternate method for responding to the survey, the pre-recruited e-mail panels, the e-mail invitation to participate in a survey with a link to a Web-based survey, and the 'open' Web-based survey (Dillman, 2007; Duda and Nobile, 2010; Lukacs, 2007; Schonlau et al, 2002; Hoonakker and Carayon, 2009). Amongst these different types of methods, the web-based survey is perceived to be the greatest cost savings (Schonlau et al., 2002). It is considered as the most appropriate tool to this research. The approach strategy will be sending an email invitation with a link to a web survey to the targeted samples - the British Importers. This method is easy to get access with no pre-appointment is required.

4.5.2 Questionnaire Outline

Research shows the influence of questionnaire length on the participation rates in web survey, which could be negatively decreased with an increase in the length of the questionnaire (Deutskens et al, 2004). Therefore, it is desirable to have a questionnaire as short and unambiguous so that participants can easily follow. The survey in this research contains 27 questions in four sections, including the general information, the importing behaviour, the information about importing from different countries and some knowledge about the company. The Bristol Online Survey Tool was used to compose this questionnaire. In order to have a clear layout for questionnaire, all questions are displayed in a single web-page. This was intended to avoid respondent's anxious feeling in completing the endless multipage questionnaire. The majority of questions are closed-ended questions with a few of open-ended questions displayed at the end of questionnaire. It is designed to provide the opportunities for respondent to express their thoughts. The questionnaire is attached as Appendix 4A.

Traditional facilitators for response rate improvement such as lotteries, vouchers, or other monetary incentives were not considered in this research. The earlier research findings indicated the great influence of monetary incentive in motivating response

rates (Chromy and Horvitz, 1978), though this might not be the case in web survey. Study showed such incentives will not aid significantly change in overall response rate (Deutskens et al, 2004), in contrast, it may play a negative role in terms of the quality of data collected (Göriz, 2004). The targeted sample of this survey is organizational institutions and they may be less motivated in monetary term compare to the individual respondent. It is expected that the content of this survey may attract their attention as it is highly related to their business nature. They are further offered the result of survey to hopefully arouse their active in participation.

4.5.3 Pilot Study

Before officially launching the survey, a pilot study was used to check the questionnaire's feasibility and appropriateness. Pilot studies are always credited as one of the most important steps before launching a large-scale quantitative research. The advantage of conducting a pilot study is it can provide advance warning of the weaknesses in a proposed study. It further avoids misleading, inappropriate, or redundant questions. By conducting pilot work, the appropriateness of constructing particular questions and the consistence of obtained information will be tested and ensured.

The pilot study for this research was circulated to a number of PhD colleagues and lecturers, some of them have practical knowledge in the international trading business. They were asked to test the variability and appropriateness of the question design, including the wordings. There were 11 individuals surveyed and comments were invited in the perceived relevance of each question to the stated intent of the research. Participants were also asked to check for ambiguities in each question to see if they had any difficulties in responding. By doing so, it helped to improve the quality and efficacy of questionnaire and reduced the errors in the main research. The final version of questionnaire has been amended for several times to ensure the most appropriate questionnaire was delivered to British importers.

4.5.4 Data Collection and Analysis

The survey targeted British importers, including the British multinational firms, wholesalers, international trading companies, big retailers and other firms that outsourced their product from overseas. The sample covers all the regions in UK including England, Scotland, Wales and Northern Ireland. The process of data collection was initiated by collecting importer's email address. Through 'google' search engine, some websites such as '*British wholesale directory*', '*the Association for British importers*' were selected to collect the international buyers in UK. A list of 900 importing firms across different industries were randomly selected and collected into a Microsoft Excel file. Details of each firm were stored in terms of their name, address, telephone, fax number and email address. It was expected that a firm's importing manager or global purchasing manager would be most familiar with the importing process and possibly they could have valuable insights for the study. Therefore, the original plan was to gain the participation from importing managers from the listed companies.

The first step was to search for the importing manager's email address through the company website. A few companies have displayed their manager's email online and most of the emails are very general, such as 'sales@', 'info@' or 'enquiries@'. Posting to these general emails will usually be treated as spam and it might never be noticed. In order to enhance the participation rate, the strategy adopted here was phoning each company for the importing or purchasing manager's email address for the invitation permission use. There is evidence that the pre-permission of respondent to invitations will greatly facilitate to web surveys, and it is expected that respondents would be more likely to have a positive attitude towards a web survey with pre-permission to invitation emails (Jin, 2011). After months (from November 2011 to January 2012) of phoning the 900 companies, 556 valid email addresses were collected excluding invalid phone number and unwilling participants.

The 556 emails addresses were initially used for the data collection. An e-mail invitation message has been sent to the listed importers along with a covering letter and website address (URL) for the survey. 28 emails were return as invalid addresses. The remaining 528 useable emails were sent in three waves between

December 2011 to April 2012. By the end of April, the total number of replies and completed questionnaire was 56, which amounted to approximately 11% of response rate.

In analysing the quantitative data, Blaikie (2000:236) concluded that quantitative analysis methods contain four main categories: *description*, *association*, *causation*, and *inference*. This survey data is mainly approached by distribution frequencies, range analysis, correlations and cross-correlations by using SPSS statistical analysis package. Initially, questionnaires were coded and input into a Microsoft Excel file. The 56 responses were double-checked for errors before imported into SPSS Statistics 19 software. The data was screened for missing values and outliers and it was found that all cases answered questionnaire properly, some provided the comprehensive explanation at the comment box. Descriptive analysis was used to examine the composition of the sample. The detail findings are listed at Chapter 5.

4.5.5 About Response Rate

‘A high response rate is not only desirable, but also an important criterion by which the quality of the survey is judged’ (Hox and deLeeuw, 1994: 330). Different research subject and techniques used may result in different response rate. There are a wide range of response rates that considered as acceptable level. According to Fowler (2009:51), a survey response which lies at 5% to 20% is noted as one extreme response rate, and such response rate is arguably in providing credible statistics about the characteristics of the population as a whole. In general, a response rate of 50% is adequate, a 60% response rate is good, and a 70% response rate is considered to be very good (Kittleson, 1997). Sue and Ritter (2007:7) also specifically pointed out the response rate in e-mail surveys range between 24% and 76%, and approximately 30% for Web-based surveys. Overall, those figures are relative high compared with other studies documented in low response rates, especially with Internet-based surveys (Dillman, 2007; Duda and Nobile, 2010; Schoonlau et al, 2002). Lozar Manfreda et al (2008) used meta-analysis based of 45 surveys in their study and the result showed the response rates for web survey averaged at 6-15%, which is 11% lower than those of other methods. In Jin (2011)

paper, three experiments were carried out to test the response rate through web survey, the results showed the average response rates was just over 15%.

This growing number of nonresponse makes it difficult for researchers to generate the results of large population. It threatens the validity of a survey and the conclusion reached (Hoonakker and Carayon, 2009). The non-response bias will probably be a larger problem for the Internet survey compared to other survey modes (Gigliotti, 2011). The reasons behind the high non-response rate for Internet surveys are various, the respondent may have never actually seen the e-mail due to the filtering systems associated with e-mail accounts, software incompatibility problems, or the participants feel uncomfortable using the Internet to respond the survey (Gigliotti, 2011). Jin (2011) listed some possibilities in affecting low level of participation in online surveys, such as a high level of concern and anxiety about disclosure of personal information on the internet (Lozar Manfreda et al, 2008), the absence of one-to-one communication, and the missing of personal attention due to the shortcomings of the internet in terms of interpersonal interaction and involved conversations (Vehovar et al, 2001).

This study to British Importer also reflected the commonality of low response rate in online survey. Besides the possible reasons mentioned above, the time period of conducting survey for a particular industry is also crucial. By the time this survey was launched (December 2011), it was the peak season for importing companies to deal with different business issues, such as Christmas and New Year events. The low response rate was more predictable in this instance. Though, the completed questionnaires were believed to provide valuable knowledge in understanding British importer's perception towards COO. The findings of this survey will be presented in the Chapter 5.

4.5.6 Ethical Consideration

In Sue and Ritter (2007) book about conducting online survey, they have divided the ethical issue for online survey into three different aspects: (a) informed consent, (b) ensuring respondent confidentiality and anonymity; (c) ethical interpretation and

reporting of results (Sue and Ritter, 2007: 21-24). With this guideline, this study has clearly stated the detail information about the nature of this survey and study, the protection of respondent's identities and the utilization of survey data on the e-mail survey invitation. It also can be seen at the introduction part of questionnaire before the respondent decided to undertake this survey. Other information such as the estimated time for the questionnaire and the willingness to participate future research are indicated at the beginning and the end of the survey. The design of this survey allowed respondents freedom to decide to participate or withdraw at any time.

In social research, including the survey method, another most stringent requirement is in maintaining the confidentiality and anonymity of participants. This study has clearly stated that the respondent's identity information will be protected and it will be utilized only for research purpose, no third parties will be allowed access to the respondent's information. In addition, the result of this survey is carefully presented to avoid disclosure of individual responses. The data interpretation will also avoid in singling out any individual firm.

4.6 Netnography

4.6.1 Defining Netnography

Netnography was developed from the traditional ethnography. The nature of ethnography as an anthropological method is to understand the culture through everyday life and learn about the culture through sharing and co-creation with researcher as an active participant. Ethnography is an inherently open-ended practice. It is based on participation and observation in particular cultural arenas as well as acknowledgment and employment of researcher reflexivity (Kozinets, 2002). Different ethnographies adopt different methods, the essential part of traditional ethnographic study allows researchers to participate in the situation in a face-to-face relationships to understand that community.

The development of technology has resulted in an increasing individual utilization of Internet or computer-mediated communication for information exchange and making purchasing decision. The Internet is an interesting and attractive place for businesses

to promote their activities. Companies build their consumer communities via various social media tools, such as Blogs, Facebook, and Twitter. Both individuals and organizations use newsgroups, chat rooms, e-mail list servers, personal World Wide Web pages, and other online formats to share the ideas, build communities, and contact fellows. Back in the 90s, the 'online communities' (Kozinets, 2002) were popularly called 'virtual communities' (Rheingold, 1993; Wilbur, 1997) and it was easy to enlighten the arguments about the 'real' existence of online communities as social groups and their consequential effects on many aspects of behaviour (Kozinets, 1998 and 2002; Muniz and O'Guinn, 2001). Thus, marketing researchers (Fong and Burton, 2006; Xun and Reynolds, 2010; Kozinets et al, 2010) have paid an increasing attention into online studies as they started recognizing the increasing importance of the Internet and the people who are active in online communities (Kozinets, 2002). The phenomenon of doing research online was also described in different terminologies, such as 'online research' (Reid, 1996), Netnography (Kozinets, 1997;1998;2002;) and Webnography (Puri, 2007). Even though, different names have been used for the phenomenon, they all developed from the same *ethnography* root and shared the common concept of research work in qualitative depth. They fundamentally observe the general guideline and traditions of ethnography and adopt it into the unique circumstance of cyber-culture.

This study adopts 'Netnography' method that has been coined by Kozinets (1998; 2002; 2006). There are several definitions to describe the term of 'Netnography'. according to Sage Dictionary of Social Research Methods, the definition of Netnography as '*a qualitative, interpretive research methodology that adapts the traditional, in-person ethnographic research techniques of anthropology to the study of the online cultures and communities formed through computer-mediated communications*' (Jupp, 2006:193). Kozinets (2002:62) also provided the following definition:

"Netnography, or ethnography on the Internet, is a new qualitative research methodology that adapts ethnographic research techniques to study the cultures and communities that are emerging through computer-mediated communities."

As a marketing research technique, netnography uses the information that is publicly available in online forums which could be regarded as completely different from traditional ethnographic methods. It is faster, simpler, much less expensive and unobtrusive than traditional ethnography (Kozinets, 2002 and 2006). Comparing with a survey, netnography does not force consumers to choose from predetermined research assumptions but provides a wealth of grassroots, bottom-up generated information on the symbolism, meanings, and consumption patterns of online consumer groups (Kozinets, 2006). The differences with focus groups and personal interviews, netnography is far less obtrusive as it conducted using observations of individual in a context that is not fabricated by the marketing researchers (Kozinets, 2002). It also provides a window into naturally occurring behaviours and research can be timely controlled to the almost up-to-last-minute data (Kozinets, 2006).

Despite the easily accessible online data for any curious researchers with a web browser, the netnographic data seems relatively easy to collect, though, the majority of raw data is not informative and it is easy to be overwhelmed by netnography's data tidal wave (Kozinets, 2006). In this research, a large amount of time has been spent on finding the right content threads. At the end, when the most related threads were chosen, it still resulted in over 1,100 pages of raw data. Amongst these pages, some of the information was impracticable for study with irrelevant comments.

Other limitations belong to the textual nature of communication exchange, which netnography misses much of richness of in-person communication with its tonal shifts, pauses, cracked voices, eye movements and other body language (Kozinets, 2006). Even though, there are more facial expressions icon have been developed and appeared on forums, chat rooms, blogs and others, it still limits the real feeling of individual behind screen. Also one cannot necessarily identity the web user, or their attributes such as age, sex, ethnicity etc. Furthermore, netnography draw from its more narrow focus on online communities, and it requires researcher with a high level of interpretive skill, especially with the absence of informant identifiers present in the online context. Kozinets (2002) was concerned it might lead to difficulties in generalizing results to groups outside the online community sample, and it was recommended to apply careful evaluations of similarity and employ multiple

methods for triangulation. Therefore, in this research, an in-depth phone interview method was adopted to complement and multiply the findings from netnographic study.

4.6.2 Netnography Adoption

The researcher's past experience as an international exporter has provided sufficient knowledge in understanding exporter's behaviour. One of the essential aspects of Chinese exporters is the habit of using internet as they heavily rely on different exporting websites and forums to exchange information. With the above major characteristics of netnography, it was felt it is the most appropriate method to apply for the research on Chinese exporters.

Chinese Exporter's Online Behaviour

During the last two decades, the rapid development in new technology provides open opportunities for everyone to take a part. People started spending most of time online with different interests, such as watching sports, getting information about weather. There was an interesting survey conducted by the USA Public Relations and Communications Consultancy group Ruder Finn⁴ in 2009 in finding out the reasons people go online. Delving deep into the underlying motivations of online behaviour, the result showed the top five reasons were passing time, educating self, connecting with others, researching and sharing. Others such as discussing, being part of a community and working also accounted over 70% rates. Analysis indicated people who go online are more likely to seek education and to socialize. For the most part, people go online with the intention of learning something.

This is well represented by the Chinese exporters whose purpose of communicating on online forums is to educate themselves. Often they visit different forums to discuss problems, exchange information. Many novices learn the business operations by reading and following other's story, or posting questions to be answered by the

⁴ Ruder Finn ([Http://www.ruderfinn.com](http://www.ruderfinn.com))

experienced exporters. For those more senior exporters, they appear to establish online status by contributing valuable information to the questions posed. The forum administrator upgrades their online identification for the contribution they have made to the forum. The seniors often receive compliment and admiration from other online members. For them, the feeling of satisfaction and belonging to the community is more important.

4.6.3 Forums Selection

There is a variety of forums that exist in Chinese language for international trading purposes. Forums such as *Fobshanghai.com* and *Alibaba.com* are frequently regarded as the main platforms to learn the exporting information. Based on researcher's professional experience, and together with the searching result shown by Chinese leading search engine *baidu.com* (a Chinese version of *google*), there are four forums were finally selected for the purpose of data collection. These forums were re-confirmed by other Chinese exporters that these could be considered to be the appropriate forums to use. The names of four forums are:

Fobshanghai- <http://bbs.fobshanghai.com/>

BBS Alibaba- <http://club.china.alibaba.com/>

BBS-cnexp- <http://bbs.cnexp.net/>

Globalimporter- <http://bbs.globalimporter.net/>

Take the first forum as an example, the *BBS Fobshanghai* is so-called the number one exporting forum in China. They focus on creating the most popular and practical global trading online community in China. By 21st February 2013, the overall registered member with the website reached 1,686,150 with 644,141 active members. There are total of 2,825,347 threads with 35,266,288 posts since the establishment of website in late 2003 and the average daily new posts are 10,491⁵. This forum was one of the daily visiting website by the author when she was engaged in exporting business. The familiarity with this forum helped researcher to gain a deeper insight

⁵ see <http://bbs.fobshanghai.com/stats.php>

into research field. As Puri (2007) says a Netnographer who contributes to the research object is more likely to have an insider's view of research not only allows for more efficient navigation but also builds context and enables better interpretation.

The second forum *BBS-Alibaba* is the forum under one of the most famous Internet-based business website in China. The parent company Alibaba Group was founded by Jack Ma in 1998. The name of Alibaba was borrowed from ancient Arabia story 'The Thousand and One Nights' of 'Ali Baba, Open Sesame.' The concept is Alibaba as an online Business-to-Business (B2B) community especially for those SMEs in China to help them sell products to the overseas markets⁶. Now Alibaba has become a globally well-known website in providing Chinese products at favourable price. The *BBS-Alibaba* forum works as a platform for Chinese small and medium sized firms to discuss and exchange exporting information. Even though, they do not offer the statistical information about their forums as FOBshanghai does, it is still not difficult to observe the high traffic of postings and larger numbers of discrete message posters they have. According to some of Chinese exporters, they regularly check the information and make comments on Alibaba forum.

Other two forums *BBS CNEXP* and *Globalimporter* were recommended by *baidu.com* and appeared as worthwhile websites for the current research. The *BBS CNEXP* has 327,718 registered members with 289,542 topics in total 3,238,565 posts⁷, and the *Globalimporter* has fewer registered members at 203,113, and 108,776 threads with 1,078,842 posts. The name of *Globalimporter* may contain the word 'importer', but the focus of website is more on exchanging the experience on exporting, and it could be interpreted as to be globally imported from China⁸.

Before starting to data collection from these forums, it is essential to discuss the authenticity of respondents on the internet first. Unlike the traditional face-to-face ethnographic methods, Netnography has very little control over the identification of online members. It loses the direct interaction with respondents and an absence of being able to understand the story of individual behind screen. The picture, Figure 4.3, is borrowed from Puri (2007) illustrates the Internet phenomenon succinctly.

⁶ check wikipedia for further information: http://en.wikipedia.org/wiki/Alibaba_Group

⁷ See: <http://bbs.cnexp.net/index.php>

⁸ See: <http://bbs.globalimporter.net/>

Figure 4.3 Authenticity Problem in Internet Research



Source: Puri (2007)

For this research, the online member's personal identification might be not clear as the most netnographers claim. Yet one thing for certain is the respondents must be involved in exporting business to some degree. They could be counted as part of the 'Made in China' contributors. In order to be part of professional forums, they either have the abundance knowledge in exporting career, or in the process of learning. Unlike other online consumer behaviour research, the poster on professional forums could be easily detected by an experienced individual. For this reason, the issue of the respondent's authenticity is less of a concern in this study.

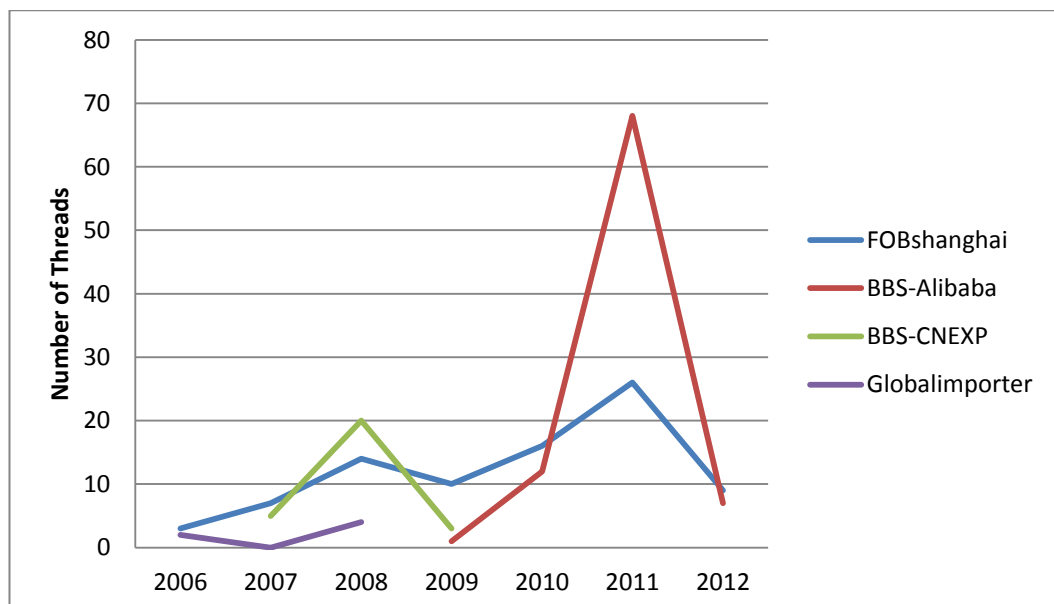
4.6.4 Data Collection and Analysis

For the data collection part, the initial focus was to investigate the perception of the online community on China's brand and their views and opinions on Chinese products in exporting market. Hence the threads of interest for the initial search were restricted to 'Made in China' brand, the China brand and branding China. Thus, an

abundant of data was obtained through searching the topics from forums. The selected material can be treated as raw data directly. This is one of the distinct advantages for netnography method as the downloaded documents could be seen as the automatic transcription (Kozinets, 2002). As stated before, however, the challenges faced here is to select the most informative and highly relevant data from the thousands of potential statements. As a consequence, it took a large amount of time to go through each thread recommended by the four forums.

During the data deducing process, the greater familiarity with the space the more likely for researcher to be aware of the possibilities available for a particular study (Puri, 2007). The author has benefited from her previous experience as a member of these forums, and possibly, has been more efficient in data collection process. The starting point was a careful reading to the threads that related to these specific issues. After months of reading and selecting, it resulted in 208 threads in over 1,100 pages of material. The time gap in the data covers from February 2006 to June 2012 over a seven year period. The detail of data frequency showed in Figure 4.4 and Table 4.3 below:

Figure 4.4 Netnography Data Distribution



Source: Author

Table 4.3 Netnography Data Information

Year	Forums				Total
	FOBShanghai	BBS-Alibaba	BBS-cnexp	Globalimporter	
2006	3	0	0	2	5
2007	7	0	5	0	12
2008	14	0	20	4	38
2009	10	1	3	0	14
2010	16	12	0	0	28
2011	26	68	0	0	94
2012	9	7	1	0	17
Total	85	88	29	6	208
Time period	20/04/2006-25/06/2012	28/12/2009-26/02/2012	16/03/2007-20/02/2012	20/04/2006-25/06/2012	

Source: Author

From the data distribution chart, one can clearly see that only *FOB Shanghai* forum provides continuous data across seven year period and the data from *BBS-Alibaba* forum is focused on more recent years since 2010. Whilst the other two forums work as supplemental data allowing the understanding of the time period before 2009. The reasons of different forums have different time coverage is partly due to the time of website establishment and the short history of Chinese Internet service development. The popularity of the forum during the specific time is also affecting. The combined data from four forums has enriched the effort to develop relevant insights in understanding the Chinese exporters' perceptual changes during the past seven years. In the netnography field, despite the growing interests in using photographs or digital recording work data, the typical netnographic data is still focused upon text (Kozinets, 1998) and it applies to this research data.

In analysing the netnographic data, there is a temptation to mistreat it as content analysis or simply turned into a coding exercise. In defence, Kozinets (2006) pointed out the importance of existence of the netnographer that embedded during the data analysis which provides the deep sights in culture understanding. He referred:

‘without detailed cultural knowledge and an ability to follow a cultural investigation through to all the touch points that matter, a netnography is not going to have the impact or reliability that it needs to have in order to inform important decisions or build valid understanding’ (Kozinets, 2006:282).

As it differs from traditional ethnography, analysing online data requires a radical shift from which observe people to observe and recontextualize conversational acts. It is necessary to shift as the characteristics of conversation in netnography occur through computer mediation and generated in written text form with missing conversants’ identities (Kozinets, 2002). Following these essential points, researcher’s practical knowledge in global exporting business has been constantly applied to understand the data in depth during the analysis.

The netnography data analysis used a general inductive approach. This strategy is evident in much qualitative data analysis (Bryman and Burgess, 1994; Dey, 1993), often without an explicit label being given to the analysis strategy (Thomas, 2006). Inductive analysis approaches often refers to using detailed reading of raw data in order to derive concepts, themes, or a model through interpretations made from the raw data by researcher. It is commonly used in several types of qualitative data analysis, especially grounded theory (Strauss and Corbin, 1998). It is also consistent with the general patterns of qualitative data analysis description: *‘the researcher begins with an area of study and allows the theory to emerge from the data’* (Strauss and Corbin, 1998:12). Followed the guideline from Thomas (2006), the netnographic data was analysed by the following procedures:

1) Data cleaning

This process includes formatting the raw data files in a common format. In this study, the finalized 208 threads had to be downloaded and copy-pasted into workable files, such as Microsoft Word or PDF format. The data retained its original online Web format where each thread contained the main topic posting with a number of comments that followed. The original Chinese language is preserved without translating it into English. All the threads were sorted and classified into individual Microsoft Word file or PDF file, and named according to its original posting time.

2) Close reading of text

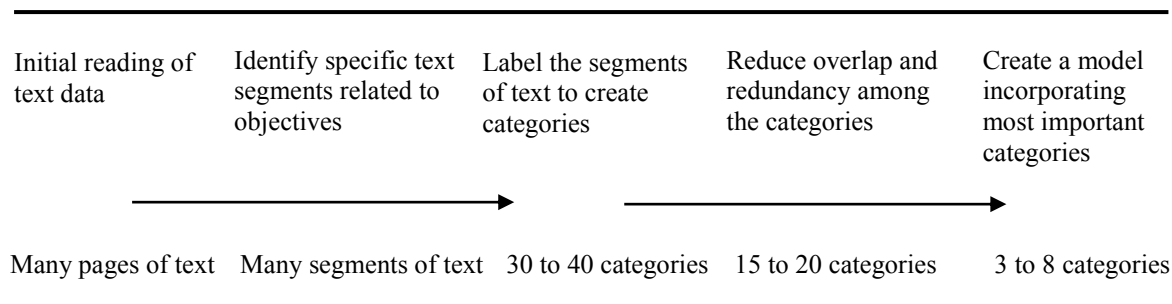
The text was prepared and imported into qualitative analysis software Nvivo 9 which recognizes Chinese characters. The raw material was read in detail several times in order to gain familiarity of context. Reading in qualitative data analysis is not passive but it is the ground for data analysis. It helps to comprehend the data and shape the research ideas (Dey, 1993).

3) Coding and categorizing process

During the reading, any interesting information in words, phrase, sentence or paragraph was translated in English and was generalized as a node (Nvivo 9 categorizes codes as nodes). The nodes in this study are either created from actual phrases or meanings in specific text segments, or derived from the evaluation aims. It often appears as a word or a short phrase. Nvivo 9 software helped to generate the codes and speed up the coding process. Initially, the data yielded over 140 nodes. In qualitative coding process, it is common to see that some segment of text may be coded into more than one category, or a considerable amount of the text may not be assigned to any category as it may not be relevant to the evaluation objectives (Thomas, 2006). Therefore, further examination was required to identify the overlaps in coding and links between nodes. The nodes were further categorized, abstracted, compared and integrated. Correlation and inter-relationship between different nodes were examined. Finally, the large amount of nodes were grouped into limited categories and a model incorporating most of important categories were created on the basis of online data. The detail will be discussed in the findings chapters (Chapter 6 and 7).

An overview of the inductive coding process is shown in Table 4.4. As stated by Thomas (2006), the intended outcome of the process is to create a small number of summary categories that capture the key aspects of the themes identified in the raw data. These themes were intended to meet the research objectives.

Figure 4.5 The Coding Process in Inductive Analysis



Source: Adapted from Creswell (2002); Thomas (2006)

Moreover, in order to establish credibility and trustworthiness of performing data analysis, the analysis process was consistently checked with other researchers and members (in this case, the Chinese exporters). This helped to validate the outcome and ensure the reliability of data analysis process.

4.6.5 Ethical Considerations

In social science research that involves with human subjects, there is the potential for harm to come to those subjects. The guidelines for ethical behaviour help to minimize the risk and eliminate the potential risk (Reid, 1996). Unlike the face-to-face interview or ethnographic observation, netnography has the distinguishing differences in research ethical issues. Two fundamental ethical concerns were the publicity or privacy of online forums, and to what extent it constitutes ‘informed consent’ in cyberspace (Kozinets, 2002). Researcher acts as a professional ‘lurkers’ as described by Kozinets (2002) in seeking interesting information for particular studies. This uninterrupted work in other words also contributes to the attractiveness of netnography in unobtrusive nature.

The debate over public versus private issue has been discussed on by various scholars over the last decade. The boundary between public and private is blurred on the Internet. Some scholars (Reid, 1996) argued even if the information is universally accessible, it is still doubtful whether each author intends their words to be placed in

the public domain. King (1996) also concluded that consumers might be deluded about the quasi-public nature of their ostensibly private communications, therefore, gaining additional informed consent from them is a responsibility for researcher. In the research conducted by Kozinets (2002), he suggested that researchers should fully disclose their presences while conducting netnographic research. Conversely, other scholars (Puri, 2007) revealed that since most of online information is technically 'published' material that widely available for everyone who has access to Internet, the issue of researcher encroaching upon data's privacy should be minimized. Furthermore, on the Internet the anonymity derived from such techniques as using nicknames has already offered as an alternative way of protection (Elgesem, 2002). Therefore, it is less necessary to reveal the existence of researcher (Sandlin, 2007; Langer and Beckman, 2005) and the informed consent is not required (Newhagan and Rafaeli, 1996).

In such issue, Langer and Beckman (2005) stated it all depends on case to case on whether the researchers deal with (semi-) private communication or public communication. If the access is restricted by passwords or other permission, this data should be treated as a (semi-) private communication and should apply for the consent. If, however, the access is not restricted and anyone can participate in the conversation without any restrictions, then it could be defined as public communication. Following this suggestion, this study has decided to against revealing researcher's role for the purpose of having a better observation on the story happening on the screen. Research's familiarity with the websites and knowledge to the industry has cultivated a sense of belonging into this group. Researcher's participation as a 'lurker' in overlooking the discussion will help to understand the situation by switching from an insider to an outsider. It is still, however, recommended to disclose yourself if the researcher lacks familiarity with community (Kozinets, 2002; Sandlin, 2007).

4.7 Interview

4.7.1 Telephone Interview Justification

Following the Netnographic studies, the telephone interview method was adopted to validate and complement the findings. It was suggested that telephone interview was well-suited for the studies with specific focus and has clear aims and objectives (Smith, 2005). In this research, the findings generalized from Netnographic study have displayed the thoughts of Chinese producers. In order to test the issues that arose from Netnographic studies and get a greater insight into the voice behind screen, in-depth telephone interviews were deemed to be the best choice. The interview questionnaire was semi-structured, designed with open-ended questions to allow the informants to describe freely with relevant traits of the subjects, and express their own experience, perception and understanding of phenomena (Ritchie and Lewis, 2003). A detail questionnaire is attached as Appendix 4B.

The reason of Choosing Telephone Interview

Before deciding to apply the telephone interview method for this study, a number of research method options were considered. First is the survey questionnaire. In general, it was perennially plagued of low response rates, and in this case, it did not seem well-suited for exploring Chinese exporter's opinion. A qualitative interview always appeared to be far more suitable for capturing the respondents' in-depth perceptions and experiences.

The face-to-face interview method was also considered in the first place, but the sample group of this project were geographically widespread in China. Considering the distance of coastline cities in China, the time and cost would not have been possible for researcher to repeatedly travel to disparate locations. Therefore, the implications of conducting face-to-face interviews were prohibitive. The telephone interview was considered appropriate for the population involved in the research, as telephones have become an essential part of people's lives in everyday means of communication (Glogowska et al, 2011).

There was an argument over the validity and reliability of data obtained by telephone interview. The evidences suggested the data obtained through telephone interviews were no less valid than those obtained by face-to-face interviews (Herzog et al, 1983; Smith, 2005). Others (Smith, 2005, Ward-King et al, 2010) tested the reliability of result from both methods and found there was no significant difference. Trier-Bieniek (2012) suggested the reason that telephone interview was perceived as less-effective interview method was due to the effect from telephone survey for quantitative research. The participants in telephone survey are more likely to censor their answer to questions in order to protect themselves, and they avoid the use of telephone interviewing particular when gathering data on sensitive topics (Holbrook et al, 2003). For some studies, the participants might prefer the telephone interview due to its convenience and the length of the interview did not cause significant concern. Thus, telephone interviews have been largely proven to yield comparable results (Siemiatycki, 1979) and it has been increasingly utilized as a popular method to collect data in different research fields (Thomas and Purdon, 1994). The expansion in ownership of telephone and the introduction of smart phone have connected the world by various applications or tablet applications on the mobile phones. This study also applied such applications, i.e. Skype, QQ voice call, to reach participants.

Pros and Cons of Telephone Interview

One of the most obvious advantages of telephone interview is cost and time effective (Bauman, 1993; Burnard, 1994; Corey and Freeman, 1990; Marcus and Crane, 1986; Musselwhite et al, 2007). Marus and Crane (1986) mentioned telephone interview technique could reduce 50-75% cost compared to face-to-face interview. In this research, the reduction is even more significant. The phone call rate from UK to China can be as low as one Penny per minute. It would require a large amount of funds to conduct face-to-face interview by travelling between UK and China, and the inner China. Telephone interview also allows interviewer to cover a large geographical area (Burnard, 1994; Wilson and Edwards, 2002; Musselwhite et al, 2007). It can be scheduled and completed quicker than face-to-face interviews (Worth and Tierney, 1993; Wilson and Edwards, 2003). The interviewers are also

able to take notes more discreetly and minimize the discomfort that participants may have during the interview (Musselwhite et al, 2007). Glogowska et al (2011) further pointed out the distance in telephone interview helped to improve the quality of data while the interviewer wanted to engage on a more personal level of conversation. Wilson et al (1998) discuss the ‘pseudonymity’ achieved by telephone interviewing because of the loss of the visual channel and the corresponding effects this may have on respondents. In this study, most of the interviewees were approached through Internet without requiring detail identical information. It provides a comfortable environment for them to express their feelings.

In contrast, the drawbacks of telephone interview are the absence of visual knowledge. This leads to potential difficulties in building rapport when the environmental cues and physically engagement are missing (Robson, 1993). It is important to establish an appropriate relationship in order for the telephone interview to be successful, and for authentic responses to be provided. As the facial and body expressions accompanying statements cannot be seen and recorded in the telephone interview, some responses may be misinterpreted. Furthermore, it requires high concentration on the part of interviewer to keep the conversation on course. It is energy consuming and easily causes fatigue after talking on phone for some times. The respondents are also more easily to be distracted by the things or people around them (Glogowska et al, 2011). In this research, the respondents were constantly interrupted by their children when it undertaking in a home environment.

Other drawbacks are technical problems that occur in the case the network connection break down. The Internet disconnection frequently happened during the research calls via Skype and QQ voice call. It was always difficult to continue the conversation after reconnection. The best way to cope this problem was notes taking during the interview. Writing down the key words can minimize the problems caused by network incidents. It also worked to overcome the fatigue problem caused by long time concentration on phone.

Based on the literature and personal experience gained from this study, Table 4.4 below generalized the advantages and disadvantages of conducting telephone interview.

Table 4.4 Telephone Interview Pros and Cons

Pros	Cons
1) Cost and time effective; (Bauman, 1993; Burnard, 1994; Corey and Freeman, 1990; Marcus and Crane, 1986; Wilson and Edwards, 2003; Musselwhite et al, 2007)	1) Difficult to build rapport with absent of visual cues; (Glogowska, et al, 2011).
2) A wide geographic coverage; (Burnard, 1994; Wilson and Edwards, 2003; Musselwhite et al, 2007).	2) Misinterpretation with the missing of body languages.
3) Flexible in time, quick scheduled; (Worth and Tierney, 1993, Wilson and Edwards, 2003).	3) The respondent is more likely to be distracted by other things around him/her. (Glogowska et al, 2011).
4) More comfortable to take the notes; (Musselwhite et al, 2007).	4) Technology problem: network disconnection
5) Researcher's safety considered;	5) Easy for fatigue to arise if talking long time over phone.
6) Respondent talks more freely without interruption from interviewer.	

Source: Author

4.7.2 Interview Access

Most of interviewees were based on researcher's previous connections with manufacturers. She has maintained relationship with them through QQ message software after she left exporting job for PhD study. QQ is an instant message software created by Tencent QQ which was founded by Huateng Ma in 1998. It is one of the most popular software in China. The number of online users approached close to 100 million with 784 million active user accounts by September 2012⁹. Tencent's Internet platforms have brought China's largest Internet community together and it was rated as top 10 most visited website in the world according to

⁹ http://en.wikipedia.org/wiki/Tencent_QQ

Alexa Internet Ranking.¹⁰ Most companies use some of Tencent QQ platforms such as QQ message, QQ chat room to provide instant services to their customers.

In terms of participants' recruitment, there were two types of interview employed in this research. One was the researcher's past business partners. This type of potential participants, in general, was happy to participate after they have learned the study objectives. Another type of interview participants were recruited from a chatting group 'SOHO' in QQ Messenger. This chatting group has 100 memberships. In order to encourage discussions in group, the group administrator occasionally does 'house cleaning' to remove the non-active members for new comers. The initial idea was to create an online community for international 'SOHO (Small Office Home Office)' trader. Yet the actual members were a mixture of 'SOHO' in self-employment, trading companies and exporting manufacturers. The member's name is identified as 'location + name + product'. This was set to broadcast their products as well as to build business network. The researcher has been an active member of the chatting room since 2008, and she has built her popularity in the group.

The interview invitation was advertised in the chatting group to exporting manufacturers only. They were also approached by researcher in a private chat. Some rejected the invitation with reasons in time and trust issues, or afraid to touch the sensitive topics. In most cases, they responded positively to the interview request. They wanted to be involved in the study and some of them were keen to express their thought during the invitation conversation.

There were a total of 20 interviewees recruited for this study, includes exporters, exporting managers and exporting business founders. Most firms are located in east coastal and south-east coastal areas of China. The detail of the interviewees' profile can be seen in Appendix 4C.

¹⁰ <http://www.alexa.com/topsites>

4.7.3 Technical Methods

To collect high quality data with less interruption, a quiet environment is desired. The interviews were taken in an arranged individual office from school or in researcher's flat if it took in the early morning. In order to have a less misinterpretation, a voice recording was used during the interview. Permission to record was asked before the interview starts, all of interviewees in this study had no objection to be recorded after knowing it was for transcription purpose. In the first two interviews, there was an incident happened that all the data was erased. After that, researcher had to take extra care by using both iPhone voice memo and a professional voice recorder to doubly secure the data's safety and quality. After the transcription was done, only one version of record will be retained and the rest will be deleted.

The phone calls have used three techniques: telephone call, Skype call and QQ voice call. If the university's facility was available at the time of need, a telephone call would be used. At other times a Skype call was used instead. Generally the quality of Skyping was acceptable, though, occasionally disconnections occurred during the course of interview. Both telephone and Skype required respondent's phone number. QQ online voice call was employed for those that felt uncomfortable to disclose their phone number. Though, QQ online voice call has more problematic in network connection than others. The interviewees suggested switching to a phone conversation after they had established a trustful relationship with the researcher. Another concern of talking over computer application was the voice echo. Some respondents complained it was quite disturbing and it is difficult to cope with.

4.7.4 Building Rapport

In the qualitative interview, the quality of data is built on the premise of interviewer establishing a good rapport with the respondent (Glogowska et al, 2011). In the case of telephone interview, the physical appearance and other essential elements for building rapport are missing, such as the respondent's environment and reaction, body languages. This tends to create more difficulties in telephone interviews. A

good strategy can be achieved through listening and responding appropriately. Being a good listener, and frequently provide some responses, such as *'yes, you are right'*, *'I agree with you in this point'*, *'could you tell me more about this?'* would be helpful to let them feel they have been listened to and their accounts were of genuine interest to the interviewer and to the research project as a whole. At other times, researcher could play as a 'naïve' listener to induce them to provide detail information, or occasionally engaging with the discussion by initiating topics talking to ignite their ideas.

Chapple (1999) pointed it is more difficult to establish rapport when interviewing by telephone because symbolic exchanges are not possible. When interviewing by telephone, it is important to sound interested and concerned. Disclosing interviewer's personally information and professional background would help to build rapport. The evidence showed people feel able to talk about subjects more easily if the interviewer discloses that he or she has experienced a similar condition or event (Chapple, 1999). Such strategy was applied to this study. During the course, the researcher established an atmosphere in which the respondent could feel safe and comfortable to talk freely about their experiences and feeling. When they were revealing some particular cases, researcher tried to engage the conversation with similar experiences. This seemed to give them the confidence to say more about their own experience in much more depth. Most of the respondents were extremely frank about circumstances they had faced in their industry, this addressed the evidence already in the literature that some respondents may be more willing to discuss certain subjects over the telephone and may feel physically safer doing so than in face-to-face interviews (Chapple, 1999). For the reason of being net-friends in the same group for years, some of respondents treated researcher as friend even if they had never physically met. During the conversation, they frequently reminded researcher the cost of overseas call after long conversation. The researcher had to repeatedly confirm them the low or free call fare to ease their worries. At the end of interview, most respondents gave positive feedback and showed their willingness to participate in future research.

4.7.5 Timing

The interviews were conducted between December 2012 to February 2013, there are 8 hours' time differences between China and UK. The majority of phone calls were made in the UK morning time which equivalent to afternoon or evening in China. The respondents had different time preference for phone calls. Some of them prefer to talk in the late afternoon before being 'off-duty', this time is less busy and more relax for them. Others prefer to talk in evening after dinner, and at night before bedtime.

It is generally accepted in the literature that the time duration for a telephone interview will be shorter than a face-to-face interview, with the telephone considered to be a more 'businesslike' mode of communication (Wilson et al, 1998). De Vaus (1991) suggests that 30 minutes is the maximum feasible time for a telephone interview, although other researchers have found both shorter and longer times than this being taken (Ryan et al, 2001). Waterman et al (1999) found that telephone interview of up to 60 min were 'efficient in time and conducive to free-flowing conversation'. There is nothing preventing a telephone call from lasting for even longer than this, though fatigue may set in. In this research, most of respondents were not eager to terminate the conversation or appeared in any way uncomfortable with the length of the conversation. In fact, the notional time for the interview which had been set at 30 minutes was frequently exceeded – the majority of the interviews took longer than 30 minutes, a number of them have reached over an hour. The detail information can be seen in Appendix 4C, the average interview timing is over 42 minutes. Most of respondents were happy to continue providing detail information as their thoughts to this topic is highly related to their jobs.

4.7.6 Insider and outsider

The researcher, who has been part of a community, is faced with the issue of being an insider who tries to act as an outsider. Generally, the insider-researchers are those who choose to study a group to which they belong or belonged, while outsider-researchers do not belong to the group under study (Breen, 2007). The researcher in

this study has been part of the Chinese exporting community. Hence the researcher has to be able to stand outside their past life, but aware of the potential biases to which they may be subject. It is crucial for social researchers to clarify their researcher's roles especially for those utilizing qualitative methodology for their research credibility (Unluer, 2012).

Previous researchers (Bonner and Tolhurst, 2002, Unluer, 2012) have identified the advantages and disadvantages of conducting research as an insider-researcher. The advantages include of having a great understanding of the context culture, easier to get access and collect truthful information. Generally, they have a great deal of knowledge about the research context, which takes an outsider a long time to acquire (Smyth and Holian, 2008). Being an insider, researcher shares the same language and understands the local values, knowledge and taboos, obtaining permission to conduct research and interview and to get access to record. It also helped author to collect valid data.

For this project, researcher effectively used these advantages during data collection process. The interview schedules were planned fast and were able to arrange in off-duty time. It also allowed researcher to complete missing data by going back for clarification. These advantages an outsider might not have achieved. This enhances the trustworthiness of data has been collected.

However, the greater familiarity can also lead to a loss of objectivities and unconsciously making wrong assumptions about the research process based on the researcher's prior knowledge (DeLyser, 2001; Hewitt-Taylor, 2002). This disadvantage may cause bias in conducting research. To overcome it, the researcher consciously played the role of a novice to encourage participants explaining more to the situations. She also developed a regular meeting routine with her supervisor who has acted as an outsider that helped to make sense of the data by asking various questions. In order to minimize the impact of biases, all the situations experienced during the data collection were shared with author's advisor. She also considered the

research within the current social circumstance and by clarifying the research process and the researcher role while writing the research report.

Moreover, by the time of data collection, researcher had left the job for more than a year and has developed a distance from the research field. The researcher has also developed an overview of research context after intensively exploring the literature study. This also helped researcher to be more balanced and so more objective. At the last, the impact of biases was minimized and the result was carefully presented to ensure the validity and reliability of the data.

4.7.7 Data Analysis

The interview questionnaire was designed according to the findings from the netnographic study. It was a semi-structured questionnaire which allowed interviewees to express their thoughts freely. The interview questionnaire is attached in Appendix 4B. A total number of 20 interviews were conducted. They covered six provinces in China and most of their factories are located in the coastal cities (see Figure 4.5).

Figure 4.6 Interview Region Cluster



Source: Author

Details of interviewees' location, the industries with which they have been involved and the size of firms they are associated with can be found in Appendix 4C. It has covered a wide range of products from small commodities to electronic devices.

Initially, the 20 interviews were transcribed into Chinese language and the transcripts were re-read several times. It was intended to gain a holistic insight by understanding Chinese manufacturers' thoughts, just like Edmund Burke said: *'to read without reflecting is like eating without digesting'* (quoted in Dey, 1993). Reading and annotating are processes which aid the 'digestion' of interview data. Compared with the netnographic data analysis which is based on an inductive approach to let the data speak, interviews data were more controlled in the content involved and therefore, the data is more constrained. The data was imported into Nvivo 9 software and it was coded according to the given categories. Under the main categories that provided by netnographic findings, extra nodes or issues which arose from interviews were also

collected and analysed. For the findings to be usable, the researcher has to make decisions about what is important in the data. Those new emerged categories have been further regrouped as sub-categories under the main themes, or have been excluded for the final interpretation if it is not on the focus of the research objectives. The details of the findings are presented in Chapter 8.

4.7.8 Ethical Consideration

It is essential for researchers to obtain consent (written or verbal) from participants in advance of the interview, and inform potential participants about the conditions of confidentiality and the circumstances under which confidentiality would need to be breached. As most of interviewees were approached through a chat-room and some of them having been net-friends for a number of years, they were notified the purpose of interview, and acknowledged the nature of research.

Before the interview official took place, they were told that they could terminate the conversation at any point during the interview and they were asked for the permission to record the conversation. Further detail were included such as the information will be only sorted and used by researcher, and the data will be only used for academic purposes. In the transcription, all the personal information is encoded and made anonymous as far as is possible and consistent with the needs of the study.

4.8 Conclusion

This chapter has presented the methodological procedure starting with three research objectives and questions as seen in Table 4.1. It guided by scientific realism philosophy stance that balances both observable and unobservable variables in social life. The research used mixed methods by combining quantitative and qualitative studies to investigate the knowledge from British importers and Chinese producers. Three methods: survey, Netnography and interview were employed. The online questionnaires were completed by 56 British importers. For the netnography study,

208 threads were collected from Chinese exporting forums. It was analysed by using an inductive approach. Afterwards, 20 Interviews were conducted with Chinese manufacturers to validate and complement the findings from netnography. In each method section, the detail and justification for the particular method, as well as data access, data collection and analysis, and ethical issue were discussed.

The findings from three methods are presented in the following Chapter 5 to 8. Chapter 5 provides the result of quantitative survey from British importers. Chapter 6 and 7 are the findings generated from netnographic data and Chapter 8 provides discussion of data from the interviews with Chinese manufacturers. These will be discussed together in Chapter 9.

Chapter 5 Survey Result

5.1 Introduction

This chapter presents the result of the quantitative survey from British importer. It explores their views towards importing behaviour and COO perception. As detailed in the previous chapter, after 900 phone calls were made to gather email addresses and more than 500 emails were contacted, the response rate was still relative small with 56 responses after follow up. It was decided that analysis should be relative simple with these 56 responses by using a descriptive approach. The findings will be presented in three main sections: the respondents' profile, their importing behaviour and their perception of COO and 'Made in China' product.

5.2 Section one: Company Profile

This section introduces the background of the 56 British importing companies by using frequency tables derived from SPSS. It will take the consideration company's business size, industry sector and product, importing information. From this the respondent's profile will be presented.

5.2.1 Size

The size of British importing companies in this survey is shown in the Table 5.1 below. It is worth noting that more than 90% of the UK importers in this study have less than 50 employees. Most of them (over 50%) have less than 10 full-time workers, while only one respondent indicated has over 501 employees.

Table 5.1 Number of Full-time Employees in Organization

Employees information	Frequency	Percent	Cumulative Percent
10 or less;	32	57.1	57.1
11-49 employees;	20	35.7	92.9
50-249 employees;	3	5.4	98.2
501 or more employees;	1	1.8	100.0
Total	56	100.0	

According to the EU definition of SME from Centre of Strategy and Evaluation Services¹¹, an institution has below 250 employees is defined as SMEs (Small and Medium sized Enterprises). In this study, most of respondents were therefore Small and Medium sized Firms.

5.2.2 Business Sectors

Of these 56 respondents, the majority of businesses are defined as the Wholesalers, International Trading Companies and Distributors, which account for 18, 14 and 11 respectively. There are also small numbers of respondents specialized at importing, retailing and manufacturing business as the Table 5.2 shows:

Table 5.2 Company Business Sector

Business sector	Frequency	Percent
Wholesaler	18	32.1
International trading	14	25.0
Distributor	11	19.6
International importing company	7	12.5
Retailer	3	5.4
Manufacturer	3	5.4
Total	56	100.0

The nature of their business allows them to import a variety of product. The survey showed they have been involved in importing products from apparel and fashion, electronic device, toy and promotional items, to foods, furniture, construction material, and kitchen items etc. Most of them import more than one item, with very limited number only focusing on particular product types.

¹¹Centre of Strategy and Evaluation Services: <http://www.cses.co.uk/>

5.2.3 Importing Information

The surveyed companies indicate of good experiences in the importing business. As the Table 5.3 showed that more than half of them have been involved in overseas purchasing for more than 10 years. 47 of British importing companies in this survey have at least three years experiences in buying from other countries. By contrast, only 2 companies are newly involved in importing business with less than one year's experience. It is believed their abundant knowledge in importing experience will provide some insight into the topic of this study.

Table 5.3 Company Importing History

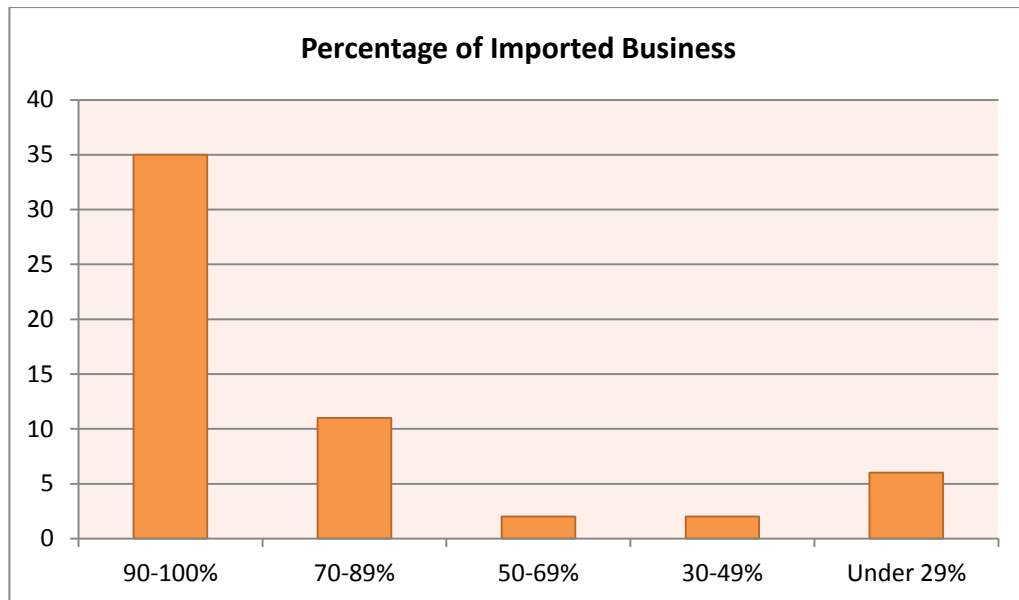
Year of importing	No of companies	Percent
Above 10 years	31	55.4
Between 3 years to 10 years	16	28.6
Between 1 year to 3 years	7	12.5
Under 1 year	2	3.6
Total	56	100.0

At the same time, over 85% of these companies relied on importing heavily and at least 50% of their products come from overseas. More than half of these British companies have at least 90% of their products imported from other countries, while only 10% of them imported less than a third of products. The Table 5.4 shows the high percentage on the importing rates in British importing firms despite their small and medium sized business was found above. Figure 5.1 illustrates the importing percentage in a graph.

Table 5.4 The Percentage of Imported Business

Percentage of importing business	No of companies	Percent
90-100%	35	62.5
70-89%	11	19.6
50-69%	2	3.6
30-49%	2	3.6
Under 29%	6	10.7
Total	56	100.0

Figure 5.1 The Percentage of Imported Business



Such high percentage of imported business can also be seen in the high frequency of placing business order. Table 5.5 shows that over 60% of them placed order on a high frequency basis. Every month they place different orders, and 19 companies have placed order in every week. These Small and Medium sized British importers are regular importers rather than sporadic importers. This is can be inferred the higher percentage of business relied on importing, the more frequent they need to place the deal.

Table 5.5 Order Placement Frequency

Frequency	No of companies	Percent
Every week	19	33.9
Every month	15	26.8
Every 2-3 months	5	8.9
Every quarter	2	3.6
Once a year	2	3.6
In a particular season or for a particularly occasion	11	19.6
Others	2	3.6
Total	56	100

One may wonder which countries meet such high desire for importing. The survey also asked them to give the top three countries they have imported from. The results unsurprisingly showed 40 of them have been imported from mainland China, and it becomes 46 if one includes 6 from Taiwan and Hong Kong. The second place was taken by European region accounts for 26 companies in report. The regional segments in Europe can be seen in Table 5.6. ASEAN region and India shared the third place account for 12 places respective. This finding has doubly confirmed the exporting power of ‘Made in China’ with most countries being her trading partners. The high percentage of imports from European region showed the geographical advantage plays an important role in international trading business. Furthermore, the rise of other emerging countries India and ASEAN countries has shown the growing share of world exporting they are gaining.

Table 5.6 Top Three Regions Importing From

Rate	Country	Number of companies and information	
1	China	46	Mainland:40; Taiwan & HK: 6;
2	European region	26	Western Europe: 17; Southern Europe: 8; Eastern Europe: 2;
3	India	12	
	ASEAN	12	Including Malaysia, Indonesia, Philippine, Thailand, Vietnam and Singapore

5.2.4 Product Branding Information

This section aims to investigate how the products were branded by British Importer: whether the importers used their own brand or under the supplier's name. It is also intended to understand the importers' counterparts, whether exporters have the opportunity to use their own brand on their products. If the importers are only interested in selling their own brand, the manufacturer will have to take the OEM model. Conversely, the manufacturer can use the opportunity to promote factory's brand.

The result showed the majority of importers (36) use their own brand when placing the orders. This indicated that exporting firms have to focus on OEM or subcontracting business model to produce product under buyer's name. To some extent it limits a manufacturer's brand development. Nevertheless, there are still rooms left for manufacturers, as the Table 5.7 showed 10% of importers actually used supplier's original brand or name, and more than 20% of them used both supplier's and their own name and brand. Exporters can work on this percentage to expand their product branding.

Table 5.7 Order Place Brand Information

Brand information	Frequency	Percent	Cumulative percent
Under buyer's own name	36	64.3	64.3
Under supplier's name	6	10.7	75.0
Mixed	13	23.2	98.2
Others	1	1.8	100.0
Total	56	100.0	

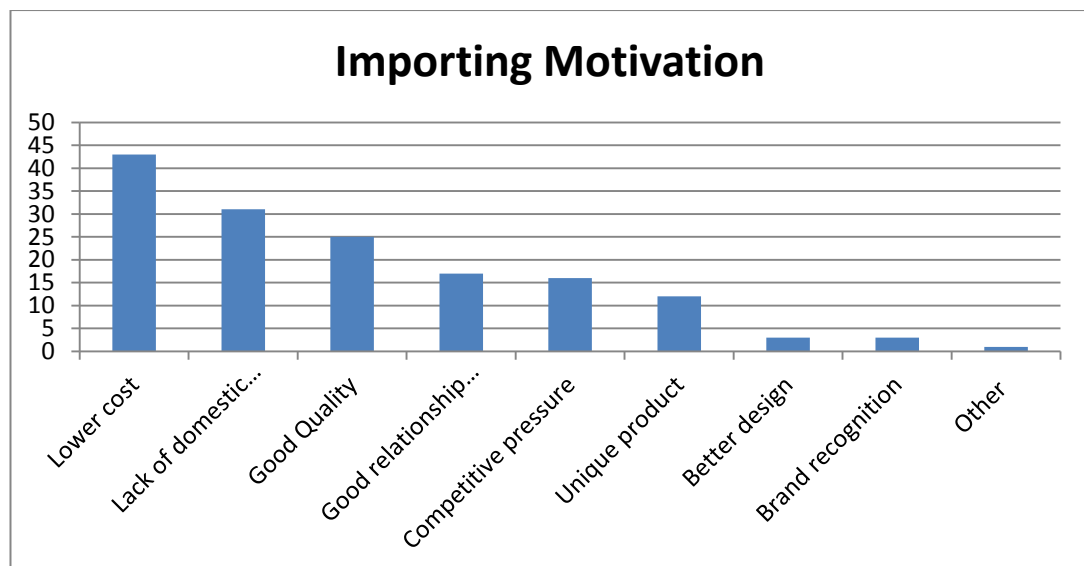
5.3 Section two: Importing Behaviour

This section will focus on the respondents' importing behaviour that includes the importing motivations and the switching behaviour.

5.3.1 Importing Motivations

This question was set up as a multi-choice option that respondent can tick as many as applicable. It was designed to see the main importing motivation of British companies. The results (Figure 5.2) show cost seeking is the primary interest (which accounts to nearly 45 of the total choices) to buy from overseas. This is followed by the lack of domestic availability which accounts for 31. The remainder choices suggested good quality, good relationship with supplier, competitive pressure and unique product. This finding, in principle, is consistent with earlier empirical efforts in examining the issue of import motivation (Ghymn 1980; Yavas et al. 1987; Leonidou 1988; Katsikeas and Al-Khalifa, 1993). The findings also showed importers are less interested in supplier's better design and brand's recognition. Both design and brand recognition options occurred rarely in the sample.

Figure 5.2 Importing Motivation

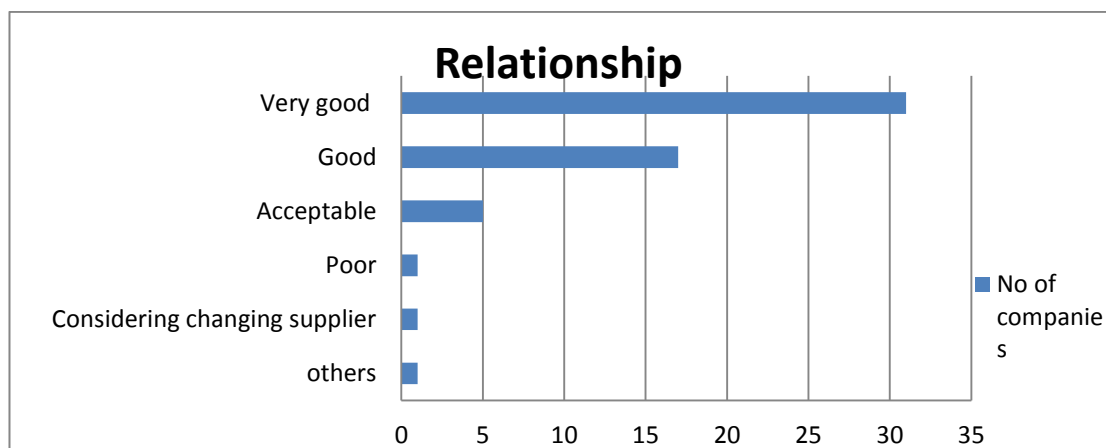


In the business-to-business (B2B) realm, the importing motivation always plays as an important factor in understanding the importing behaviour. This data showed purchasing a lower cost product is the crucial interest for British companies who seek products from overseas.

5.3.2 Switching Behaviour

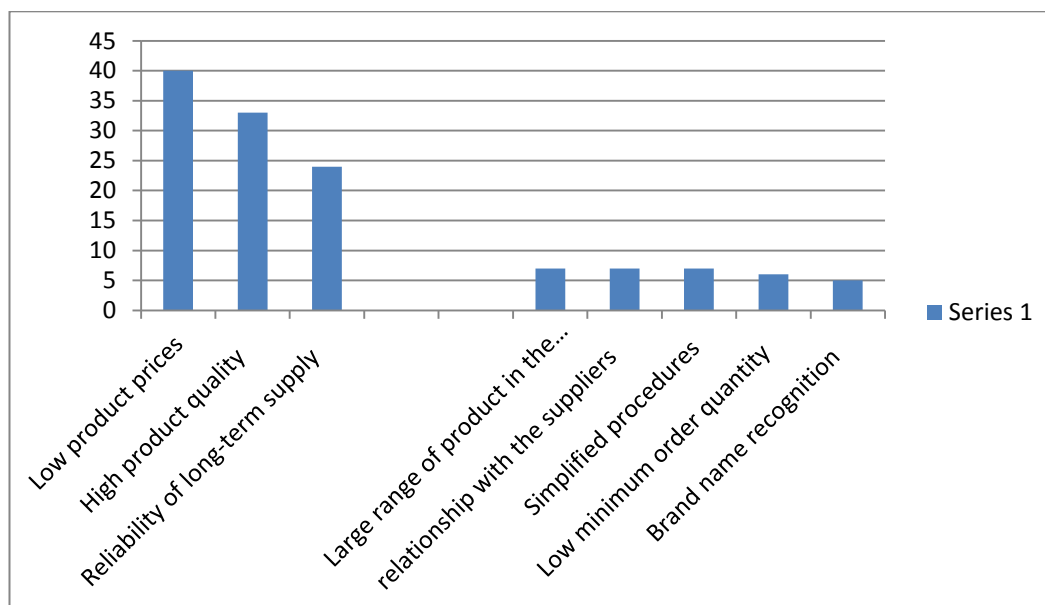
The further investigation was given to understand the relationship between business partners in the importing field (see Figure 5.3). Most of the UK importers (31 of them) are contented with the current suppliers with more than half of them are described of having very good relationship with their suppliers.

Figure 5.3 Relationship with Suppliers



The reasons for maintaining a good relationship with suppliers have been indicated in the Figure 5.4. The top three are located in cost drive, quality satisfaction and long-term reliability. The other factors are less important in maintaining business sustainability. The findings also reconfirmed the exporter's brand is of less interest to importers. The personal relationship with suppliers is not a motivation in choice of supplier as the business buyers tend to be more realistic and materialistic.

Figure 5.4 Factors in Maintaining Importing Relationship



In addition to understand the factors in maintaining business relationship as shown above, this study also interested in knowing the reasons of a failing relationship. In the switching supplier’s section (see Table 5.8), 40 respondents answered they had experiences in switching suppliers in the past. More than half of them claimed seeking for better quality and lower prices are the main reasons of switching occurred. Again, it is interesting that the personal relationship and service offered from suppliers was not taken into account in a failure of relationship.

Table 5.8 Reason of Switching Suppliers in The Past

Reasons	Frequency	Percent
Better quality	18	45.0
Lower price	12	30.0
Better after sales service	2	5.0
Better procedure	2	5.0
More reputable product brand	2	5.0
A larger range of products in one order	1	2.5
Better Relationship with supplier	1	2.5
Image of country of origin better	1	2.5
security of supply long term	1	2.5
Total	40	100.0

5.4 Section three: COO effect

This section will provide information relates to COO effect and their perception of ‘Made in China’ product.

5.4.1 Is COO important?

Is the COO information important in selecting suppliers from another country? The answer is not clear. Equal numbers of respondents answered to yes and no answers with 4 respondents unsure (see Table 5.9).

Table 5.9 Is Supplier’s Country of Origin Cue Important?

Important	Frequency	Percent
Yes	26	46.4
No	26	46.4
Unsure	4	7.1
Total	45	100

Further information was collected on the importing region preferences. The result in Table 5.10 showed half of them imported their product from Asian countries while 18 imported from neighbouring European countries. The rest was spread over other regions with some of them having no preference. Some respondents’ commented they had no preference in importing from a particular region, but it depended on the product’s availability, as the following comments show: *‘not that I choose to import from here, only that they are the only country to supply the goods’*; *‘Happy to import from anywhere/source locally if the factors are met.’* Such comments reconfirm the importers are open to importing with no preference for a particular region, therefore, the information of COO cue showed a weak effect for importing business.

Table 5.10 Importing Geographical Preference

Region	Frequency	Percent
Asian countries	29	51.8
European countries	18	32.1
Other regions	3	5.4
No preference	6	10.7
Total	56	100

Nevertheless, the UK companies do have preferred type of business to work with. Table 5.11 indicated 46 of importers would prefer to work with manufacturers directly. Trading company or agency takes the second choice but only accounted for 7 of total number.

Table 5.11 Supply Preference

Region	Frequency	Percent
Manufacturers	46	82.1
Trading company or agency	7	12.5
Local brokers	3	5.4
Total	56	100.0

5.4.2 About 'Made in China' product

China was earlier seen as being the primary country to import from. This part is specific focused on importing from China. Result showed 48 respondents have imported from China while 8 companies have no experience of Chinese products. The reason for not importing from China was mainly on the perception of inferior quality, of course, this is a small amount of data on which to generalize. For those who has imported from China, though, the reason are primarily price advantage (36), a few suggest it is due to the advanced quality (5), see Table 5.12.

Table 5.12 Reason of Importing From China

Reasons of importing from China	Frequency	Percent
Price advantage	36	75.0
Advanced quality	5	10.4
No other alternatives	2	4.15
Meet customer demand	2	4.15
Convenience shipping system	1	2.1
Favourable currency exchange rate	1	2.1
Nature resources	1	2.1
Total	48	100

In understanding the importer's perception of 'Made in China' products, the data (Table 5.13) shows the main view of Chinese products is lower price (29) while less than a quarter of them think of 'Made in China' as a valuable product (better quality with competitive price). On the contrary, their negative association with 'Made in China' (see Table 5.14) showed the increasing cost (15), long shipment period (13), the inferior quality and unfavourable country image that each account to over 10.

Table 5.13 The Important Aspects of 'Made in China' Product

Main aspects	Frequency	Percent
Lower cost	29	51.8
Better quality with the competitive price	12	21.4
Good relationship with supplier	5	8.9
Unique product	2	3.6
Brand	2	3.6
Convenient transportation system	1	1.8
Advanced technology	1	1.8
Don't know	4	7.1
Total	56	100

Table 5.14 The Main Issue with ‘Made in China’ Products

Main issue	Frequency	Percent
The increasing cost	15	26.8
Long shipment period	13	23.2
The inferior quality	10	17.9
The increasing currency exchange rate	8	14.2
Unfavourable country image	6	10.7
infringement of copyright, lack of creativity	2	3.6
Unfavourable government trading policy	1	1.8
Don't know	1	1.8
Total	56	100

These two parts generate the importer's perception towards 'Made in China' product. The salient feature of 'Made in China' is price advantage that meets importer's top motivation. However, the increasing cost in the production also suggested as a major concern in buying Chinese products, especially with the rise of other emerging countries who may possibly count as China's competitors. In the survey, importers voted the top three competitors for China are ASEAN region, India and European countries, which accounted for 31, 25 and 17 in respective.

Furthermore, the long shipping period presented as another concern to the importers as it might increase business risk. This also explain the previous findings in the European countries as one of the top three importing destination, the geographic consideration is important for UK importers. Again, not too many importers (only 10) care about the image of the exporter's country, in contrast to the previous research on the importance of COO cue (Johansson et al, 1985; Okechuku, 1994; Josiassen and Harzing, 2008).

5.5 Qualitative Comments

This survey also offers an opportunity for importers to express their thoughts freely by leaving comments at the end part of questionnaire. It is interesting to know their further thoughts on the survey. Overall, nearly 10 expressed their opinions in the comment box. Some informative quotes are displayed as below:

“Product quality is only as good as the specification, and good quality products can be sourced in China if you are detailed and specific about your requirements.”

This quote indicates an importer’s view in defending ‘Made in China’ product’s inferior quality issue. This comment brings the issue of specification. It claims the level of specification in product detail can have major impact in product quality. It also indicates that Chinese manufacturers are able to meet the high quality requirement with the appropriate cooperation from buyers. Furthermore, another quote reconfirming the main concern for business buyers is cost:

“While we have rated cost as a factor in Question 16, 17, 18 it is not really the only consideration. - We receive a good quality product, manufactured in a high technology environment. - And the key advantage is that we can obtain this quality, at a competitive cost.”

For the organizational buyers, their main concerns are in product’s cost and quality, unlike most of individual consumer that are emotionally attached to some particular brands. As the findings indicated through this data, the seller’s brand and other services are not important to buyers.

5.6 Conclusion

This survey used descriptive analysis to explore the British importer’s behaviour and their views on the product’s originality. This is due to the size of the sample not really supporting a more detailed analysis. This Chapter covered three main sections. Firstly, the respondent company’s profile and background information, size, business sectors, and their importing information. Results showed the majority of respondents

are SMEs. Their businesses are Wholesaler, International Trading Company and Distributor. 47 of them have at least three years importing experience and more than half of their products are relied on importing. China is the top country they traded with and most of them use their own brand name in outsourcing.

The second section focused on importing behaviour, specifically looking at importing motivation and switching behaviour. The data shows organizational buyers acted in a rational way during the trading process. They are profit driven constantly seeking for lower cost and better quality. The findings also showed the other information such as brand recognition and better services from suppliers are not essential to attract international buyers. Some of them who have switched suppliers in the past stated the top reason is cost seeking and better quality requirement.

The last section in COO effect, from buyer's perception, where the product is made is not important. The importers claimed, though, they prefer to work with manufacturers in Asian countries or European countries instead of agencies. In the case of 'Made in China', price advantage is the prime consideration, at the same time, this is also the main concern for 'Made in China' as the buyers increasing costs in. Another key issue is the geographical distance for the UK importers that leads to increase importing uncertainty. The qualitative analysis reconfirms these findings.

This survey has provided a general understanding in the importer's point of view related to 'Made in China' products. This study is designed to provide a holistic view by understand both sides of business partners. The following chapters will focus on exporter's viewpoint.

Chapter 6 ‘Made in China’

6.1 Introduction

This chapter and the following Chapter 7 are the empirical results of netnographic data analysis. In Chapters 6 and 7, the views of Chinese producers and exporters of ‘Made in China’ products are explored. As mentioned in the methodology chapter, the netnographic method is often involved in grounded, inductive approaches to analysing qualitative data (Kozinets, 2010). Following a process of coding, noting, abstracting and comparing, netnographic data analysis generated eight themes that can be categorised under two umbrellas. The aim of this chapter and Chapter 7 is to present the themes under these two headings: ‘Made in China’ and ‘Created in China’. This chapter is to present the ‘Made in China’ category that includes issues related to image, price, copying and quality. Chapter 7 will then discuss other four themes related to ‘Created in China’: creativity, design, R&D and branding. As the label of ‘Made in China’ covers a range of products and the initial intension of this research is to understand the Chinese producers’ views towards the label. Therefore, it was felt a wide coverage of different industrial sectors is more likely to generate the results and understanding. Hence the account will not focus on any specific industries, but consider the generality of ‘Made in China’ products.

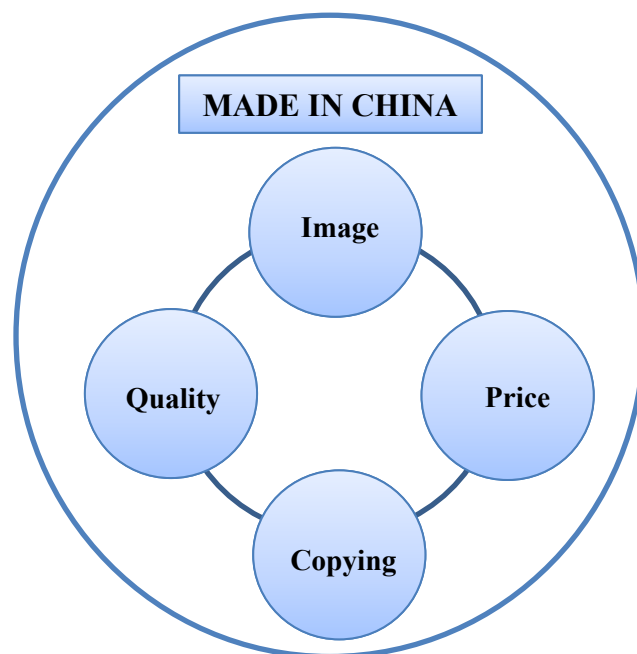
The primary economic objective of the Chinese government has been export growth for the last decades (Fabre and Grumbach, 2012). Most producers export under the name of ‘Made in China’. There are three main categories of manufacturing industries in China: processing of organic materials (which accounts for 30.2%); processing of chemicals (33%); and the mechanical and electrical industries (35.5%) (*顶上机械* 2011-07-05 03:42; *Alibaba-cn*, 05.07.2011 03:42). In general, Chinese manufacturing industry is acknowledged as a strong competitor in the global market due to its cost advantage, size of potential market, good infrastructure and intensive production. Goods tagged with ‘Made in China’ are delivered to every corner of the world. Given its power, the Chinese manufacturing industry has been regarded as a wealth-creating sector, a source of employment, and a leader in technology

innovation in China. Moreover, Chinese government has recently put more effort towards developing its technology and service-related industry (Jin, 2005). As a result, China has become one of the strongest nations in terms of producing and assembling electronic goods. The majority of manufacturing, however, still focuses on low- end production with limited value-added products.

“China has the mass low-end manufacturing industry: such as clothing, shoe, handicraft...” (秋月清风2010, 2011-01-13 14:24; Alibaba-cn, 13.01.2011)

With the above information in mind, the analytic narratives developed in this chapter are based on the netnographic data and enhanced by the theoretical concepts outlined in the literature review. The narratives that emerge from this account build a foundation for arguing the need of change in the Chinese ‘Nation Brand’. When this research began, it was not perceived to be the likely outcome, but rapidly developed from the observations of the producers, who clearly felt the need to discuss their concerns about the current manufacturing context. The outcome of this chapter is a model that details the issues for ‘Made in China’ as shown in Figure 6.1. There are four main factors that interact to create a vicious cycle leading to the current situation of ‘Made in China’. These are: image, price, quality and copying. These form the sections for the chapter.

Figure 6.1: The Model of ‘Made in China’ Current Situation



6.2 ‘Made in China’ Image Issue

Previous literature shows a long tradition of an unfavourable product image from developing countries (Ghymn, 1983; Alden et al, 1999; Batra et al, 2000; Pappu et al, 2007). Ghymn (1983) and Pappu et al (2007) regard Chinese products as low quality and low-tech products. The image of ‘Made in China’ has been a concern to most Chinese people including the Chinese producers, which is evident from the quote:

“Today I have received a reply from a potential customer, he claimed Chinese products are low level products and he had no interest in buying it.” ([bjtrtjane](#) 2011-6-30 15:05; Fob-Shanghai, 30.06.2011)

Typically, producers deal with international buyers daily, and so they reflect the perception from their customers. Obviously, some of the foreign buyers have less interest in Chinese products. They do not like to state that their products are actually made in China, even though it is a legislative requirement to indicate a product’s COO information. The following quotes indicated producer’s views based on their experiences:

“Yesterday I talked to a Canadian customer, I sent him some pictures of my product and he liked it...he wanted to put ‘Made in USA’ name on it, guess ‘Made in China’ is already in a bad reputation.” ([通用狂龙](#)2011-06-15 20:57; Alibaba-cn, 15.06.2011)

“If it’s produced in China, it should put ‘Made in China’ not ‘Made in USA’. I have seen some global branded clothes produced in China, but with ‘Made in USA’ name on it. If the final products meet the quality standards, they export it, if not, they sell it to the domestic market.” ([图客·舵绮](#)2011-10-14 20:57; Alibaba-cn, 12.10.2011)

As the quotes highlight, instead of associating the poor image of ‘Made in China’ with the product, the buyers play words game by changing ‘Made in China’ to ‘Made in other country’, such as Japan or the U.S, or they change the name to ‘Made by + the company’s name’. This is similar to what occurred to the author in the toothbrush deal as indicated in Chapter 1, with a buyer from Saudi Arabia, who was keen to change the ‘Made in China’ label into ‘Made in USA’. Due to the legislation requirement from Import and Export Customs, the deal was completed by printing the country of origin ‘Made in China’ on the carton package, and the package for individual product indicated ‘Made by their company’s name’, thus reducing the connection with its Chinese production.

Hence, there is a perceived problem associated with the ‘Made in China’ image, and it is important to explore the perception of ‘Made in China’ from those who produce the exports. There are many features that determine the views of buyers and consumers as discussed in Chapter 3 Literature Review. But the view from producers on the image of their product still remained unexplored. It would be useful to understand what Chinese producers think about their products in order to allow for changes to be made. In the meantime, the producers may be able to address some of the concerns from the buyers and consumers. The narrative that has been analysed arises from discussion groups as described in the Methodology Chapter 4. The netnographic data shows that Chinese producers’ perception is both negative and positive and this will be discussed in the following sections.

6.2.1 Producer’s Negative View

The producers’ negative view suggests five areas of concerns, which were generated from common complaints, including: quality, price, product value, technology, and trust issues.

1) ‘Made in China’ = Low Quality

Previous research (Nagashima, 1970; Amin and Shin, 2002) indicates issues with quality of products from developing countries, such as China. ‘Made in China’ products have a long history of being associated with ‘low quality’, and this view is shared by international buyers, individual consumers, and, surprisingly, also by ‘Made in China’ producers:

“When the ‘Made in China’ words appear, it usually connect with ‘low quality and low price.’” (兰盛特殊线带 2011-09-14 09:57; Alibaba-cn, 14.09.2011)

Chinese producers refer their products in an unfavourable way. They have even described them as ‘*gold exterior, rubbish interior*’ (刀剑若梦! 2011-07-06 22:45; Alibaba-cn, 06.07.2011). The product-quality issue in China concerns everyone.

Complaints regarding inferior quality are also partly influenced by the perception that transferred from international customers:

“A lot of customers complain about product quality problems in Chinese products.”
(Chrisyoung2008-11-16 09:09; BBS-cnexp-net, 16.11.2008)

The customer’s message is received by producers as the complaints of quality have a direct impact on business. Producers are frequently rejected by the quality reputation of ‘Made in China’, and sometimes they find replies from customers to be offensive:

“One of my customer replied to me, ‘We have some colleagues imported 316 wireropes from China and it got rusty not too long after, I am very worried about your product quality.’ Another American customer just emailed me, ‘we don’t buy the inferior Chinese product, we American lives cannot stand it anymore.’” (YZD 2009-2-20 20:34; Fob-Shanghai, 20.02.2009)

This highlights that customers, usually international buyers, have difficulties in accepting Chinese product quality, and thus often complain and reject the Chinese products. The lingering image of Chinese products as low-end and cheaply made is deeply embedded in the minds of producers’ as well as consumers and buyers. Products from small firms are particularly low in quality, they are generally poorly made, with a lack of care, and have a short life cycle, so the consumer may find they break easily.

2) ‘Made in China’ = Not Profitable

China took over the ‘World Factory’ title with its salient competitive advantage of being cheap. The rapid development of the Chinese economy drew a global picture of growing wealth in Chinese companies. The assumption is, then, that Chinese producers are making large profits, though the reality is very different. Chinese producers struggle with this image, as shown in following quote:

“A lot of multinational companies earned big profit by using Chinese cheap labour. The global image is like Chinese people earning the money, but the reality is the most profitable part is on the brand value, not the production.” (品立社区站2011-02-18 08:05; Alibaba-cn, 18.02.2011)

The reality is that producers are expected to provide cheap Chinese products in a high volume, low cost and hence low quality form. This is a general perception of China-made products. These concepts have been reshaped due to the country's rapidly growing economy. This has also squeezed producers' profit next to nothing. Thus, Chinese manufacturers often complain that they have to survive on a low business margin.

“The feeling of talking about ‘Made in China’ is more like: struggling in a harsh environment, and being squeezed in the middle of making contract product for foreigners. I feel breathless; I guess this is a common feeling for all of us.” (I'mLenka 2011-04-03 12:33; Alibaba-cn, 04.07.2010)

‘Made in China’ products continue to be promoted as cheaply priced, despite increasing costs erasing the price advantage of Chinese product. For producers, this means lower profit in return. This leads to another synonym of ‘Made in China’ products in being low or no profit, as following quotes indicated:

“Made in China is another name for cheap price;” (竹子-军2011-12-28 22:12; Alibaba-cn, 28.12.2011)

“I feel helpless, it is already a common knowledge of ‘Made in China= low value and cheap’ in the global market.” (八戒 2011-08-13 11:40; Alibaba-cn, 13.08.2011. 11:40)

Therefore, the negative image of ‘Made in China’ from its own producer is being cheap and less profitable.

3) Product Value-added Issue

China-made products are often mass-produced with a lack of creativity and design. The products appear at an attractive price but at baseline value, which is the opposite of branded products:

“The cheap ‘Made in China’ cannot be associated with luxury product.” (晟洋不锈钢有限公司 2011-10-21 12:03; Alibaba-cn, 21.10.2011)

The perception of Chinese products in low value-added has been deeply embedded into people's mind. Chinese producers reactively manufacture products for global buyers and are less concerned about adding extra value to the production. The

following quote indicates the disconnection between a Chinese product and a valuable product:

“In the foreigner’s eye, Chinese product is forever ‘Made in China’, with the impression of ‘low value-added, cheap, low quality’, it cannot sell its value.” (qq415587895 2010-07-02 11:15; Alibaba-cn, 02.07.2010)

Even with the increasing intention of moving up the value chain, it is still difficult to achieve. In today’s competitive marketplace, many manufacturers offer the same product with the same baseline value. To stand out from the competitors, they must add additional value to lift product above the baseline and differentiate it from the others. In current situation, Chinese production is simply on the assembly line and it leads to the gap of Chinese products and the valuable products.

4) Low Technology

The superior quality of electronic devices from Japan and Korea has created a global image of Asians as excelling in manufacturing electronic products (Amine and Shin, 2002). China has now caught up with its Asian neighbours in producing computer products (C-product) and increasingly, high-tech products bear the ‘Made in China’ tag in the global market. But, this has not led to reputational improvement. To an extent, Chinese producers understand their role in the supply chain as the assemblers of devices that are composed of components. They continue to refer to their production at a low-tech level:

“Made in China is still at a low-end production without manipulating the core technique.” (yinzemould 2011-04-19 14:48; Alibaba-cn, 17.04.2011)

Compared to the other advanced countries, most of the core technology in ‘Made in China’ products still relies on importing from other technologically advanced countries. Thus, the producers are weak at technological competitiveness in a global context.

“We are the ‘World Factory’ – this is a positive name for most people. But there is another voice saying that we are only the ‘World factory’, which means our manufacturers are strengthened on assembly and processing the components, rather

than independently produce high-tech product, we are weak at that.” (Zhishi 2008-1-5 12:29; BBS-cnexp-net, 05.01.2008 12:29)

The producers are the insiders who clearly acknowledge the true level of Chinese technology. Lack of core technology is still a weakness for ‘Made in China’ products.

5) Trust Crisis

The above issues related to quality, price, product value and technology create an overall trust issues in Chinese products. This even influences Chinese people to have a preference for imported products rather than domestic made.

“Once you see an inferior product, your first impression is its made in China, when you see a branded product, you think its foreign product, even though, it’s all made in China.” (齐航数控机床 2010-12-15 15:56; Alibaba-cn, 15.12.2010)

Chinese people do not trust the quality of their own products, but do trust foreign-made products. Their disappointment in ‘Made in China’ is partly due to the negative experiences in dealing with consumers. As the producers, they have a serious issue in gaining credit from these consumers. A number of overseas individuals and organizations have frequently posted anti- ‘Made in China’ products. At the same time, producers feel powerless to change the situation. The following quotes describe an exporter’s thoughts on the trust issue from his or her customers in America and Singapore.

“My manager’s favourite is to have the business quotation enquiry from Europe and America, he is always excited about it... we have some American customers asked for the quotation, but from talking to them I feel that they are doubted at us... most of the time, I have to write a long email to explain things into detail, then he emails me back with some question marks. They just don’t trust us...” (通用狂龙2011-06-15 20:57 Alibaba-cn, 15.06.2011)

“One customer from Singapore replied to me and said that their end buyers don’t have confidence in using Chinese brand valve. Even it’s a foreign brand that made in China, they are still unwilling to accept it. In the past, they had very bad experience in using Chinese valve. Another Singapore customer told me he had imported some valves from China and it turned out the inferior quality cost him even more. Now, he is very cautious in dealing with Chinese suppliers. These things have broken the trust from

Singaporean buyers, and it has hurt me badly, now no one wants to buy my valve.” (通用狂龙2011-06-15 20:57 Alibaba-cn, 15.06.2011)

As the last quote highlighted, the exporter used ‘hurt’ to describe the negative impact on trust issues. The trust issue worries overseas buyers of Chinese products. At the same time, it affects the producers’ confidence in their own products.

6.2.2 Producer’s Positive View

Aside from the negative image of ‘Made in China’ product, the positive side is also undeniable. China manufactures many products at more affordable prices which have improved people’s living standards. The price of Chinese products has been appreciated by people from different parts of the world. The positive aspects of ‘Made in China’ products include good valuable products, manufacturing power, exporting power and the positive image of the country. They have been discussed by exporters who have showed the delightful views that arise from their products.

1) Good Value Products

Even given negative aspects stated above, global buyers continue to outsource from China. ‘Made in China’ has its own value in the global market. As the quote indicated below:

“The overseas customers love buying Chinese product, they think it’s good quality and cheap. The product value is high.” (juaner225 2011-9-22 14:11; Fob-Shanghai, 22.09.2011)

The concept of a valuable product with a competitive price is very appealing to a global market place. Chinese producers also appreciate the value of their own product and hold a similar view:

“A lot of Chinese products have the excellent quality with reasonable prices.” (qq415587895, 2010-07-02 11:15; Alibaba-cn, 02.07.2010)

Frequently, producers describe Chinese products as reasonably priced and good quality, enjoying a price advantage amongst same quality level products, and vice versa. ‘Made in China’ has the advantage in price with its uniqueness.

2) Manufacturing Power

China has established its manufacturing strength of becoming the ‘World’s Factory’. It has strong global competitiveness regarding the cheap labour, large potential markets, and manufacturing infrastructure scales, which put Chinese products in a strong position on the global stage. This ensures cheaper and more affordable products for the global customer. Some producers are proud to be in such position:

“China used to attract a lot of FDI in the manufacturing industry by its favourable business policy and cheap labour with the big capability in assembly. This has made ‘Made in China’ powerful in manufacturing capacity in the global market.” (八戒 2011-08-12 15:55; Alibaba-cn, 12.08.2011)

Due to its manufacturing power, Chinese products have the high global market penetration making ‘Made in China’ products more accessible to the world. Further adding to the manufacturing power of Chinese firms, Steve Jobs has provided an explanation in locating his Apple production in China. He partly mentioned the favourable Chinese business policy in welcoming the global giant players. The Chinese government provides many favourable policies to attract foreign investment in order to boost the national economy, and this has become the essential element leading to the economy success (Isaacson, 2011).

3) Strong Exporting Market Orientation

The power of manufacturing with a cheap labour force boosts the Chinese export-orientated market. The price advantage of Chinese products secures the foundation of business which further leads to the aggressive expansion to the world market.

“With the development of Chinese exporting business, Chinese product was accepted by global consumer due to its good price with better value.” (hyl02282010-11-16 17:45; Fob-Shanghai, 16.11.2010)

It is the case that to some extent ‘Made in China’ products have gradually progressed to different market levels. Some products enter more advanced markets by constantly improving quality and reputation, or exporting to the developing regions with low-quality products at a low price for a high demand market.

4) Positive Perception of the Country

The outlined positive perception of ‘Made in China’ products is also linked to the image of its country. For some countries, China is seen in a favourable way:

“The impression of China from most Russian people is with the long history, advanced industry, high-tech and advanced market economy.” (cxlbgby 2009-3-10 10:08 Fob-Shanghai, 10.03.2009)

The positive view of a particular country has a major impact on its product. The Russian perception of ‘Made in China’ is associated with an image of the country’s rich history and culture, strong industrial economy, and high-tech and advanced market economy. Especially for some developing countries, China is viewed as a role model to follow.

6.2.3 Summary

This section described the both negative and positive views of the ‘Made in China’ image as perceived by its own producers. The exporter’s view is presented as a holistic picture of observation of the international buyers, individual customers and finally, producers. As described above, in the negative perception section, the product’s quality, price, value, technology and trust issues played a significant role in the perceptions of Chinese producers. The positive views are specified as the product’s good value, the power of manufacturing industry and exporting business, and the favourable view to the country.

Overall, the image that exporters have of ‘Made in China’ products is a mixture of different perspectives. Yet the underlying message is about products being cheap and less valuable. The people in the forums describe its value as *‘producing 800 million*

pieces of 'Made in China' shirts to exchange the value of one airplane' (gjhgonghui 2011-7-29 11:34; Fob-Shanghai, 29.07.2011). In the overseas market, some exporters even branded '*NOTMADEINCHINA*' to indicate the opposite of 'Made in China' and this has attracted a certain popularity (vick368 2006-2-28 11:41:53; Others, 28.02.2006). Certainly, there is a room to improve the 'Made in China' image and its reputation.

6.3 'Made in China' Price Issue

With the development of globalization, many companies that once were concentrated on domestic sourcing now have transferred their supply chain to other parts of the world. China has captured the global market with its low cost and competitive price for its 'Made in China' products. In this section, 'Made in China' price issue will be discussed in two sections: the reason for the low Chinese prices, and the regional difference in price.

6.3.1 The Reason for the Low Chinese Prices

In the forums, the discussion of the price issue has generated a number of factors. This is presented below.

1) Market Orientation

In forums it was stated that the reason for low prices is partly due to market demand. Not all buyers pursue high quality products, as some of them are price-orientated buyers. In the forums, the exporters were constantly asked by the buyers from developing countries for extremely cheap products, as depicted in the quote:

“There always will be some foreign buyers who want the products that we called as rubbish in the very cheap price. They want it even cheaper in quantity for export. Seems the poverty is still a world problem and not a lot of people are having good lives.” (yw至美内衣, 2010-07-27 20:52; Alibaba-cn, 04.07.2010)

These buyers favour high turnover products with low cost, and most of them are from developing regions such as African and Middle Eastern countries. These exporters particularly select the producers who offer favourable price rather than quality or other factors (i.e. product innovation, durability). For them, price is the key to the purchasing decision, especially for products needed on a regular basis. The producers acknowledge the price demand from this particular market, as one quote indicates here:

“It has become the increasing difficult to win the market, as a good product idled. In contrast, low price and inferior quality product became hot sales.” (天堂创泉 2010-07-28 11:20; Alibaba-cn, 04.07.2010)

Price discount is used as a marketing tool to attract business. The literature on price discount comes from industrial marketing studies (Day and Ryans, 1988) and country of origin studies (Agrawal and Kamakura, 1999) that both stated that the manufacturing industry appeals to a large number of customers by offering deep discounts for high volume production (Day and Ryans, 1988). The attractive price discount in the B2B field should increase consumer’s loyalty (Day and Ryans, 1988) and producers from a country with an unfavourable image may have to offer products at substantial discounted prices (Agrawal and Kamakura, 1999). Chinese producers are well aware of their position and constantly try to provide the competitive market price, as they found this is the easiest way to win a business deal.

2) The Wealth Gap in China

When China initiated its reform and opened up its trade, the viable strategy was letting some people get rich first and then helping others to achieve common prosperity (Keidel, 2007). The plan was designated to pull people out of poverty by eventually eliminating the wealth gap in China. After decades of practising this strategy, even with China’s effort in narrowing its income gap, life for many millions of Chinese in the vast, rural hinterland is still the same as it has always been. This affects Chinese prices in several ways:

“Needless to say, the wealth gap in China is too big, this dominates the price difference in different regions.” (东莞市李氏模型有限公司2011-09-29 19:31; Alibaba-cn, 27.07.2011)

According to the People’s Daily¹², statistics from the National Bureau of Statistics indicate that the wealth gap in China is much higher than the warning level set by the United Nations, which means almost 128 million people in rural areas were defined as poor, or having an annual per capita income of less than 2300 yuan (\$368 or £235) in 2011 (BBC NEWS, 2013). China’s rapid economic growth has segmented its regions into developed coastal cities and inland rural area. Whilst the increasing cost in coastal cities brought another pressure on Chinese products, business started migrating into lower cost regions in China. This has some impacts on Chinese prices as well:

“The business migration itself pushed Chinese exporting industry, from the traditional coastal delta region, gradually expanded to the relatively poor and low cost hinterland provinces. This has helped to bear part of pressure from the increasing cost in Chinese price.” (胡布内尔2008-5-22 18:00; Fob-Shanghai, 22.05.2008)

The large wealth gap in China helps to maintain the business in low cost. It is only because China has a large landmass and population that it can help to preserve its business advantage and suppress increasing costs for more time.

3) Intensity of Competition

The fierce market competition in China also leads to the price reduction. This can also see in the literature (Harney, 2009) on the high competition in Chinese domestic market. *‘In China, you don’t have one or two competitors, you have 100 and 200’* (Harney, 2009:39). The Chinese market is overcrowded by competition from international giants who want to share the Chinese market, and the domestic companies who struggle to develop their businesses. As an illustration of views in the intensity of competition, the following quote indicates a common view of producers.

¹² <http://english.peopledaily.com.cn/90778/8158398.html>
<http://english.peopledaily.com.cn/90778/8206623.html>

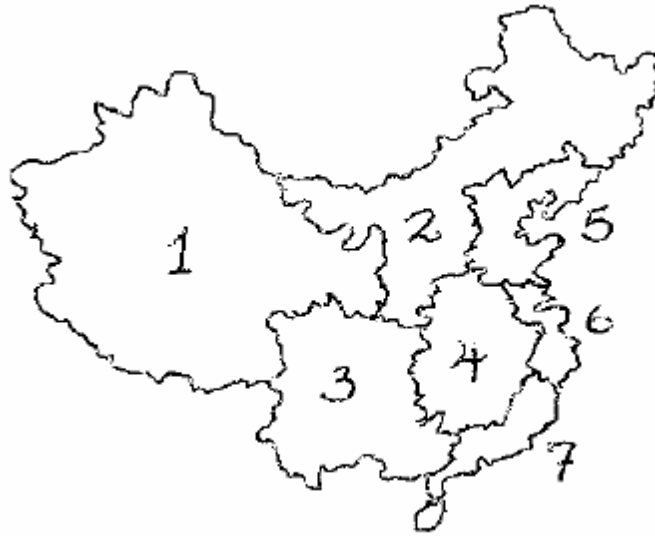
“Hehe! There are many newly established firms in our countries with different quality levels. A lot of them will use price strategy to enter the market, and then they messed up the market. In order to protect the market share, the early-comers have to adopt the price war and give up quality. Actually there is nothing wrong to win the market, but you cannot mess up the high class market... before, by selling to one customer, firm can earn 100 Yuan. Now we have to sell to 100 customers to earn the same amount, which one is better? It is not the more customers you have, the better profit you will get...” (探索者黎 2011-03-10 11:52; Alibaba-cn, 02.03.2011)

Many of local-born export-oriented manufacturers in China are surviving order-by-order, buffeted by vacillating commodity prices and jockeying against aggressive competitors. These firms lack core competencies and their main strategy to enter the market is by copying more advanced firms. The market is thus overcrowded by the increasing number of firms in every product categories, both legal and illegal. This benefits buyers who have more factories to choose from and have more opportunities to squeeze the price offered by factories.

6.3.2 Regional Price Differences in China

Regional price differences in China is also one of the most important aspects in pricing and it has been discussed in the forums. China is the globe’s most populous country with its population scattered over its large landmass. In a report on China’s regional disparities, Keidel (2007) divided a map of China into seven regions (see Figure 6.2):

Figure 6.2: Map of China's Seven Economic Regions and their Constituent Entities



1	2	3	4	5	6	7
Far West	North Hinterland	South Hinterland	Central Core	North Coast	East Coast	South Coast
Xinjiang Tibet	Heilongjiang Jilin	Sichuan Chongqing	Henan Anhui	Liaoning Hebei	Jiangsu Shanghai	Fujian Guangdong Hainan
Qinghai	Inner Mongolia	Guizhou	Jiangxi	Beijing	Zhejiang	
Gansu Ningxia	Shanxi Shaanxi	Yunnan Guangxi	Hubei Hunan	Tianjin Shandong		

Source: Keidel, 2007

The regional disparities in terms of income and consumption are well documented between the rural and urban, coastal and interior provinces (Keidel, 2007). The coastal region accounts for the majority of China's industries and market. The inequality in GDP per-capita indicates the significant difference between coastal and interior regions. The figure of GDP per capita in the three regions of the East Coast areas exceeded \$10, 000 in 2012, while other regions in inland China are still below \$2,000, e.g., Guizhou in South Hinterland. This demonstrates the levels of income across regions. One quote reminds us of the different salary levels in China in the early economic development time:

“With 1.3 billion Chinese populations, in the early developing time, a monthly salary with 500 yuan was regarded as a stable income.” (汇通人 2011-03-09 13:53; Alibaba-cn, 02.03.20)

Take the year of 1995, according to CNY/USD exchange rate of 8.349¹³, the monthly salary of 500 yuan was just below \$60 dollar. With the Chinese effort in improving people’s life standards, by 2012, the minimum wage in Shenzhen has reached the highest in China 1,500 yuan (\$236) a month. Other developed regions (i.e. Shanghai, Beijing) have adjusted their minimum monthly wages just below Shenzhen’s level, whilst the minimum wage in Jiangxi province (region 4 Central Core in map) is 870 yuan a month (\$136)¹⁴. The regional economy inequity in the West and East indicates the regional economy, education, social welfare, etc. This has triggered millions of migrants flowing from the interior to the coastal regions in seeking out a better life. Manufacturing, including handicrafts and construction, absorbed the largest numbers of migrants. As immigrants often do around the world, China’s migrant workers typically take jobs that locals do not want: dangerous, exhausting, low-paying work, and some of them taking risks in illegal business activities (Harney, 2009). As those migrants from the poorest place are desperate to improve their lives, this provides an abundance of cheap labour resource for production. Considering the size of Chinese rural population, this is an enormous labour reservoir endlessly providing a cheap labour force.

At the same time, coastal regions developed different economic model as mentioned in the Background Chapter 2. From a historical point of view, even before the Communist government took over mainland China, the coastal areas had already become more developed than the interior areas (Huang et al, 2003). Some regions in Guangdong, e.g., Guangzhou, have enjoyed a long history of industrialization and have developed a relatively mature market. Other regions tended to use price strategy in their early development stages to attract market. The levels of regional economic differences cause regional disparities in price. Even within coastal regions, e.g., Guangzhou and Zhejiang as the two exporting giant regions in China, there are price differentials as the complaints note below:

¹³ <http://www.chinability.com/Rmb.htm>

¹⁴ http://www.chinadaily.com.cn/bizchina/2012-08/10/content_15662517.htm

“One of my Guangdong clients said: the Zhejiang price has made China into death... the products from Zhejiang are so cheap and I don't know why.” (以优雅的姿势 2010-07-28 14:04; Alibaba-cn, 04.07.2010)

“I am from a Guangdong factory and we have been producing safety helmet for more than 10 years. At the beginning 3-4 years, Guangdong price had its own advantage and the business was operated quite well. But now, the same price remained as 10 years ago and in fact, I have to reduce the price to get a deal. The customers always compare my price with Zhejiang's and ask for further reduction. I really don't understand how the quotation from Zhejiang can be so cheap, that we barely made that price to cover the cost.” (零点的月亮 2010-07-04 21:48; Alibaba-cn, 04.07.2010)

Compared to Guangzhou, Zhejiang has its own advantages in price due to its renowned 'Zhejiang Model'. This model is based on prioritizing and encouraging entrepreneurship, with an emphasis on small businesses which are responsive to the market. They have made large public investment into infrastructure and the production of low-cost goods in bulk for both domestic consumption and export.

“I think the reason of Zhejiang firms can be so low cost, it is because most of them are based on family businesses and more focused on additional processing. A lot of firms located their factories at home, especially for the handcraft industry. Also there are a variety of material can be selected for production, some are good quality with expensive prices, some are very cheap and low quality. From this angle to see, their price made their quality arguable.” (voice628, 2010-07-08 18:58; Alibaba-cn, 04.07.2010)

Such model has led Zhejiang to achieve an unbeatable price position. However, it has its downsides such as the large number of small businesses, and the quality of Zhejiang's products which has been problematic for a number of years.

6.3.3 Summary

In this 'Made in China' price section, Chinese exporters have described the cheap Chinese price issue. They claim that the reason for low prices is partly due to market demand and intensive competition. Social issue such as the large wealth gap has also contributed to the low Chinese prices. The regional difference in price as discussed in data has shown that the disparities in regional economy development lead to migration from inland to coastal cities. This further developed the different business

models in the exporting-oriented areas. Chinese exporters have particular paid attention in Zhejiang and Guangdong regions and complained that the Zhejiang price is the main influence of ‘Made in China’ cheapness. In next sections, copying and quality issues will be examined.

6.4 ‘Made in China’ Copy Issue

Concerns about China imitation products have garnered attention from around the world and has cultivated the perception of China of as the master of the ‘copy-paste’ business. In forums, exporters also specified their business in copying activity:

“A lot of firms in China started their businesses by copying.” (水月竹影 2011-07-07 08:33; Alibaba-cn, 06.07.2011)

This is a common phenomenon in the Chinese market. Firms copy the product that has potential market. It is not surprising to see a copied version of a brand new product occupying the market shortly after its first launches.

“Some people think ‘Made in China’ is drawing a tiger with a picture of a cat, a foreign media even criticized China is the best country in mimicking other’s product and brands. Even a brand new product, you can find their copied version in the world market.” (八戒 2011-08-13 11:40; Alibaba-cn, 13.08.2011. 11:40)

Initially, Chinese firms duplicated products from multinationals. These firms copied the products’ design, idea and functionality, and come out with a very similar product at a cheaper price. This can be further spread to local firms copying each other. Firms are unwilling to spend time in developing new products, and as they regard this as expensive and risky. The absence of strong intellectual property policies does not provide patent or property-right protection in the market, especially for first or early movers. Often, after investing in R&D and new product development, firms will find that their products have been copied by the followers with a competitive price, such as the quote highlighted here:

“In the domestic business environment, the intellectual property protection is not strong. If I spend a lot of money in developing a very good product or a brand, usually

it will be copied in the second day (very soon).” ([GS-Frank](#) 2011-8-16 11:45; Fob-Shanghai, 11.08.2011)

In such a market environment, the compensation for the first inventor is limited. It discourages firms to develop new products, and instead, the more beneficial effect is to copy a competitor’s work.

Imitation can lead to both positive and negative outcomes for the firms and society. From a positive perspective, this can spur productive innovation and avoid the errors created by the early movers. However, the negative outcomes can overshadow the positive sides and it is important to understand the reasons for imitation occurrence and its harmful implications (Lieberman and Asaba, 2006). In the forums, the reasons for copying were discussed by exporters and it appears the speed of taking market share is accounted as one of the main reasons as the quote indicated below:

“Copying does not need R&D and speed is money! We use the fastest speed to occupy the limited market! After earning the money, we can do the experiment and test to further succeed dream, I believe the aunts can conquer elephant! The copied product does not need time and money to do so-called experiment and test. We use the lowest cost and the shortest time to earn the best money! We all know that all the products in Tencent Technology are copied, but they earn much more than those original ones.” ([南宫飞仙](#) 2011-07-06 23:18; Alibaba-cn, 06.07.2011)

When a market is intensively competitive, the environment is full of uncertainty and ambiguity. Consequently, firms are more likely to participate in imitation action (Lieberman and Asaba, 2006). Imitation, though, helps firm to cut back on R&D, and speeds up time to market and hence more quickly reach profitability. The process of copying is also a process of learning as indicated by exporters:

“This is not called copying, but it’s learning the overseas high technology” ([荆棘舞者](#) 2011-07-07 09:09; Alibaba-cn, 06.07.2011)

It is a common knowledge that under the international cooperation project, China obtained the advanced technology through learning process, and further copied and developed those technologies to re-sell in overseas markets. Another reason was provided in data is that the market demand for luxury products allowed the copying phenomenon to be existed success:

“Almost every world class luxury brand, has been copied in different levels in China, from watch, pen to handbag... this kind of copy has shortened the distance from consumers to the luxury brand.” ([广州一瑞办公](#) 2011-07-30 23:03; Alibaba-cn, 30.07.2011 23:03)

From the market's perspective, duplicated product is more attractive to the low-end market. It can make luxury product more affordable to the different group of consumers and further to improve their life quality.

6.4.1 The Copying in China

Despite its frequent occurrence, imitation can have different causes and implications. Firms may imitate to avoid falling behind their rivals. Matching rivals' actions can intensify the competition, or it can have the opposite effect to promote collusion (Lieberman and Asaba, 2006). The consequences of business imitation were detailed in the forums:

“Some of the German toy companies have moved their production line from China to Germany due to the quality and copying issue.” ([航运专家](#)2008-7-5 11:20; BBS-cnexp-net, 05.07.2008)

Moving the business out of China is not an unforeseen occurrence to happen in China. Local market behaviour and lack of government protection in IPR (Intellectual Property Rights) has led to many imitated products appeared in the market place, which directly affect the international firms' business.

“One Italy fashion brand moved out of Chinese market in 2003 due to the market copying issue, but even given they were no longer active in Chinese market, such brand products are still in high demand and you can find this brand in different part of China.” (vick368 2006-2-28 11:41:53; Globalimporter, 28.02.2006)

The quote states even though a branded company has moved out of the Chinese market for a number of years, the local market still produces such products and there has been no legal action taken against it. The imitation in products is not only based on the design and brand, in some cases even the country of origin label. The only difference might be the quality, which can be difficult to distinguish. Such copying has disturbed market regulation and increased competition. One example of scooters has illustrated this situation:

“Take an example of Scooters, Chinese people do not play with that. Before, it was only manufactured in Italy and Hungary. Then one Chinese firm saw that opportunity and immediately take over this market. From 2000 to 2004, the same region in China has over 764 firms producing the same product and pulled the profit down dramatically.”(广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

The number of companies that produce the same Scooter has increased dramatically in only a four-year period. This is partly encouraged by the local entrepreneur-orientated government. When most companies in the same region produce homogeneous products, naturally, the negative effect from competition pressure will lead to price reduction as the quotes stated below:

“In Canton trading fair, if one firm displayed a promising product, it would appear in many copies in the next fair with half price off.” (广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

“The product-GPS navigation has been priced at a vegetable price level in the electronic shopping mall.” (广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

6.4.2 Summary

This section has introduced the product imitation issue in China. Imitation issue in developing markets is not a new subject, especially to a country like China, and the copying phenomenon has been deeply cultivated in people’s mind-set. The reasons for product imitation in the Chinese market have been discussed above. Companies use a copying strategy for fast entry into the market and to further capture market-share. Local Chinese competitors copy rapidly and can produce products at a much lower cost. Copying is not only initiated by fierce competition, but also is in the interest of the consumer. The market is full of copied products and the concept of IPR is a weak point in China.

The consequence of copying has also directly led to price wars. In order to capture market share, later entrants will produce the same or similar product at a lower cost. In a reaction to the price challenge from counterpart, the original firm will further reduce the price. Consequently, this inevitably leads to a spiral of price reduction. There will be further discussion of price wars in a later section. The more

controversial aspects for the foreign companies in the current Chinese market is, on the one hand, that they have been attracted by the size of consumer market, but, on the other hand, they fear they will be a victim of the unregulated market in China. Some of them have been forced to pull out of the Chinese market because of illegal market behaviour. A number of foreign brands have faced such a dilemma and decided to leave the Chinese market as mentioned in the quotes. Overall, the consequence of imitation in Chinese industries is a major concern. The copycat issue has existed in China for some time and needs effort from the government, exporters, and individual customer to eliminate it.

6.5 ‘Made in China’ Quality Issue

The world perceives the quality of Chinese products through a number of global scandals, from the toothpaste with diethylene glycol, the pet food contaminated by melamine, to the wooden toys coated with poison paint and poisoned milk (Sommerville, 2007). Even its own producers do not have the confidence in the product’s quality as quote stated:

“Bad quality. When could we don’t need to worry about our product’s quality and we could confidently tell the world that we have 100% good quality product.” (Danguozi 2007-9-4 12:51; BBS-cnexp-net, 20.08.2007)

Chinese quality used to be blamed on different international organization and individuals. Many businesses were blamed for producing dangerous products that threaten people's health. This has resulted in global events in tightening the regulations of importing specific products from China, which has led to criticisms of Chinese manufacturers. It has caused some businesses to close down, and in some extreme cases it has resulted in the owner committing suicide (Barboza, 2007). Chinese quality may be blamed for its lack of regulation and increasing illegal small firms. However, from the Chinese producer’s own defence, not all the businesses have such poor quality.

“Actually I really want to say that is unfair for ‘Made in China’, even though I have to

admit that some small firms go after price war and do have quality issues in cutting the material down or cheating in work, but still there are a lot of firms are honestly doing their jobs to ensure the quality product.” (juaner225. 2011-9-22 14:11; FOB-Shanghai, 22.09.2011)

Some producers regard their product as well made, and of good value. The Chinese quality in the global market, to some extent, is due to international buyers. They often recognise the poor quality of the products they source from Chinese manufacturers but are still willing to take the risk to achieve high profits. Some international buyers blame Chinese firms for poor quality due to the flaws in product designs, though these designs are produced by the international buyer and the Chinese manufacturer is solely working to the international buyer’s specification (Beamish and Bapuji, 2008). Furthermore, some cases are exaggerated by Western media (Quinter, 2007).

6.5.1 Chinese Quality and Speed

Quality issues can be explained in different ways; one is usually connected with the Chinese speed of production. The quotes below express the situation:

“After all, it is still the quality and service problem, nowadays people put the profitability in front of everything, and the first thing to takeover is the money.” (瑞虎团 2011-07-03 15:36; Alibaba-cn, 01.07.2011)

“If firm wants to grow up, quality is the essential element. But most of Chinese businessmen only go after short-term benefit and pay less attention in quality. I am one of these people. Yes, it’s very easy to say that we need to change, but it’s too difficult to do that...” (永升电器厂 2011-03-11 03:14; Alibaba-cn, 02.03.2011)

Quality issues are one side of phenomenon caused by the speed of China’s economic development. After economic reform, the Chinese government was keen to push its economy to meet the international standards. In the cities of China, many traditional sites were demolished and replaced by high-rising buildings in a short period to match the image of a modern city. Companies sought products offering high and speedy returns; individuals became more materialistic, seeking for fast money. This

has cultivated the short-sighted behaviour of many firms. They are more interested in increasing the volume of production rather than long-term needs, the opposite of quality and branding. This consequence is indicated by the following quote:

“I support the domestic product, but the domestic products really break my heart. Chinese quality standards are too low, and a lot of businessmen are not reliable, so we have to linger in a bunch of rubbish product carefully.” (Alibaba-cn, 11.07.2011)

Many businesses have lost their credibility and as such have lost the support from domestic customers. This short-sighted view of the business had led to putting benefits (profit) ahead of every other interest. They are the profit driven. This is further exacerbated by the accompanying strategy adopted which is the production of low value-added products. Such products only require the purchase of relatively cheap technology and use of the cheap labour resource. This had the advantage of low entrance costs but also often means the low quality. Another aspect is the lack of industrial regulation that led to little internal or external supervision of products.

6.5.2 Chinese Quality and Price

The relationship between quality and price is often discussed in forums. They use the phrase '*One penny price on one penny product*' to describe the correlation between quality and price. Some quotes indicated here:

“One penny price one penny product, everyone knows that, but when it comes to the real deal, they tend to forget it and keep asking for the cheapest price with a good quality.” (Sunny模具2011-09-29 15:46; Alibaba-cn, 27.07.2011)

“This is the truth: even the foreign customers are aware of quality issue in some Chinese products, but they still want the cheap one. So, don't blame on us. We always say: the cheap product does not equal to the quality one, and good product does not come with cheap price.” (charliewong 2012-3-28 13:01; Fob-Shanghai, 21.07.2009)

‘You get what you pay for’: the complaint on quality issues indicates that cost is the top concern related to the quality. As indicated before, the intensive competition in the local market forces firms to reduce the trading price. Sometimes the competition is so fierce that they have to take on other strategies in order to survive in the market,

such as reducing the quality. It is easy to find a similar product in China with a wide range of prices, which is normally differentiated by the material that producers have used. The product quality from Chinese factories always can be referred to three levels of prices: top quality with high prices, acceptable quality at lower prices, and the lowest prices with breakable quality (BCG Report, 2009). The higher price is more likely used with higher quality material, and the cheaper one might be produced by recycled or second hand material. When buyers ask for the lower price, the factory will take the down quality material in order to make their business profitable.

6.5.3 Quality improvement

With the obvious problems in quality, people in forums started turning their attention to the quality improvement. Finding the correct supplier is one suggestion:

“Finding those suppliers that can understand buyers’ needs, can communicate the problem clearly, and proactively take the part of responsibility in their management. By dealing with this kind of manufacturers, it helps to ensure to solve the problem in the first time when it appears.” (nbcomm2008-1-8 10:52; FOB-Shanghai, 08.01.2008)

This was a piece of advice offered by a supplier in finding a better supplier to work with to improve the product quality. The two ways relationship between buyer and supplier has been well documented in the literature (Katsikeas and Al-Khalifa, 1993; Haugland, 1999; Leonidou et al, 2010). They suggest the improvement of communication skill and the willingness to invest on time, resources and effort can help to improve business relationship.

Other information was given is in the change of attitudes. The old perception in the exporters was the high cost to improve the quality. However, there are other ways to improve the quality in the requirement of change in the mentality and awareness:

“To change the situation firstly must change the thoughts! We have to face the market changes directly. It is the buyer’s era now, and don’t think people will buy your product as long as you produce it. Take a closer look at the world, changes are needed. To get a higher profit back, most people may think about the cost reduction is the first

condition. It's wrong, in fact should increase the production cost to make the excellent product.” (拉链哥-三力拉链网络代言人2011-10-10 23:08; Alibaba-cn, 10.10.2011)

This quote suggests that more effort should be placed in the material used to increase the quality. Instead of trying to reduce it, firms should think the converse way by increasing the cost to improve the quality. Therefore, they switch their target consumers to high-value consumers. Furthermore, a small change in the detail can leverage the product's quality:

“There is a misunderstanding here. People always thought that improving quality needs a lot of cost, actually not, for instance, a small change in the management doesn't need to spend you a lot of money, but could improve the product quality rapidly.” (GS-Frank 2010-10-14 10:04; FOB-Shanghai, 14.10.2010)

People suggest that to improve the quality one first needs to improve awareness by focusing on the quality control. From buyer's viewpoint, they can send a quality control officer to the contract factory, or recruit a third party, such as quality control agency, to test and check the quality when the product is still in process. However, for smaller buyers, a trustworthy relationship with manufacturer is a foundation. The most important aspect for all the buyers is to select the best supplier in order to carefully ensure the safety and quality issue. In this way, good communication, an understanding of supplier's production line, and the ability to solve problem instantly is highly regarded. Furthermore, firms should begin building a virtuous industrial production by putting more effort on quality improvement, for instance, through a firm's management to improve the quality supervision and control. Even though the increasing cost of Chinese products has threatened the China's exporting future, controversially, some people believe the strategy should not be to reduce the cost, but to increase the cost to ensure the quality, since they feel that the greater profit will come with a greater quality.

Another interesting statement was made to Chinese consumers besides the quality issue here.

“I support the domestic made product, as long as the product quality isn't too bad. Any product has its drawback, including those luxury products. Sometimes I feel buying foreign product is just buying a face (to show off).” (天使的玫瑰2011-07-12 14:16 Alibaba-cn, 11.07.2011)

It is true that Chinese producers should develop awareness of quality, but Chinese individual consumers should also be willing to support Chinese products by purchasing them. Chinese people seem to love imported and foreign products. The reasons they do not purchase local products might be mixed with quality and trust, but also they wish to make a personal statement by showing social status and wealth through luxury products. But the fact is that most of foreign brands that Chinese customers purchase are made in China. Some people have started to bring the awareness of buying domestic product to support the domestic business.

6.5.4 Summary

In this section, the producer's perception of 'Made in China' quality has been explored. The mixed views combine inferior quality and well-made with great value quality are blended in the Chinese production. This part of perception, though, is influenced and reflected by international buyers. Other issues in China such as speed and Chinese price have affected the 'Made in China' quality detrimentally. It inevitably cultivated a short-sighted view with a high turnover production focus solely on profit rather than caring about the nature of product sold. This has established a poor name for 'Made in China' which is in need of quality improvement. Some suggestions, such as enhancing communication and quality awareness, or even increasing the product cost to improve the quality level, were highlighted by producers. Though, a great degree depends on a change in the mind-set of producers.

6.6 Price War in Result

The above discussion highlighted the four factors (image, price, quality and copying) which interacted with each other to create a vicious cycle for 'Made in China' products. The model that consists of these factors was shown in Figure 6.1. The direct result that can be drawn from this model is the price war. Manufacturing price

wars are a common phenomenon that has existed in China for decades. A price war is always harmful for business, and most people in the forums would like it to be eliminated in the future. The identifiable reasons for price wars vary, though the high competition contributes most. As one quote stated below:

“For instance, Wen Zhou’s clothing industry has expanded to all over China, when you go to this industry, you will find there is no market space for you, but only by reduce price to get a little profit.” ([ganlansede0](#) 2010-07-08 15:22; Alibaba-cn, 04.07.2010)

The highly competitive market can easily lead to price reduction. In the manufacturing industry, especially in China, it is not difficult to set up a business if one is familiar with the industry and has some connections with the people involved. There is a special phenomenon in China which is presented as the unique China’s Special Economic Zone and industrial cluster as introduced in Chapter 2. These specialized regions have stimulated the local economy, but at the same time, have created intensive competition, especially for those businesses based on low value-added production that requires less technology, professional knowledge, and capital. This low entrance to the businesses makes it easier to switch and directly contributes to the intensive competition, thus, it indirectly causing a price war. Other factors contribute to the government policy and system as indicated below:

“The industrial price downturn, sometimes I think is partly caused by the immature pricing system in China, as business does not own core competitiveness, so they choose the same harmful way: the price reduction.” ([loninehui](#) 2010-07-07 17:31; Alibaba-cn, 04.07.2010)

“It’s a vicious competition, the domestic firms are not united; there is no united commercial party. Thousand years ago, in ancient China, they had such party to direct price. But now, the government does not pay attention to it, and the businessmen only go after benefits.” ([小鱼漫步](#)2011 2011-07-03 16:01; Alibaba-cn, 01.07.2011)

Complaints about price regulation and the system were accepted by the members in the forums. The commercial party or government industrial agency lost the control over regulation. Within such a market environment, when a firm lacks a unique competitive advantage, the firm’s market strategy is more likely to join the price

competition. Other businesses react to the market by further price reduction when a rival reduces their price and so a rapid spiral of price reduction occurs.

Last but not least, the development of Internet Technology also contributes to price wars as stated below:

“Alibaba (a B2B website), I really don’t know whether should love you or hate you, because of you, everyone started cutting price. Then firm realized the need in change. It is too cruel to reach this realization and no one benefits from it. The workers have to work overtime and the wage is still not enough to pay for health care. For the factory boss, the profit is too low, and they have to cut down the worker’s wage and raw material quality to get more profit.” (xmheyu 2010-07-09 10:23; Alibaba-cn, 04.07.2010)

The development of Internet and e-commercial business also makes some contributions to the price wars. According to the producers, they exchange business information and look for clients online. Businesses enjoy a great success by displaying their products online. When all the suppliers are listed on the same page, it is more convenient for buyers to get further information from companies and compare different prices offered by them. Clearly, when price dominates the competition, the price war develops.

This has brought ‘Made in China’ to the current situation of a vicious spiral, which causes some negativity in the market:

“The customer may receive the quotation from a number of firms, and those firms sacrifice the price to get the deal done! Simple!” (typhone_ua 2010-7-11 19:01; Fob-Shanghai, 11.07.2010 16:08)

The over-supply of homogenous products may be a benefit to the buyers who can compare different prices offered by a number of companies. It may not be, though, the best value to the buyer. From the producer’s perspective, the intensive competition in price directly influences their businesses:

“I have the same feeling, the cost in labour, production material and facilities have increased a lot, but the product price is reducing. In fact, the competition is so intense, if you don’t take the deal, someone will do, it’s really headache.” (东莞市振兴运动用品厂 (追亿) 2010-07-06 17:22; Alibaba-cn, 04.07.2010)

In a price war, the competition in the market will become fiercer. Even though, the cost has increased over the years, the manufacturer's reaction to the price war is still to reduce prices further. The producers complain about losing deals to others who can offer the lowest price. Sometimes, they accept the deal with zero profit and expect to squeeze the profit out from nothing.

“We only rely on price reduction to get the customer, this kind of competition model, will only increase the small firms into business closure situation.” (GTC-Joyce 2011-8-29 11:15; Fob-Shanghai, 29.08.2011)

The majority of Chinese firms that participate in price wars are the SMEs. Those exporting-oriented SMEs are weak at R&D, and they are not independent enough to create a unique and high quality product. The main strategy they have adopted is to copy from the leading products and compete on the price. They may passively participate in the product promotion and branding. As a result of being part of price war cycle, they have to compete in price and struggle to find sufficient profit. Some firms take the hard way by reducing the material and quality of product. Ultimately, this contributes to the negative perception of quality of ‘Made in China’.

6.6.1 A Practical Case from Data

From the netnographic data, a practical case presented to show the process of a price war involves different roles in the international exporting business. This true story is happened between buyer *A* (a trading company in China who represents the international buyer) and supplier *X* and *Y* (two manufacturers produce the same product).

“In 2010, buyer *A* had a potential deal requested from an overseas buyer and *A* started looking for a potential factory to produce it. *A* found supplier *X* and got a quotation from it. *A* thought the price was too expensive and tried to bring it down, but *X* refused the proposal. After a few days, *A* came back to *X* again and asking for a new quotation to check if *X* changed mind. *X* kept the same price. *A* finally decided to ask *X* to produce the sample and paid for the sample fee.

X finished the sample and shipped to *A*. *A* then tried to confirm the price again, and price still remained the same. After a couple weeks, with some adjustment requests from overseas customer to the sample, *A* went back to *X* to make changes for the sample. During a month period, they had exchanged the ideals to the sample for four

times. Finally, the sample came to the final stage and *A* tried *X* to reduce the price, *X* still refused it.

Once the final sample was approved by the overseas buyer, the contract for mass production deal was signed between *A* and the foreign buyer. In order to get more profit for *A*-self, *A* searched for more factories to compare the price, and *A* found the supplier *Y*. *Y*'s quotation was 4 yuan/piece lower than *X*, which means the more profit for the mass production. *A* was very happy and referred *Y*'s quotation to *X* to check if *X* was ready to reduce the price too. But, *X* rejected it.

The sample product was originally made by *X*, supplier *Y* was uncertain with some details in the sample. Therefore, *Y* found his friend to get some idea. It turned out his friend was supplier *X*. Once *X* knew that *A* wanted to give the deal to *Y*, *X* called *A* and agreed to reduce 5 yuan/piece if *A* can make the deal with them. The deal was finally given to *X* with 30% prepaid deposit to initiate the production.

X started to prepare the material. But *A* found the material was different from the original sample. *X* disagreed and insisted the material was the same, but was not happy with the price made with *A*. After having some arguments, *X* wanted to increase the price by 2 yuan/piece in order to produce with the good material. *A* was furious and indicated they were validating the contract. Then *X* threatened even the price remains same, they could not guarantee the deadline and quality. *A* wanted to return his deposit back, *X* disapproved the proposal..." (劍雨天涯2011-07-01 10:20; Alibaba-cn, 01.07.2011)

This is one case illustrating the process of setting up the price war. Over the course, *A* approached *X* five times for price reduction and constantly compares the price between different suppliers. Such cases frequently occur in China; some might be more complicated than this one. The results of the price war can be seen within different aspects of the business, and can also indicate the unhelpful regulation and rules that constrain the business. By exploring the roles involved in business chain, foreigner buyers gain tremendous benefits from price wars. They are able to compare a number of quotations provided by different suppliers and play the field to get the most beneficial offer. It encourages them to become smarter and more professional as buyers. From the producer's view, however, they will not offer the product for free, even when the price offered seems to be the lowest possible. The producer will still find a way to make a profit by reducing product quality. So from a long-term perspective, it is not helpful for foreigner buyers. If they win a price, they lose on quality and other aspects. For the Chinese producer, it is clear to see the results: loss of profit, less quality, potential issue with survival as well as others. This leads to firms being on the edge of survival, some of them will move out from businesses.

Furthermore, without certain levels of profit, other aspects such as worker's welfare and environmental protection will be ignored while the firms still struggle for survival.

6.7 Conclusion

This chapter has depicted the situation faced by 'Made in China'. The cycle of four factors in Figure 6.1 generated from data is the best representation of the current 'Made in China' situation. Those factors related to each other to create a negative perception in Chinese product which overshadows the positive side of image. It also further explains the quality and other factors interacting in the model that together create a vicious cycle. In China, this began with profitable products. For the low value-added product, a number of followers emerge with their production lines and claim part of market. Their market strategy focuses on price reduction by producing a similar product at a cheaper price to attract consumers. Early entrants, thus react by reducing price, cutting their original price to compete with the later entrants. This prompts a price war and results in an endless vicious cycle. As the result, the vicious cycle will continuously affect to the both domestic and international markets. The next chapter will present a wish list of the future path of 'Created in China', and the general movement from 'Made in China' to 'Created in China'. Some major impediments such as copying and IPR will be discussed.

Chapter 7 ‘Created in China’

7.1 Introduction

In continuing from the previous Chapter 6 that presented the ‘Made in China’ effect of four factors (image, price, copying and quality), this chapter explores the future movement towards ‘Created in China’. There are four themes under the umbrella of ‘Created in China’: creativity, designing, technology and branding. These themes will be introduced individually as a wish list that producers would like to possess in the future. The chapter will firstly discuss the producer’s wish for the future lies in ‘Created in China’.

7.2 ‘Created in China’ the Future Needs

Based on the findings in the previous chapter, the situation of ‘Made in China’ was well acknowledged by the producers. Further evidence shows their willingness to contemplate the changes in the future.

“We need to change even if it’s not an easy way. Without change, we will be out of market soon. It is not a long term development strategy to chase for a little assembly profit.” ([晟曦静电科技](#) 2011-12-29 10:14; Alibaba-cn, 2011-12-28 19:52)

The outcry of needing to change indicates their discontents with the current production model and their awareness of potential long-term development. Understanding the needs is the first step to the development process. In the forums, the orientation of going for high value-added production and innovation is noticed:

“It is normal that the increasing population in India means the more abundant supply in labour force. This brought attention to the Chinese manufacturing industry. The production model in the Chinese manufacturing industry should be changed. We need to transfer from labour intensive production to the high value-added production.” (QQ [平凡而不平庸](#) 2011-03-09 17:42 Alibaba-cn, 02.03.2011)

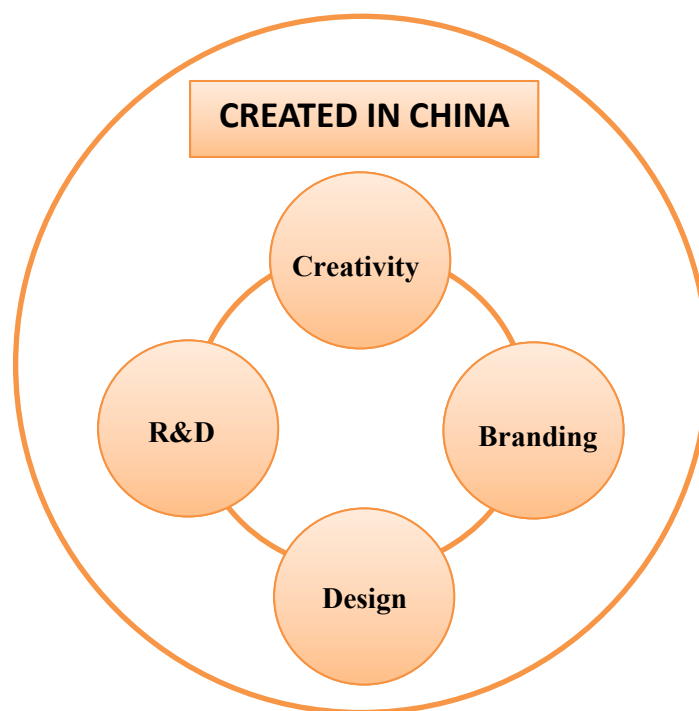
“... we should not try to learn how to make further cost reductions in the assembly line for a limited profit. In fact, we should learn from other overseas’ firms in how they could sell product at a high price. We need innovation, we need changes...” ([Voice628](#) 2010-07-08 18:58, Alibaba-cn, 2011-07-05 10:23)

The voices on the screen indicated the urgency in seeking out changes to production model and assembly lines for the future. Producers stated the high competitive pressure from other countries to provide more cheap labour force. They understand that based on the current production model in purchasing limits profit, and will not lead to the long-term development. Therefore, different suggestions were given as mentioned in the quotes, such as going for high value-added production and innovation. Overall, the major orientation is devoted to the future of ‘Created in China’, which fulfils the missing elements from the current ‘Made in China’.

“From ‘Made in China’, to ‘Created in China’, to branding China, this is a development process from a labour and cost competition to a competition based on technology, creativity and branding...” (qq415587895, 2010-07-02 11:15; Alibaba-cn, 02.07.2010)

As Chinese companies become mature, they will begin to think about developing globally recognized and successful brands, thus, the current ‘Made in China’ does not provide the fertile soil to produce recognizable and innovative products such as Apple or Google. A transformation to ‘Created in China’ by investing more in creativity, R&D, design and branding can provoke the development process. Therefore, a new model of ‘Created in China’ (Figure 7.1) consists of the four elements that will be discussed in the following sections.

Figure 7.1 A Wish List of ‘Created in China’



7.3 Creativity

7.3.1 The Definition of Creativity

The concept of creativity is often intertwined with innovation, with some arguments of creativity being the first step in innovation (Amabile, 1997). Several try to separate creativity and innovation when applying the concepts into the Chinese language. For example, innovation means ‘creating something new ’or ‘bringing forth new ideas’ and creativity means ‘creating idea’ (Keane, 2006; Lan and Kaufman, 2013). Literally, Keane (2006) used the Chinese word ‘*Chuangxin*’ as innovation and ‘*Chuangyi*’ as creativity. Lan and Kaufman (2013) argued there is no way of directly translating the word ‘creativity’ into Chinese. The most positive words could be referred to ‘creativity’ is ‘*Chuang Zao*’, which means the ability to create and invent, and ‘*Chuang*’ means having or providing a creative idea and conception (Lan and Kaufman, 2013). In most cases, the term of creativity and innovation are often used interchangeably in research studies. In the netnographic data, the words *Changxin*, *Changzhao* and *Changyi* will be frequently translated to creativity and innovation. From the producer’s point of view, a possible definition of creativity in manufacturing industry was indicated as below:

“Going for the high value competition cannot be without creativity. There is a misunderstanding over the creativity. Everyone knows it is good thing to do, but it’s hard to achieve it. I personally think in every industry and production, if you have one thing exceed the others, it is the creativity and innovation. It doesn’t have to be the widely spread innovation, but in the individuality innovation. It also doesn’t need to be core innovation, but can be the innovation that creates a centimetre better than others.” (Kingberg 2007-12-24 09:35; BBS-cnexp-net, 24.12.2007)

This definition was given by a forum member in describing his or her understanding of creativity that is often accounted as cumulative and exceeding creativity. This may bring some arguments to the different concept of creativity between Western and Eastern culture (Niu and Kaufman, 2013; Lan and Kaufman, 2013). While Americans tend to value creativity with novelty and ‘ground-breaking’ concepts, those concepts are either non-existent or conceptualized another way in traditional Chinese teaching (Rudowicz, 2004). Chinese tend to conceptualize the creativity with a more social related attitude, expecting a creative product to be more consistent

with the tradition and social norms (Yue, 2004). In the above quote, it specifies the concept of creativity in Chinese producers' view is depended on experience, knowledge, and method which is equally responds to the incremental creativity (Lan and Kaufman, 2013).

Creativity is an essential role for the business long-term development. This is also a well-known element that has been perceived absent in Chinese business. Chinese producers, however, understand building the creativity is crucial to enhance a firm's competence:

“This is the only way to make a better product than others. Firstly you need to learn the creativity. It is for the survival and also for the development!” (汉高时尚家居 2010-07-06 11:01; Alibaba-cn, 04.07.2010)

The importance of having creativity is deemed as the future for Chinese manufacturing industry. Creativity does not mean of only being creative and innovative, but also in the uniqueness and freshness. The American company-Apple is the best representative case in its cultural innovation and creativity. It is well-recognized as having created a new competitive frontier due to its ability to innovate and create continuously within their environment. Chinese enterprises understand the creative skills are crucial for the future success to help create a new competitive market.

7.3.2 Chinese Creativity

In China the concept of creativity is focused on the product itself. The conceptual creativity is described in originality by creating the unique innovation from one's own business. This is opposite to the imitation. By changing the conceptual knowledge it develops product's creativity, as the following quotes show:

“The important thing is the product innovation is by continuously upgrading and innovating your product to find your own place in the market.” (怀源铁棍山药 2010-07-28 20:27 Alibaba-cn, 04.07.2010)

“The best way to change the current situation is to innovate the product. Innovating product can be from the material, handicraft and product's outlook three parts.” (萌晨 NO. 1 2010-07-05 13:42 Alibaba-cn, 04.07.2010)

Creation is deemed as one strategy to cope with copying in the market by *continuously upgrading and innovating product* to always bring a fresh product to the market. As suggested here, the product innovation part can go from material innovation, craftsmanship innovation and innovation in product designing and packaging. A creative product for Americans is more of a creation, whereas for Chinese producers, the concept of innovation emphasis on the product itself. The main consideration is more as goods for sale (Lan and Kaufman, 2013). It is understandable as they have historically located their businesses on product oriented manufacturing.

In the previous chapter, there was a concern about the development of Chinese business with it becoming more difficult to trade on the cheap volume production. Hence, there is a need for an alternative strategy. It would appear that the solution to the problems that are faced by the Chinese producers, such as the price war (as seen at section 6.6 in Chapter 6), is to drive for innovation and creativity, and therefore, to provide opportunity for survival and development. It has been seen in the past that countries which have focused on product quality eventually went to product uniqueness with high-tech value-added. This pattern has been seen by other ascendant countries, such as Japan and Korea. Some Chinese firms have strongly perceived this concept and successfully applied it into their businesses, such as the well-known brands Haier and Foxconn. Their name were regularly seen in the forum as having a business model focusing on innovation.

“Haier and the other world class brand refrigerator firms always develop the extraordinary function on the ordinary product, and those extraordinary functions have really brought the convenience to customer, so, even their price is higher, they still own the market.” (jackjian201003 2010-07-27 22:55; Alibaba-cn, 04.07.2010)

“A lot of people asked why Foxconn Company can be so strong? Let me tell you one thing that you might not be aware of, Foxconn is excellent at the original design. They design dozens of products for contracted company to choose. They have the core original creative team! They are not just doing OEM.” (拉链哥-三力拉链网络代言人 2011-10-10 23:08; Alibaba-cn, 10.10.2011)

Their success is due to being innovatory with the original designs. It was built on a strong core designing team who puts the consumers’ needs first, and offers a great after sales service. The difference between these two firms is Haier has already built

its brand reputation, while Foxconn is more focused on OEM production for other well-known brands, i.e. the renewable Apple brand. Many Chinese firms take the similar production model as Foxconn does, but very few of them have excelled in innovation as Foxconn has done. This has led Foxconn to be more attractive to the global giants willing to engage with them. In terms of the innovation and creativity, Haier and Foxconn, together with other successful Chinese firms are the role models for others to follow.

Yet the process of the following provides the obstacles to the future, and the main problem is the high cost for innovation.

“The reason people go for copying instead of innovation is they cannot bear the cost of creation.” (万珊珠宝 2011-10-12 10:31; Alibaba-cn, 10.10.2011)

Creation needs time and financial support, which most Chinese manufacturers do not have due to their thin profits. Firms are generally reluctant to consider the creativity if they are still struggling on the edge of survival. Furthermore, the Chinese regulation on the intellectual property protection does not provide support to creation as quote states below:

“It is always good to develop a new product, but it is stressful in the same time. The stress not only comes from product itself, but also from the market. The firm has to balance the market needs to ensure a certain level of profit. Firm’s new developed product will be shortly copied with cheaper price in the market. It is too difficult for firms...” (东莞葉榮2010-07-07 09:23; Alibaba-cn, 04.07.2010)

The weakness of Chinese IPR regulation aids the existence of copying situation in China. Shortly after firms launch their new product in market, a similar product can be found in the market as the quote indicates. For some, Chinese small firms lack the capability to innovate because they either have insufficient capacity to challenge the competition or they choose to imitate high demand products in market and compete on price.

“Now, everyone is talking about creativity. It is really difficult to achieve the creativity when spend time and effort to create something new, and in the same time, the sales price remains same, sometimes even lower.” (圓香 2010-07-28 10:52; Alibaba-cn, 04.07.2010)

Even firms with the innovating capability, still have to face high competition. They have to put more effort and money to develop a new product, while at the end, there is no high profit in return and instead of facing their products to be copied by other rivals.

7.4 Industrial Design in China

Industrial design is one of the key capacities for manufacturer to move towards the high value-added products. The Chinese government has recently developed a strong interest in the field of industrial design by providing supports to the various design events. Even with the effort of government policies to enhance the global reputation of Chinese design, Chinese products are still regarded as a product without soul and lack cultural identity as the quote shows below:

“In Ming and Qing dynasties, our chinaware is the hot sales in overseas market, the global dealers all came to the town of Jing De Zhen to order the product. But now, our chinaware industry has been distained at the production level as the other industries. Without a good design concept and designer to enhance, our product just likes a photo snapshot with no soul, and could not sell it in a prestige price. The way we are doing business is more like we take the picture of some product’s design from trading fairs, and copy it with cheap price. This way will easily lead to the end.” (abscn 2008-6-20 00:06; Fob-Shanghai, 19.06.2008)

In this quote, some key words such as ‘designing concept and designer’, ‘no soul’, ‘snapshot and taking the picture of product design’ and ‘lead to the end’, can be interpreted as the current situation in Chinese industrial design. It is arguable to say that OEM production model has cultivated laziness in Chinese manufacturers as this model relies heavily on the branding companies’ design. Furthermore, the absence of professional talent of industrial designer is a concern. China as the biggest manufacturer and exporter for various industries including- furniture, toy, jewellery, pottery and porcelain, glass, and as so far have not developed the major design capability. This capacity is urgently needed for the country (Li, 2006).

Chinese education in the industrial design is also a copying system. It cannot provide the professional knowledge to aid the student learning. This caused a dilemma in China that on one hand, a large number of talents people have been produced by the

high education system and on the other hand, the enormous demands in professional design cannot be met. The graduates who cannot meet the market's demands have to change their careers while the industrial companies still hunger for talents (Li, 2006).

Another aspect accounts to the firm's attitude in design. The majority of producers are not focused on creating a unique product in order to differentiate their products from the homogenous market:

“Chinese firms have another problem – they are unwilling to pay for the design. If you spend 3 billion dollar to buy the whole designing department, your designing capability will be definitely improved, but no firm is willing to spend this money.” (Zhishi,2008-1-5 13:06; BBS-cnexp-net, 05.01.2008 13:06)

This quote may exaggerate the expense of design, but the point is firms are unwilling to invest in design. They may regard design as an unnecessary expense which can be cut off from a firm's budget. The situation, though, is believed to have been changed now, especially after China joined the World Trade Organization (WTO). In order to respond to global competition, the government, private sector and individuals are revisiting 'design' and have begun to recognize its importance in marketing promotion. Some major firms in China have set up as a designing model and further have gained a great success in the business, i.e. Haier and Huawei. However, the majority of smaller firms feel they are incapable of changing the situation and their awareness of design is still underdeveloped. The competitive market is forcing them to bring the awareness in design. In the forum, some of them have suggested to seek for the assistance from the professional industrial design company:

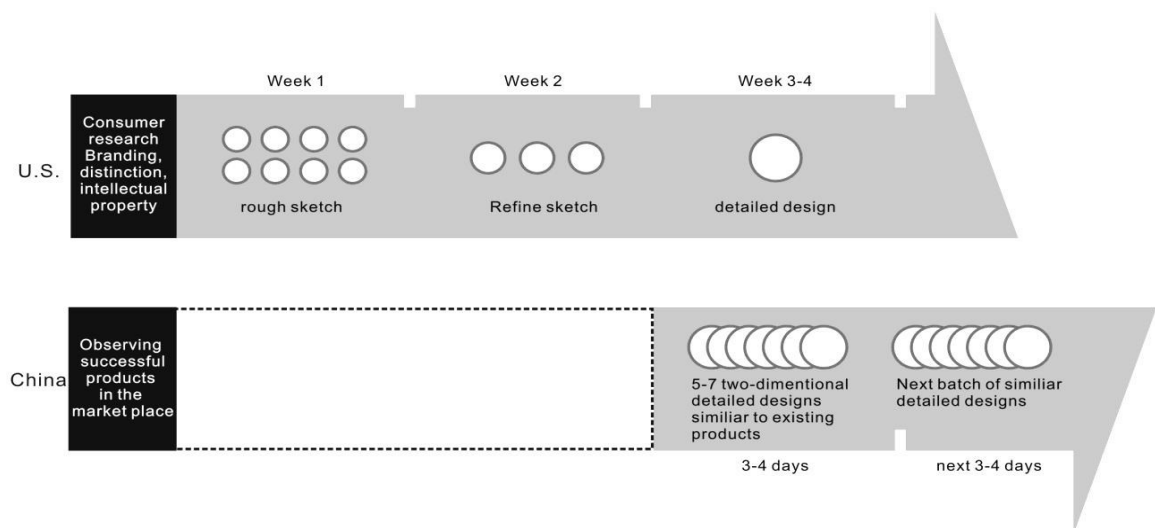
“New product should ask those professional industrial designing company to develop.” (聂风惊云 2012-02-08 10:49; Alibaba-cn, 08.02.2012 10:29)

There are numerous so-called professional design companies in China. Companies such as Lenovo and Haier are very successful in branding and have their own distinctive designs. The majority of firms, though still practice copycat designing rather than creating an original product, and they are usually trapped into the cycle of chasing quantity instead of quality.

A study conducted by Fan (2011) looked at the contrast in industrial design based on author's professional background from two countries, the United States and China. It

was found the distinctive difference on the primary goal driver in the industrial design process. The U.S. consumer research is based on creation of intellectual property, and they are heavily invested on the early stage of sketching product idea to highlight product's originality. While for most Chinese designers, the goal is to develop successful products in the market place and focus on manufacturing rather than product strategy. This study has given the comparative information of the effort that has been invested on the 'design processes' of new products from both parties (see Figure 7.2). While the U.S. designers spend weeks in refining early stage of concept, Chinese designers jump straight into manufacturing design. It is interesting to see the U.S. industrial designer's focus is on the research and design plan to outline a differentiate product from market. The concern of the Chinese team is to develop a 'speed-to-market' design for manufacturing.

Figure 7.2: Different Design process in the U.S. Design Firm vs. in China Design Firm



Source: Fan, 2011

7.5 R&D in China

After China joined the WTO in 2001, China's growth during its gold period (2002-2007) was driven by global exporting which contributed to the two digit annual growth rates (Fabre and Grumbach, 2012). Meanwhile, the government's stimulus package to R&D expenditure has been concentrated into various industries: telecommunication and informatics, biotechnology and drugs. The majority of the firms are state-owned companies (Fabre and Grumbach, 2012). China pursued a very aggressive strategy in pushing forward R&D development. The outcome became the headline news in 2010 when China became host of the world fastest computer, with its supercomputer Tianhe-1A, made by the National University of Defence for the National Super Computing Centre in Tianjin. However, it was discovered later that the chips used in the supercomputers are Intel CPUs, and graphical chips, Nvidia GPUs, thus using American technology (Grumbach, 2013). While the global market is amazed by the rapid achievement of Chinese technology, the producers hold an opposite view:

“In China, only the food is domestic produced, others all come from overseas technology, products from the automobile to small stuff like a pen, all needs to borrow other’s technology, such a sad fact!” (szpadis 2010-07-08 17:52; Alibaba-cn, 04.07.2010)

In the process of manufacturing, even simple assembly work requires the new technology to remain to be competitive. Chinese producers use '*borrowed technology*' to maintain the level of manufacture technologies. Even with the effort of trying its best to increase the domestic technology level, the gap between China and advanced country, such as the U.S., still remains large. At the same time, China has attracted global FDI and gradually led many major companies to invest in R&D in China. Yet, the IPR issue is always troublesome:

“Tragedy, most of the Chinese high tech is copied; I used to work in a high-tech firm, but we also charged for violation in intellectual property right.” (saxon2048class 2011-5-4 09:12; Fob-Shanghai, 03.05.2011)

This member did not provide the detail story of IPR violation issue in his or her company. Yet in general, one can see the commonality in copying technology and violating IPR. One way of China aggressively pursuing R&D, the fastest way and also the most frugal way is to imitate and learn from the advanced technology. For example CRH2 bullet train in operation today in China is practically the same as the original Japanese one (Fabre and Grumbach, 2012). Chinese companies have been known as good at the ‘D’ (Development) part. Based on the existing markets, a little innovation in product can push a firm’s rapid growth. At the same time, increasing competition is everywhere. Lack of fundamental ‘R’ (Research) will inhibit growth and market share. It was suggested China should invest more in the ‘R’ part of R&D to compete well or to expand into new markets (BCG Report, 2009). In the attitudes to the R&D field, advanced countries have a tradition in investing for longer periods of time in research part during new product development. In contrast, the concept of research for Chinese firm is to study why the existing products is successful and to borrow the ideas for their own firm’s product. It is also illustrated in the data:

“Some firms use research funding to buy the sample product for peripheral test. They know very little of core technology system. Therefore, the firm’s research efficient and technology conversion rate are very low. On the contrast to the ignorance attitudes from Chinese firms, the multinational firm’s R&D expenditure has increased 4%.” (衣阁里拉欧美流行服饰 2012-02-04 19:01; Alibaba-cn, 04.02.2012)

From this quote, the core concepts that arose are the concept of ‘Research’ and ignorance attitudes. As a burgeoning society, China has to speed up every aspect in business to catch up global pace. The research concept in *‘borrowing from others’* has been embedded into the work attitudes, especially borrowing from those prosperous sales in market. The ignorance attitudes indicate firms’ unwillingness to pay attention to ‘Research’ part as they refer it consumes firm’s resource with no instant return.

“I always think that it’s not we as Chinese lack the technology, but we lack the attitudes towards work. I always expected that our automobile can go global, one day can challenge Toyota, Honda.” (vobil5154 2011-07-12 16:00; Alibaba-cn, 11.07.2011)

The ignorant attitude is well acknowledged by the producers. Even the expectation is to challenge those prestige global firms in the future; little action has been taken in practice. Overall, the technology development in China has gained a progressive attention from Chinese government and firms. The attention on technological development has improved as compared to the past. However, the level of Chinese technology still remains limited and relies still on borrowed technology. The main contribution to this is the lack of attitudes on 'R' (Research). The concept of research in Chinese firms is focusing on studying the successful firms in order to borrow and copy the outcome which is similar phenomenon happened in designing part.

7.6 Branding

The field of brand and brand equity has been studied by many scholars across the world (M'Zungu et al., 2010; Saydan, 2013). Some of them studied brand value in the company's level (Rao and Monroe, 1989), others associated it with country (Akotia et al, 2011). Overall, different studies indicate the importance of branding in the development of a firm or a country. In the forums, the need for branding is constantly emphasized by Chinese producers. Statements like '*we need branding*', '*branding is the future for Made in China*' have illustrated the eagerness of exploring brand value in Chinese manufacturers. By studying the motivation behind the statement, two aspects lie ahead here:

1) The primary motivation of branding is business profitability. The Chinese manufacturing model in OEM production of being at the bottom of supply chain directly impacts to the lowest margin:

“After being as the world factory for so many years, a lot of domestic firms like more in another way around, that is the brand effect. They clearly know that producing a normal T-shirt, the price can go up to dozens times by putting a 'tick' logo on it, it seems very simple and exciting, but the fact of how to achieve is the next story.” (GS-Frank 2011-8-11 11:44; Fob-Shanghai, 11.08.2011)

A product with a 'tick' logo (NIKE), the price can rise from \$4 manufacturing price up to \$100 of the retail price. The huge gap between these two prices is the value of

brand. Chinese producers play a dual role that, on one hand, present as the main source of the pre-logged outputs. On the other hand, they act as the individual consumer paying retail price for the final packaged product. The obvious difference in the price over the same product creates the main motivation for producers to consider branding.

2) Brand is the status symbol for the company. A particular brand is the intangible asset, and it represents a company's quality and value.

“Brand is a firm's business card, it is a personality of value, and it is an invisible merit...” (GS-Frank 2010-10-14 10:04; Fob-Shanghai, 14.10.2010)

A good brand is more than a symbol for a company, it attracts customer to the company and creates loyalty to its product. Brand is the recognition of company's value and product's quality.

“Brand needs to be supported by years of quality assurance. Back to the old time, when the Japanese carried automobile into the Middle East market, there was less number of companies would like to franchise Japanese product. Now, they definitely regret it.” (mi6haha 2011-8-29 10:58; Fob-Shanghai, 29.08.2011)

A successful brand cannot be built over night. It needs years of accumulative effort to build its reputation. The same applies to a country brand, the brand of 'Made in Japan' was perceived as low quality product in the past, however, now it represents completely opposite meaning. Especially in B2B domain, a country brand, and a manufacturer's brand illustrates the reliability and creditability. It is an assurance of quality.

The current Chinese manufacturing industry has not yet created global prestige brands. After World War II, Japan overtook America manufacturing position based on its 'production plus branding' strategy. In the last half century, the rise of Chinese economy replaced Japan's effort based on its manufacturing power. While China is too busy in producing products for other countries, the absence of branding impedes the manufacturing industry to climb up the supply chain.

Furthermore, most Chinese firms associate brand as a logo. The concept of branding is simply interpreted as an image to identify their products and there is less or no

core concept added to the image. The support elements including the brand awareness and a strong talent team are still missing:

“To simply create a brand name, it can be achieved by an amount of capital money. But behind this name, there has to be a strong team in designing and marketing. We are truly lack a strong industrial design which is the core competitiveness for a brand. In China, this type of talent is too scarce.” (jiujiu2010 2010-07-02 13:26; Alibaba-cn, 02.07.2010)

This quote indicates a brand can be separated into a brand name and the intangible added-value. A brand name is not difficult to create with sufficient financial support. The real value of a brand needs a different type of supports and this is the part that most of Chinese manufacturers lack of. Therefore, Chinese brands without the value added into the brand's name, would often deemed as cheapness.

“In the international stage, most Chinese brands are still the synonymous word for cheap, including Haier- the one we always proud of, is still not at the same level as Siemens, Sony, Toshiba, Samsung. There is another saying of ‘invisible champion’ in the industry, which refer to the firms that strong in quantity but weak in branding.” (广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

Despite the lack of branding of Chinese product, ‘Made in China’ products still dominate the world market. They are regarded to as the champions: they are the invisible quantity champions that stand behind the glorious international brands. Ultimately, they may become visible to the world as other brands ‘Sony’, ‘Nike’, ‘Samsung’ have done. However, at this moment, the reality is that Chinese firms’ primary goal is to sustain the survival, and possibly grow, as any other companies from the developing countries.

“Branding is not simply just to get an English name for registration. The more important behind branding is the culture, the technology and marketing. But now, for most Chinese firms, survive is the priority.” (广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

“My previous company has also tried in branding, we made a lot of effort in building own brand, and was hoping one day that we can catch up the top firms. However, when we fell into the temptation of real deal, we chose to compromise. Overall, bread is more important than jewellery. For the firm, the future development is another topic after survival.” (广东中医 2011-11-24 11:54; Fob-Shanghai, 24.11.2011)

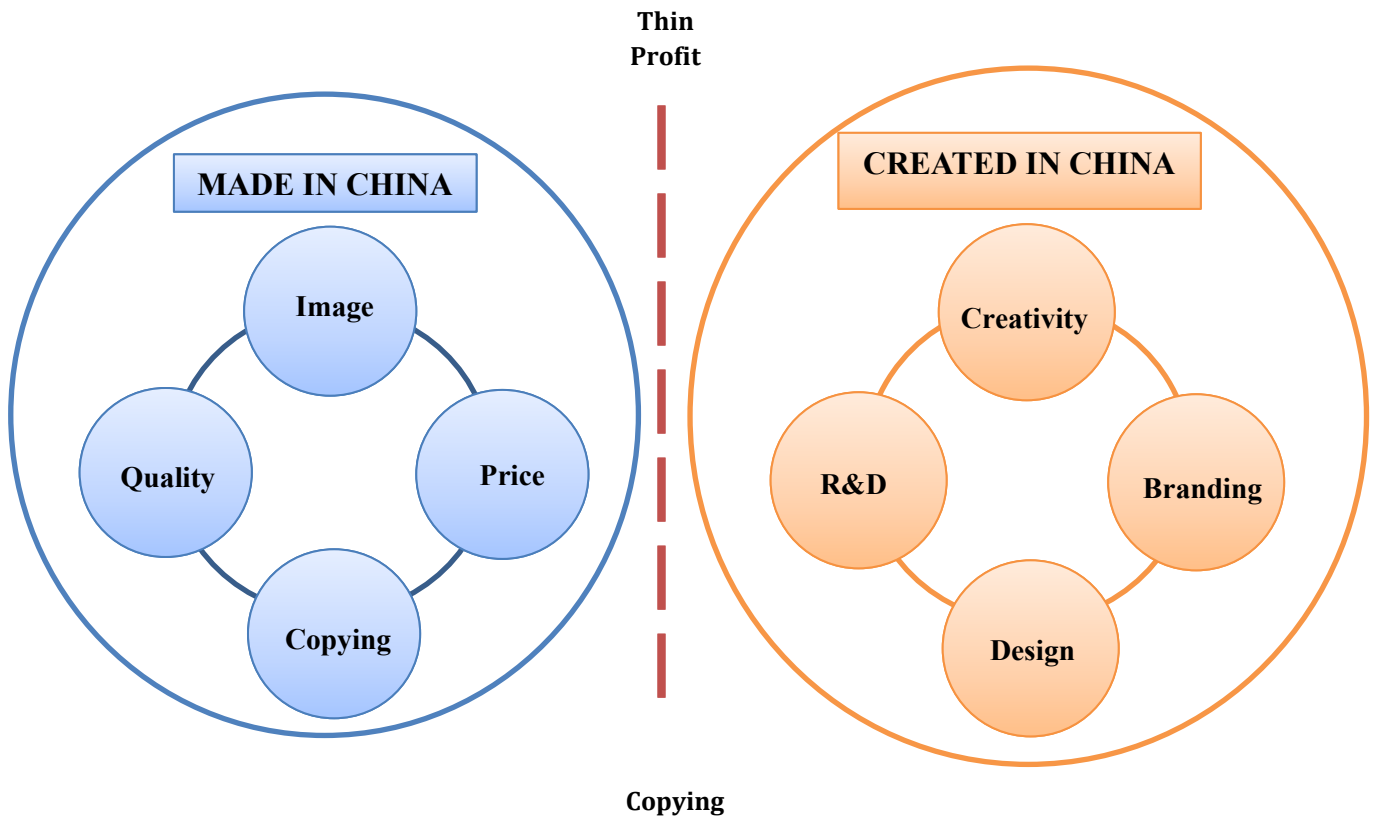
As the quotes states, firms are aware of the importance of branding, the reality in sustaining the business in the market oversteps branding. If one employs Maslow's needs theory (Maslow, 1943) for a business by treating branding as the self-actualization on the top of hierarchy of needs. Currently, Chinese firms' priority demand is still on pursuing the basic physiological needs.

Overall, branding is the ultimate result of a firm's development. The contemporary focus of Chinese market is on the price competition which has resulted in repetition of producing low value-added product. The business development pattern showed the successful stage of a firm is on the product value and additional value production rather than simply price.

7.7 Conclusion

This chapter illustrated a wish list of the future development of 'Created in China' that comprises another four elements: creativity, designing, R&D and branding. These four factors have been discussed individually in this chapter. Compared with the Chapter 6 regarded as the grounded reality, this chapter can be seen as the future expectation which producers identified them from the current ground and would like to possess in the future. Combining both Chapter 6 and 7, a model of 'From 'Made in China' to 'Created in China' can be generated and it has been showed in Figure 7.3:

Figure 7.3: The Transition from ‘Made in China’ to ‘Created in China’.



This model incorporates the most important categories of current and future context for ‘Made in China’. The ‘Made in China’ side includes image, quality, price and copying issues that build the current position. The ‘Created in China’ is condensed with branding, creativity, design and R&D, which contributed as the main elements that are required for future development. This model identifies the elements of enhancement necessary to create the desired positive perception of Chinese products. Many see the solution as moving towards to ‘Created in China’ through those ‘wish list’, also by switching to high value-added products with the movement from assembly to the creation of new products based on innovation. The impediments to the current situations such as thin profits do not facilitate expenditure on R&D and branding. Yet the major element is copying which offers producers little incentive to innovate, as competitors rapidly follow and offering lower price without paying for

R&D. The copying issue and thin profits impede the general movement and provide China with a major challenge for the future. By overcoming the impediments, the voice behind screen from Chinese producers, have clearly indicated the needs for the future of 'Made in China'. It is also moving away from low value-added products to the high values-added products by enhancing China's image through non-price issues, such as innovations, quality, and branding. This leaves room for both policymakers and producers within China and possibly beyond.

The next chapter will apply this model to the data collected from Chinese producers through interviews. It is intended to validate and complement the netnographic findings that have been presented in this chapter and Chapter 6.

Chapter 8 Interview

8.1 Introduction

The following chapter presents the findings of 20 interviews with Chinese producers. The interviews across 19 different products types in the industries: natural resources, electronics device, commodity and machinery. Majority of factories are located in the coastal regions. The interview participates are business owner, manager and exporter or salesperson. Most of these interviewees have been involved in the exporting business for more than three years, and some have over ten years' experience. The interviews focused on eight specific topics: the perception of 'Made in China' image, price, copying, quality, branding, design, creativity and R&D. These eight themes have been outlined in the netnographic findings in Chapter 6 and Chapter 7. Through the interviews, the results will be validated and further information will be gathered to complement the previous findings. This chapter is divided into two sections. The first section will discuss the profiles of the manufacturers; and the second section will analyse the eight topics.

8.2 Interview Companies' Profile

During the conversation with the 20 respondents, the size of company was of particular interest. They were asked the number of employees in their companies, or the size of business if they are unwilling to reveal such information. The Appendix 4C indicated the company's size in detail.

Data from the 20 interviews yielded information on 23 companies in total. The three other companies came from interviews 5, 10 and 18 on people who had recently switched job and still held strong views for comparing their new employers with the old ones. Information about the companies is shown in Table 8.1 below.

Table 8.1 Interviewees' Company Profile

Firm categories	Number of Interviews	Products
State-owned firms	Interview 5, 14, 18 (Total 3)	Disposable medical supplies, Heavy truck, stainless steel tube,
FDI	Interview 10, 19 (Total 2)	Umbrella, Server cabinet,
SMEs	Interview 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 20 (Total 18)	Bathroom lights, natural stone, tooth brush, fasteners, disposable medical supplies, Computer, promotional product; speaker, LED lights, art work, sound proofing material, charger, accessories, electronic product,

Note: Interview 5, 10, 18 are comparing two companies

Three firms are state-owned and two are Foreign Direct Investment (FDI). The other firms are private Small and Medium sized Enterprises (SMEs). The definition of SMEs in China is controversial and differs from other countries. According to SME Promotion Law of China, the categorizing criteria on SMEs sets the guidelines by classifying SMEs as displayed on Table 8.2 below.

Table 8.2: Definitions of SMEs in China

Size Category	Industries	Employment-based	Total assets	Business revenue
Small	Industry	< 300	< ¥40 million	< ¥30 million
	Construction	< 600	< ¥40 million	< ¥30 million
	Wholesale	< 100		< ¥30 million
	Retail	< 100		< ¥10 million
	Transport	< 500		< ¥30 million
	Post	< 400		< ¥30 million
	Hotel & restaurant	< 400		< ¥30 million
Medium	Industry	300-2000	< ¥40million-400million	< ¥30million-300million
	Construction	600-3000	< ¥40million-400million	< ¥30million-300million
	Wholesale	100-200		< ¥30million-300million
	Retail	100-500		< ¥10million-150million
	Transport	500-3000		< ¥30million-300million
	Post	400-1000		< ¥30million-300million
	Hotel & restaurant	400-800		< ¥30million-150million

Note: SME meet one or more of the conditions. ME should meet three conditions, the others are SE.

Source: SME promotion law of China, 2003;

The guidelines show the definition of SMEs in China depends on the industry category. This category is based on the number of employees, annual revenue, and total assets. Guidelines for the industrial sector requires SMEs to employ a maximum of 2,000 people, and to have an annual revenue not exceeding RMB 300 million with less than RMB 400 million in total assets, whereas a small business should have less

than 300 employees. This definition of SMEs in China is rather complex and many SMEs can be regarded as large firms in other countries. The most common categorization is based on the number of employees (Liu, 2008). The interview data shows the majority of companies employ anywhere from 10 to a few hundred. In addition, the interviewees frequently regarded themselves as small and medium sized firms in their industrial sectors.

The increasing role of SMEs in China is identifiable. SMEs are an important part of China's economy. They make up over 99 percent of all enterprises in China. The output value of SMEs accounts for at least 60 percent of the country's gross domestic product, generating for more than 82 percent of employment opportunities in China (Liu, 2008). This number is expected to grow in the next few years because government policy is encouraging a push towards enterprises' development in China. According to Liu (2008), the distribution of SMEs in China is geographically located in the eastern area which account for nearly 70 percent of the total SMEs. These regions include Jiangsu, Zhengjiang, Guandong, Shanghai, and Shangdong. The business revenue of manufacturing industry accounts for 52.8 percent by the industry distribution. This also fit into the interview's data distribution that the majority of companies are on the eastern coastal region of China as the map showed in the methodology chapter.

Most Chinese SMEs were developed after the Chinese economy open policy. The Chinese government have supported the development of SMEs in various ways, such as promoting SME law and publishing the SME Growth Project. The government has also adopted a series of promotional regulations and measures, including financial support for SME development through tax incentive schemes, improving SMEs' market access by helping them enhance their skills, expanding their network with other enterprises, supportive supervision towards a better management system, and improving the social service for SMEs. Notwithstanding the foregoing effort from the state to support SMEs, there are still some constraints that affect the SMEs operation. The gap of promotional policy and delivery of government services still exists. The access to public funds for SMEs still presents difficulties in terms of time and cost. The following sections will present interviewees' views on the eight topics.

8.3 'Made in China' Image

8.3.1 Reconfirming the Findings

The netnographic findings show the producer's perception towards 'Made in China' image falls into two parts: negative and positive. Similar perceptions were found in interviews. On the negative side, they described their views with words like '*unreliable*', '*dishonest*' and '*pessimistic*':

Theo: "hehe, I don't think the image of 'Made in China' is trustful. I think it's unreliable... making 'Made in China' as a brand is same as promoting a country's product to the world. Take an example, when I said my products export to West Europe, people would say the Western European countries have higher standards in quality. Then, when I specific supply to Germany, people would say your product must meet German high standards. Once we talk about the good product, we associate it with 'Made in Germany' or Italy."(Theo, Interview 1, 10/11/2012)

The perceptual difference in the view of products made in developed and developing countries, found in the COO literature is echoed in this quote. Consumers perceive the product from developing countries to be of inferior quality compare to products from developed countries (Pappu et al, 2007; Usunier and Cestre, 2008). This view is echoed in the manufacturing sector because the value of a product is also associated to the exporting country's image. In general, 'Made in China' is associated with being unreliable and untrustworthy, and the producer has a pessimistic view in introducing 'Made in China' as a brand to the global market.

Another negative aspect is given by *Ana* about the perception from an American customer:

Ana: "One of my American customers told me that they don't like to work with Chinese supplier. He feels Chinese firms are dishonest and the quality cannot meet their requirement... it is very difficult to change their perception once they have such impression...The American customer cares in detail and we cannot meet their requirement... Sometime, they have to look for new supplier from Europe even they know the goods from European companies are also imported from China. But they prefer to deal with them because they are more reliable and credible." (Ana, Interview 9, 14/11/2012)

The concern in this quote is the credibility of the Chinese supplier that leads the American customer to prefer the European supplier even at a higher cost. *Ana* also specified the different performance between Chinese and European suppliers to the

production deadline and quality issue. When conflict happens, one follows the contract strictly while the Chinese suppliers tended to violate the contract. Such violation has significant impact on the overall image of 'Made in China'.

On the positive side, the interviewee happily referred their product as a good value:

Mr Dai: "Speaking about my company, the image of 'Made in China' is quite good. That is because our product is not complex, there are very little differences in quality... so the customer doesn't have too much problems with us." (Mr Dai, Interview 17, 01/03/2013)

Mr Dai product is promotional goods (such as flags) which are simple products that can easily meet customer's expectation. In this case, buyers hold a positive view towards the product and supplier. Such positive view also fits to the result from netnography.

8.3.2 Business Relationship

In addition, the interaction of a salesman with an international buyer is found to have an impact on the perception of product.

Ms He: "Generally speaking, Chinese quality is doubtful, but it still depends on the quality of suppliers. Normally a good supplier comes with trustworthy product... if the first deal is failed, the customer will never come back to you again and they will think 'Made in China' product negatively.... it's more about the trust relationship. My customer approved our quality even we are selling the same 'Made in China' product..." (Ms He, Interview 15, 26/02/2013)

It is interesting to see the great influence on the country image from the buyer's purchasing experience with the factory's performance. A good supplier provides trustful information in the product's deadline, and honesty in the quality and production issues. This trustful relationship builds upon time. The first time purchasing is particular crucial for both parties because this is where the foundation of a strong business relationship builds upon. The key player in this stage is the exporter, as the factory's salesman says:

Kira: "In this exporting business, including the purchasing job I have done before. I found a lot of salesmen in factories, their professional knowledge and service cannot

meet the business needs, including the knowledge to the product and industry. Also, they are not working efficiently to meet international buyer's demand." (Kira, Interview 5, 13/11/2012)

Kira is the exporter of disposable medical equipment factory. She has worked in several factories before joining her current firm. Her understanding of this industry is the salesperson lacks professional knowledge. A lot of exporters are newly graduates from colleges with a degree in international trading or English literature. Most factories do not provide sufficient training for these graduates and they have to face the great transition from dogmatic education system to the real business world. For a novice exporter, dealing with customers from different cultural backgrounds may provide insufficient aid to the work and their lack in professional knowledge make the business even harder to control. To a certain extent, the exporting business is based on individuals that tie with salesperson's performance.

Ms Huang: "In this industry, there is a mixture view of good and bad impressions for the 'Made in China'. But my customers are general ok with my products. They had some bad experiences before, but they are not generating it too all the Chinese products. I think the key person to change it is the salesperson/exporter. In my case, my customers think I am a good person and they treat me as a friend. Before they did business with other supplier and it wasn't pleasant. The business did not work out and it left bad impression to that factory. Now, he is quite satisfied with my work, and my product, service, and production deadline all meet to his requirement. He likes talking to me, I think it's still the salesperson's problem." (Ms Huang, Interview 12, 16/11/2012)

The conversation with *Ms Huang* has reconfirmed the importance of personal relationship with buyers. In such business environments, the performance of the salespeople or exporter is crucial for success. The overseas buyers may never see the exporter in person even though they have contacted through the Internet. The salesman's work performance in terms of reliability and responsibility plays a significant role in exporting business. The business interaction always helped to facilitate the trading process and influence the perception of 'Made in China'. The professional knowledge and service they have delivered to the importers will also make an impact on their perception of the country's product.

8.3.3 The Complexity of 'Made in China'

Moreover, with the increasing number of goods 'Made in Vietnam' and other developing countries in the global market, findings from the interviews showed the complex phenomenon of 'Made in China':

Mr Chen: "‘Made in China’ product can turn into ‘Made in’ other places. Sometime you will see a product is ‘Made in China’ and ‘Designed in’ somewhere, but it is actually designed in China too. They just want to make some kind of association with that particular country...in other case, they want to avoid the high trading tariff, so they ship the products to Vietnam and Philippine for repackaging...take an example, the tariff will be higher if export from China to Brazil directly, but it is much lower from Vietnam or Philippine. Therefore, they ship to Vietnam first...of course, there is a case that they are truly considered for the cheaper assembly cost...." (Mr Chen, Interview 6, 13/11/2012)

Mr Chen's company is located in Shenzhen, one of the China's first tier cities. His company has been involved in exporting business for more than ten years. The observation shows this difficulty in defining the COO because in this case, the tag would not indicate the reality. Again more products are being produced within China.

17: "Some foreign buyers have offices in China, they also build a warehouse for assembly. The products from that warehouse can turn out made in that country despite the operation process is completed in China's domain...like the product Speaker, it may write 'Made in Korea' or Japan, but still is 'Made in China'...that all due to the bonded warehouse... it's not possible that they will ship the parts to Korea or Japan for assembly..." (17, Interview 8, 14/11/2012)

17 (the referred name of the interviewee) provided another important point to 'Made in China'- the bonded warehouse. Traders gain great benefits from bonded warehouse, not only in the discounted duty and tariff, but to have a favourable COO tag. When the final products are assembled in the bonded warehouse in China, the label will turn out to be 'Made in' the country that the warehouse belongs to. In the forums, some members complained their customer asked them to change 'Made in China' to other countries. Yet the findings indicated even if the customer has given such a request, it is illegal to change it due to the Import and Export Customs regulations. While people can still find a piece of Chinese product labelled 'Made in

USA' or 'Made in Japan' in the Chinese market, the bonded warehouse may provide an explanation for such phenomenon.

Therefore, the globalization has made products more favourable priced and more accessible for different customers, but at the same time, the phenomenon of COO has been distorted and become even harder to define than it used to be.

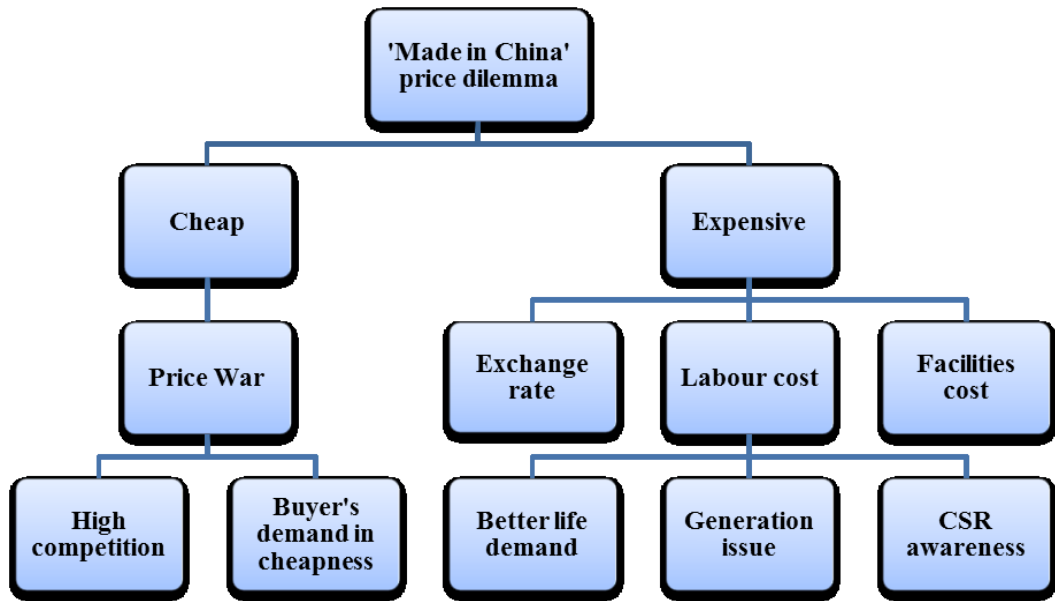
8.3.4 Summary

In summary, the initial results of negative and positive image of 'Made in China' were found in both netnography and interview data. Further findings outlined the performance of supplier's salesperson and exporter has significant influence in building buyer and supplier's relationship. This relationship has a major impact on the perceptual change of a country's brand. In most Chinese SMEs, the salesman's performance plays a significant role which can influence the buyer's purchasing decision. The findings state the image of 'Made in China' cannot be simply seen in a negative or a positive aspect. It has become more difficult to define 'Made in China' as it is not only a symbol of a product's COO, but it plays a significant role even behind the products made in other countries. The narrative provided by the producers revealed a strong association of product made in China and made in other countries, e.g., 'Made in Vietnam' or 'Made in Philippine'. One can always find the association to 'Made in China' behind those labels.

8.4 'Made in China' Price

In continuing the price issue discussed previously in Chapter 6, the interview findings indicated a dilemma situation in 'Made in China' price being both cheap and expensive. The overall situation is shown in the following Figure 8.1:

Figure 8.1: 'Made in China' Price Dilemma



Source: author

The coexistence of being cheap and expensive in terms of the price issue is a major concern globally. On the one hand, Chinese products are famous for their cost advantage where technology has improved the manufacturing productivities to further reduced prices. On the other hand, the increasing cost in labour and others aspects is causing 'Made in China' products to lose its competitive advantage. Figure 8.1 illustrated this dilemma and the details will be discussed in the following sections.

8.4.1 'Made in China' is Cheap

In Chapter 6, price war was outlined as the outcome from the vicious cycle of 'Made in China'. The price section of Chapter 6 includes the market demand, wealth gap and intense competition as the main causes for the reduction in price. In this section, there are similar findings where the price war as the main contribution is caused by fierce competition and market demand.

Starting about half a century ago, the Chinese economy was initially boosted by the introduction of FDI by the Chinese government in attracting International Corporation's investment. Through cooperation with international firms, Chinese state-owned firms gained tremendous benefits and knowledge in order to leverage its technologies and resources. At the same time, it stimulated small private enterprises to participate in trading business as the lower stream suppliers. In the past two decades, these small enterprises have further developed. The local pride and the government are keen to boost the regional economy by allowing different level of firms to operate in a region, including those illegally established. Those small enterprises apply low price strategy to enter market. This contributes to the intensive competition in market, and makes a significant impact in price and quality. The growing number of small firms both legally and illegally registered, are active in the market offering a wide range of prices. In order to seek the lowest cost, buyers will be incessant asking for quotations from different suppliers. One sample was given by an interviewee here:

Ms Hon: "You can't see a big difference in quality but the price in this nature stone industry. The competition is very intense and the customer compares prices all the time... also, thanks to the Internet Technology development, the price has been transparent than ever... last time, a person asked me a quotation for 200 Square Meter of stone which was a very small deal for us. It turned out he asked lots suppliers, and he came to me for more than three times, first time asked for 65 RMB per square, then, 63 RMB, if you don't accept, someone will take this deal for 55 RMB, it is terrible..." (Ms Hon, Interview 2, 10/11/2012)

With the help from B2B website, access to many factories become easier for buyers. They compare prices from different suppliers to minimize the cost, but this leaves very little room for profit for the supplier. This has been extensively illustrated in the netnography findings and such concerns have been reinforced through interviews.

Besides the high competition in Chinese domestic market, the market orientation as discussed in Chapter 6 is also seen in the interviews.

Mr Chen: "Not a lot of countries are rich. The demand for cheap can from everything, that's the part of reason that suppliers are in the fierce competition... people has to participate in the price war, because only the low price can win the market... Chinese product won the global market also due to its cheap price..." (Mr Chen, Interview 6, 13/11/2012)

The buyer's requiring lower cost product is a global phenomenon, especially after the current financial crisis. Through job losses, people's purchasing power has decreased which has increased the demand for cheaper products. In some developing countries, price is the prior consideration before quality or other social responsibility issues. When businesses follow the market demand, some firms have to adjust their production strategies to highlight the cheapness of 'Made in China'.

8.4.2 'Made in China' is Expensive

The increasing cost of 'Made in China' products has been troublesome for both producers and buyers. The Chinese price has been seen as increasingly expensive in the global market. Previous study (Rein, 2012) has highlighted this aspect and has indicated China is no longer a place for cheap products. The data shows the increase in price arises from three factors: exchange rate, labour cost, material and facilities cost.

The currency Exchange Rate

The currency exchange rate between Chinese RMB and the USD dollar has been increased dramatically during the last decades.

Dandan: "Another important reason of being difficult in the exporting business is the increasing cost in the exchange rate... a month ago I received a deal with price at 6.28 exchange rate of that time, now the rate has dropped to 6.19, which means I haven't yet received any payment but I've already lost my money. In such situation, if I give the lower rate, the product price will go up. If I give higher rate, the customer will not accept it and try to find other cheap alternatives. This is a dilemma... The competition is already fierce, with that little profit and your production period is 30 to 60 days, if the exchange rate drop 0.1 to 0.5, all of your profit is gone." (Dandan, Interview 10, 15/11/2012)

The fluctuation of exchange rate affects the exporting market dramatically. *Dandan* gave an example of her experience in dealing with exchange rate changes. This is an extremely hard situation for Chinese exporters to make proper quotations on the instable currency exchange rate. Firms either lose profit or lose the deal to the

floating currency exchange rate. For the last couple of years, the appreciation of Chinese RMB has gradually increased the price of 'Made in China', and the continuous appreciation in RMB will further bring an increase to the Chinese price.

Labour Cost

Labour cost rises are due to many different aspects, i.e. the increasing awareness of Corporation Social Responsibility (CSR), the generation issue, and a demand for better life. During the past decades, the improvement of Chinese economic development has had a major impact on people's life. Chinese people are enjoying higher life standards due to increasing incomes. They frequently travel overseas staying in luxury hotels while buying luxury products in shopping malls. They have become the major spenders for foreign companies (Cardenal and Araujo, 2013). For the ordinary workers in factories, their life standards have also improved compared to decades ago. In the 80s and 90s, labour forces came from rural areas to seek a better life in coastal cities. These labour forces lived in compact accommodation with 8-12 people in the same room, working over ten hours a day for less than 1,000 yuan a month wages. The research has reported on the Chinese factory's inhuman working condition (Ngai, 2005). 'Made in China' has been associated with the reputation of 'sweatshop'. A number of global scandals attacked 'Made in China' image and the global attention changed to the focus of CSR about the contracted factory's working condition. Global branding firms are forced by the publicity to place their orders only to the factories that meet their audit standards. For instance, Wal-Mart created a colour bar strategy to rate the factories that they place the orders (Harney, 2009). The global attention on labour's working condition forced Chinese firms to improve their working facilities and this has brought tremendous benefits to the worker, but at the same time, it has increased the production cost.

Furthermore, a new issue in generation concern and the demand for a better life also influence the price.

Mr Yan: "One of the biggest problems 'Made in China' has is that no one wants to work in the factory. The expansion of college education provides more workers for the office than the manufacturer's and people demands more than before... For those born

in 90s without college education, even they are willing to work in factory, they want a room with only one or two people, they want the Internet connection and hot shower... I still remember in the 80s and 90s, the jobs in factory were not easy to get, it was very hot to the migrants... Now, the power has switched from factory to the workers. I think this is partly due to the one child policy..." (Mr Yan, Interview 3, 11/11/2012)

This quote indicates a generational issue in modern China. The one-child policy was launched in the late 1970s together with the Chinese economy open policy. From that time on, approximately 35.9% of China's population was subject to a one-child restriction and so the population growth has averted 200 million births between 1979 and 2009 (Olesen, 2011). The last generation in their late teen joined the migration flow in 80s and 90s has grown to the age of 40s and 50s. They now have either been promoted or left the manufacture environment, while their offspring who were born under one-child policy composed the new migrant group.

This new generation has enjoyed better education than their parents. They live in the time in which social media is relative open and they can easily access information. As the only child in the whole family, they are usually indulged by their parents, grandparents, and less likely to appreciate the hardship traditions that their parents were always proud of. They also have less financial pressure and have already established a relatively comfortable life. This generation has more demands on their workplace and their demand not only increased factory costs, but also caused the labour shortage in China. The following quote reconfirmed the situation.

Mr Dai: "The labour cost in Ningbo has reached to four and five thousand yuan a month, and sometimes it can be five or six thousand. Most of coastal cities are in the similar situation. In fact, the office worker is easier to find. There are a lot of college graduates waiting for an office job, the production line workers are difficult to find. Most of them are unwilling to do the labour work. They would prefer to work in service industry even earning less, like working in the shopping mall. The factory job is tiring and harder. Because of the one-child policy, the young generation has lost the hard-working tradition." (Mr Dai, Interview 17, 1/3/2013)

The increasing cost in manufacturing and the labour shortage are accounted as the major problems in Chinese manufacturing industry. After Deng Xiaoping's Shenzhen Southern Tour, China has officially opened the door for private enterprise development under communist control leadership. This led to the migration in the 80s and 90s of millions of inland Chinese migrates to the coastal cities to join the

production lines. They moved from the agricultural existence dependent on the soil to better opportunities in the coastal cities to earn money, but things have subsequently changed. In order to attract more factory workers at lower wages, firms have to re-locate their manufacturers from coastal region to inland area. This is illustrated by the following quote:

Dandan: “The umbrella manufacture is a labour intensive industry. Our factory has moved from Shenzhen to Gaizhou in Jiangxi province for cheaper labour cost. For the surplus labour in rural area, they can work in in factory in the day time, and freely choose to work overtime. If they don't want to work overtime, he can go for farming. The workers come to factory with their farming tools like hoes at 8am morning. After 5pm, they take the hoes and spend some times on farming before go back home. In this case, they can take care of family while working in the factory. I went to that factory last time, and it was exactly like what I just described.” (Dandan, Interview 10, 15/11/2012)

It benefits workers in these regions as the factories provided job opportunities to them. *Dandan* has visited a factory in the inner China and has seen the different lifestyles for workers in the home region and those who have migrated to the big city like Shenzhen. For the home workers, having a job in a factory is an extra income to improve their lives. They can take care of their family and the farming at the same time. This is the essential part that has been over emphasized in the quotes. Their city counterparts, meanwhile, have to abandon the farm work for the city life. Now, with the development of city, they have become the unwanted group in major cities due to their poor level of competence. Without possessing a particular skill and education degree, they cannot fit city's demand when the city wants to transfer itself to a higher level.

Material and Facilities Cost

Besides the above mentioned costs, material and facilities costs also have increased dramatically during the past years. The facilities costs cover the costs in rental fees and other domestic needs.

Mr Kong: “The increased labour cost takes a limited percentage in the final product’s quotation, probably less than 10%. The main cost is the raw material and machinery cost. In my industry, the price for another raw material has changed a lot. From the

end of last year until now, it has been increased by 50%. Luckily our product can find alternative material...” (Mr Kong, Interview 20, 1/3/2013)

As *Mr Kong* confirmed that, though the labour costs have increased steeply, they did not account for the largest change in price of the final product. Factories may be able to replace or compensate labour needs by use of machinery. Yet the material and other facilities cost cannot be easily ameliorated and replaced.

The accumulation of factors, the exchange rate, labour costs, and other costs, have led to the increasing price of 'Made in China' products. As China becomes more developed, the less likely it is to sustain the cheapness as a nation's competitive advantage. In China's case, with its recently rapidly developing economy, the price of making 'Made in China' products will be increasingly costly.

8.4.3 Summary

Overall it creates a painful dilemma for the producers of 'Made in China' products in term of its price. The traditional image of 'Made in China' products as being cheap has attracted many global buyers to China. However, with the rapid development of the Chinese economy, the cost of making Chinese products has risen greatly because of the appreciation in currency exchange rate, the rise in labour, material and facilities cost. Hence, these rising costs are pricing China out of its previous competitiveness advantage. 'Made in China' is experiencing a transitional era, with the cusp between cheapness and expensive existing for sometimes.

8.5 'Made in China' Copying Issue

The findings generated from Netnographic study indicated the copying issue and *thin profit* have hindered the development of 'Made in China'. To validate the findings of copying issue, the first question posed to the interviewees was to describe the copying phenomenon in their industries. Unexpectedly, some of them denied it and did not refer to it as copying. This triggered the interviewer to dig deeper into the subject. It was found that the copying issue cannot be attributed to all the industries; it depends on the products. For some products with the same international standards, i.e. fasteners in Interview 4, medical gloves in Interview 5, and the stainless steel tube in Interview 18, it is clearly not strictly copying.

Mr Lu: "There is no copy saying in our industry, we are not like the clothing industry that has unique design, and others copy. Our products are all the same standard tube, has the national standard, European standards and American standards. We produce the product with their standards." (Mr Lu, Interview 18, 1/3/2013)

This type of standard product has no copying issues as everyone produces the same. The only difference might be the quality or package. Another type of firm which has no copying or fewer copying of cases is the products with a high level of complexity. This type of product is less imitable.

Ms Dong: "we have the top technology from very beginning and it is difficult to be copied. What the followers can do is upgrading with us. That is because our product has to be matched...This industry is not like the commodity or small items that can sell product independently. Our product is kind of complicated, it has motor, has its own bar and size, and they all have to be tested, the whole operation is different, that's why it's difficult to copy. What they can copy is that hardware stuff, like frame or something, but this won't affect the whole product. It's all about the product's setting requirement." (Ms Dong, Interview 14, 26/11/2012)

Ms Dong was describing her product in the heavy truck industry. She works for a state-owned company with 6000 to 7000 employees. Her industry requires the leading technology for support which means there is minimal likelihood of copying in China. The industries where there are more copying issues are in product types such as electronics, clothing, home appliance, and the commodity industries. The imitated products tend to have their own characteristics and market. It normally is

based on the design part and some basic functions as well. They have their own market segment with targeted consumers:

Ms Huang: “Some people want to buy the copycat...if they want a better product they will choose the original one. If you want a cheap one, then buy the copycat. Everyone is surviving like this way, not a big problem.” (Ms Huang, Interview 12, 16/11/2012)

In the market, it is always the consumer's choice to decide which one to purchase. Some of the copycat products have are of similar quality to the original, and, at times, it is the best option for the price-sensitive consumers.

8.5.1 Copying Practice

It is hard to separate business from imitation, it occurs across a wide range of industries to a different degree. Before iPhone appeared in the market, it was difficult to imagine the form of a smart phone. Apple created the concept and form from nothing. It has 'inspired' other companies to follow with very similar phones such as Samsung. In some degree, it can be said the Apple's idea has been copied and the iPhone's function has been imitated. The multinational companies follow each other; local firms copy the world class products. In China, the copying practice often most occurs in small firms:

Xiao Duo: “... most time the big firms don't copy, it's those small firms, it's very difficult to eliminate it completely even the regulation has been tightened.” (Xiao Duo, Interview 16, 26/02/2013)

Zhong Q: “What the small firm do is when the overseas market has a new product, they copy it fast. The level of copying is depending on each firm's capacities. Some firms can copy it with good quality, but if you talk about chips, this will affect the quality. From outside, it's very difficult to recognize. As you know, most of Chinese are very good at copying.” (Zhong Q, Interview 13, 20/11/2012)

As the quotes indicate, the small firms do not learn to innovate or to create new products with their own identity. Instead, they imitate products. They keep eye on the easy and imitable product with less technological requirement and copy it as soon as it shows potential market success. Similar findings have been described in Chapter 6.

Over the last decade, the effort from Chinese government in tightening piracy regulation has improved firm's awareness in copying. Firms now are more conscious of piracy practice and the government regulation has brought a great efficiency in regulating the illegal intellectual property violation. Firms are less likely to copy global famous brands as the high penalties possibly would bring their business down.

Mr Chengang: "A few months ago, a person asked me to produce some racks. I was thinking about to put his production in my company, but he immediately denied it. He said my rack must have the original firm's logo. In this case, if someone recognizes it, he will be fined to bankruptcy. At the end I had to make a separate mould for him. What I try to say is now, the IPR awareness has been improved, especial for those famous brand, they get serious fine by violating it." (Mr Chengang, Interview 19, 01/03/2013)

Such high penalty for piracy practice creates awareness of the issues related to top IPR and so might inhibit copying. Nevertheless, Chinese firms have developed a new strategy in copying practice as the quote states below:

Mr Kong: "We are not daring to copy the big name now, like Colgate, they have factory here, and if the Commercial Department knows we have copied them, we will get serious fine. Most cases, we copy other brands which are not internationally famous. We once copied a Brazilian brand, and it ended up that original Brazilian company come to us asking for OEM production ... we made the copycat too perfect and they could not compete with us..." (Mr Kong, Interview 20, 01/03/2013)

To avoid the high penalties of violating global firms' intellectual property, as Mr Kong illustrated, they have skipped the regulation by copying regional brand that have no international protection except in their locals. This interesting movement has made the business legally operated.

8.5.2 Copying Occurrence

Based on the interviews' result, copying phenomenon is driven by internal and external factors. Internally, the financial benefits make it almost essential for firms to copy each other in order to gain instant profits. As been previously discussed in Chapter 6, copying requires no R&D and it is the fastest, easiest and most frugal way to enter a market. External factors are the other sources that influence manufactures, including the request from overseas buyer, market, and the leaked information from

lower stream supply chain and company's website. These external factors are discussed in the following.

Firstly, the copying motivation is partly stimulated by their buyers:

Theo: “This year, we developed a new product with our customer. That customer constrained our sales of this product only to him. We can't sell this product to other market. The thing is when he sold this product; his competitor may ask other Chinese firms to copy this product, then you will see the copycat products in the market again.” (Theo, Interview 1, 10/11/2012)

This quote indicates the buyer's competitor can be one source of copying issue. This is especially common in low value-added product which requires less complexity and technology. With a sample of product, firms can produce the similar look product in short time. This also happens to the copying issue from market once the produce is launched:

Theo: “We designed a light in iPhone size and put LED inside (the LED needs a driver to light it up). Our product is the same size as iPhone, it is as thin as a chip. We put a driver inside and used 230 to light it up. This product has been very popular in overseas market. But once it available at market, it has been copied by others... the copied product has the exactly same shape as ours. The only change is the copycat used 19g LG to replace our 20g LG, and they also changed the length a little bit...” (Theo, Interview 1, 10/11/2012)

Besides the sources from buyer's rivals and market, the B2B websites are also a source that a company will copy from:

Ms Hon: “I put the product photos on the B2B website, if it's new product, the experienced people will know how to make it by simply looking at the picture, then they will copy it. Then the price will be dropping...” (Ms Hon, Interview 2, 10/11/2012)

In the case of low value products, it is very easy to imitate the product by simply looking at the product's image. This happened on the public websites, including the B2B website and the company's official website. Therefore, most firms only display the outdated products' images online; the updated products are only sent to potential customer on the request.

The last external factor is the third party from production line, i.e. the low-stream component factory, as the quotes displays below:

Dandan: “Copying definitely existed. Take an example, if I finished designing, factory with limited capacity has to distribute part of production to the lower stream factory. And that lower stream factory does not only produce for one factory, they also supply for other factories. If their customer sees your product in that factory, they will ask the factory to produce it too.” (Dandan, Interview 10, 15/11/2012)

This third party in the production line normally a factory producing items for a series of manufacturers, such as mould makers or component suppliers are likely to be a source of information of those wishing to imitate. When firms such as these are not regulated, they are more likely to pass on their design to other factories in order to increase their profits. These external factors have directly and indirectly caused the expansion in copying.

8.5.3 Strategies for Copying

It is not possible to avoid copying completely as it is deeply embedded in the Chinese market. The producers, though, also offered some strategies to cope with this issue, such as constantly innovating:

Ms He: “It is very difficult to stop other people copying from your products. Like my jewellery product, the innovation is very important and it is root to the business. You have to take the leadership by innovation. When people copy your product, you change to a new design. You have to keep going like this way, always be ahead of others and create the hard time for the followers.” (Ms He, Interview 15, 26/02/2013)

The copying issue is very popular in Jewellery and Accessory Industry, and *Ms He* emphasizes best way to cope with this is to become a market leader and keep constantly innovating. Another interview also confirmed her idea:

Mr Yan: “You have to be ahead of them. I believe in this. Copying is a time process, normally it takes time. If you always walk ahead of them, they will have hard time to follow... The new product price can be higher, we only earn this high price in the first three to four month, after our low-stream sales follow up, we then have to lower the price. Our international customer is also willing to do so as they also had earned enough profit from this short period...” (Mr Yan, Interview 3, 11/11/2012)

Generally, the producers agreed the best practice to cope with copying is to take over the leadership position in the industry. It requires, though, a high level of innovation and creativity to constantly introduce new products to the market. When the market

does not provide the environment to protect a newly innovated product, instead of spending time and energy to stop others copying, the best action for firms is to get a quick return before the product is copied. They believe it takes time for other factories to copy their products (normally 3-4 months, maximum 6 months). During this time, new products should be constantly explored and produced. Therefore, firms will always try to take control in the product and discard the followers by introducing more new products.

Besides becoming the market and constantly being innovative, another point *I7* has made was to become more professionals.

I7: “It's all about who makes the first move. You have to be the leader of one specific product in your industry. It is inevitable to stop the copying happening in market. The only thing can do is to speed up. Making product with long term idea, learn to know more about your product and to be the expert in the production.” (*I7*, Interview 8, 14/11/2012)

The findings from netnography were pessimistic about copying and many forum members felt it was not worth trying to develop new products since they will be soon copied. Interviewee *I7* disagrees with this idea, but believes in the continuous development in new product and being a leader with one's product can overcome the copying problem. One should not give up. After all, an eye-catching product with professional knowledge can sustain the business.

The other practical strategy to prevent copying is the high level of protection during the trading fair. This is more likely to be practiced by the innovative industries as their business pitch is based on creation.

Dandan: “We all fight for the first impression in trading fair. If a buyer sees your product first, then you are the original one and others will be the copycat. There are only a few big customers in this industry and to win them, we have to protect our product very secretly. We only display products at the last moment before the fair starts. All the samples are locked out of sign before that. It only shipped to the fair venue at the last day. We have to be very protective. But there is still a case to be copied... some customers will show our product's design to other factories, and we have no control in such situation... we tried the best to protect our product, during the fair, we open the venue door only for foreigner customer, this is completely different as other industries I've been involved before, including the clothing, they all widely opened the door for everyone.” (Dandan, Interview 10, 15/11/2012)

The industry *Dandan* has involved is handcrafts. This industry has the high level competition in creativity which leads to the extremely protection during the trading fair event as stated in the quotes. However, even with such high degree of protection, the copying case still cannot be prevented.

8.5.4 Summary

In the copying section, the interview data expanded the findings from Netnography and provided the detail information on the motivation of copying and the practical strategies to cope it. It was found that copying often occurred in industries such as electronics, clothing, home appliance and commodity. The big firms often compete in the innovation and technologies whilst the small firms in China have found copying is the best way to get instant access to the market. There are various factors that drive imitation, some said they were asked by the international buyers to produce copies, or it can occur through the market when a successful product becomes available. Furthermore, the public views from the online website can also cause imitation. Some interviewees indicated a good level of protection during the trading fair may help firms to prevent the product design being copied, such as only displaying the products at the last moment, and close the venue only for foreign customer. Even so, copying still inevitably occurs as their customer may provide the information to other producers. The interviewees suggested the best way to cope the copying problem is to take the industry leadership by constantly innovating new products. This will keep firm being ahead of the copying and take control of the business based on the firm's expertise in the particular product.

8.6 'Made in China' Quality Issue

The quality issue has been discussed in more detail in the previous chapter. The interviews' results have shown that quality does not occur in isolation in China, but, is associated with different dimensions, such as price, market, R&D and factory's size.

8.6.1 Quality and Price

The interviews reconfirmed the association of quality and price as the '*one penny one product quality*' relation as stated in Chapter 6.

Mr Chen: "The quality is depended on price, it also can produced in a better or bad way. If you offer a low price, it definitely comes out with a cheap quality." (Mr Chen, Interview 6, 13/11/2012)

Xiao Duo: "...some of the factories produce better quality and the price will be higher. Some with cheaper price, of course the quality will be lower. But if you want to have an ordinary one, then you will find a fine quality in the fine price." (Xiao Duo, Interview 16, 26/02/2013)

The level of quality is highly related to the price itself. As mentioned in the quote, a better quality comes with a higher price. It also determines the targeted market. Some firms only target premium product by offering trustable quality, and others may look at the low quality product for relevant market. It is the choice that buyers have to make, and it is all depended on how much they can offer in terms of the price to ensure a certain standard of quality.

8.6.2 Quality and Market

The quality and price relation depends on the overseas market being considered. The different overseas market requires different level of quality due to cost consideration:

Ms Hon: "The Middle East market wants cheap one, they don't ask too much in quality, we don't like this market too much." (Ms Hon, Interview 2, 10/11/2012)

Mr Yan: "hmmm... it depends on where the customer comes from. For example, if this customer is from African, they won't ask too much in quality, and we might cheat a

little bit in quality. We won't do that in most cases.” (Mr Yan, Interview 3, 11/11/2012)

The international buyers with different economic levels come to China for the same purpose in buying cheap Chinese products. With similar interests, these buyers have different demands for quality. The buyers from developed countries, such as North America and European countries, require higher standards in quality, yet are flexible with the price. Dealing with these markets, manufacturers can possibly obtain higher profits as compares to the price-sensitive markets. As mentioned in the quotes, countries from Middle East and Africa prioritize the price and some of them have specifically asked for the lower quality products.

8.6.3 Quality and R&D

The relationship of quality and R&D is technological, or what is known in terms of manufacturing, the machinery and production equipment.

Mr Kong: “The product quality can be indicated through the machinery equipment. Take a very simple case: the customer asks us for one million toothbrushes with 100 pieces of defective rate. We definitely can't make it. But the American can, their technology in quality control is very good. Our equipment is leg behind them...the Japanese has achieved full automation in production line since 80s. But in China, we are still relying on labour... Colgate they can ensure their products at in the same quality level in production, but we can't guarantee that. We have 10% of defective percentage. The main problem is the machine, the more interval of human labour, the more randomness in quality and more problems will appear.” (Mr Kong, Interview 20, 01/03/2013)

In manufacturing, the level of technology determines quality. More advanced countries, such as America and Japan, as mentioned in the quote, have developed manufacturing automation with less human interaction in production whereas China still heavily relies on labour production. This directly impacts the quality control and most of Chinese SMEs would like to achieve fully manufacturing automation in the future.

8.6.4 Quality with Firm Size

Another quality issue is strongly related to the firm's size. It is generally perceived the smaller firms are, the more likely they are to have quality issues while larger firms are more reliable.

Zhong Q: "The big number of small firms and family businesses cause the product quality issue... Most big companies use the imported chip to make a quality product, and their cost will be higher. The smaller firms use the domestic chip, and other components are also domestic made, the price will be lower, and the quality is just so so. For those small firms, their jobs just collect the components and assembly it." (Zhong Q, Interview 13, 20/11/2012)

For a particular product, larger firms have more resources to support product quality by using the imported component. Whilst the smaller firms often compete in the market on price and by replacing components with the domestic made component they may gain a price advantage. Many of the larger firms have an established history and are often have considerable resource supports, i.e. from the government with the leading technology and innovative equipment. The larger firms are more likely to have reliable quality products whereas the small firms struggle in the market by practicing the copycat issue.

8.6.5 Summary

Overall, Chapter 6 has discussed 'Made in China' quality issue of its relation with price. The interview findings have expanded this knowledge with its relations to the market segment, technology level and factory size. These factors all have significant control on product quality. In the global market segment, producers have their own preference for customer as the customers from developed countries generally have a higher requirement in quality. Also the deal offered by buyers from advanced countries usually provides better profits. Firm's size also affects the quality. Generally, the larger firms have the higher quality standards than those small firms; they can also afford to upgrade the manufacturing equipment to have higher technology for quality control.

8.7 Branding Issue

China, as one of the leading emerging markets, produces global products and makes many of the best-loved products from Apple iPhones to Disney products. Even though Western consumers are surrounded by Chinese products, they have little knowledge about Chinese brands (Kumar and Steenkamp, 2013). According to Western consumers, China, apparently, lacks global brands. In this section, the perception of branding will be explored through the interviews with Chinese producers. The majority of interviewees think branding is a long-term process and they described it as ‘unnecessary’ or ‘meaningless’ to consider branding at this stage. Part of reason may be due to the type of product as the quotes describes below:

Mr Wang: “Own brand?... like the agency or franchise your brand?... hmmm... our product is screw cap ... it’s very unlikely to go with branding, we are not doing that. It’s a waste of time to do so, it will be disappeared in the final product, it’s meaningless to do the branding, maybe on the package yes.” (Mr Wang, Interview 4, 13/11/2012).

Mr Dai: “Our product does not need branding, just think about the promotion product, how could you do the branding... how can I explain to you... you know... we don’t necessarily need to create brand, the main focus is on the production.” (Mr Dai, Interview 17, 01/03/2013)

Similar to the copying issue, the needs for branding also varies depending on the product category. For these products such as screw cap, promotion product (flag etc) and other component products, they have similar standards, but the producers do not perceive the necessities of branding.

Furthermore, the scale and size of a factory, the history of establishment also influences their decision for branding. Some of the small firms complained that the size of their factories cannot support branding:

Theo: “The reason of not going for branding should be the scale of factory. Unlike the big firm, our factory only has 40-50 workers during the peak season, now we only have 20 workers here...Branding is not as simply as it sounds, it needs other things to follow up. We are not ready. Take an example: if the big customer from overseas comes to our factory for audit, we cannot pass it based on our facilities. Our factory still based on the production.” (Theo, Interview 1, 10/11/2012)

Mr Kong: “a company like us cannot go for branding, we’ve only established for a short time. We cannot offer some percentages of the company revenue to do the brand promotion, it’s not realistic.” (Mr Kong, Interview 20, 1/3/2013)

Both quotes indicate the scale of firm as an important base for brand development. A factory with limited number of employees and short history of establishment, tend to focus more on the early capital accumulation. Branding is a development that is based on sufficient capital, valuable product and talent to support.

Based on the information provided in interviews, it can be seen that the producers believe that branding has a range of needs, including: talent, financial resource, facilities, and time. A firm’s employee does not necessary have the talent that can support a brand’s development. For the small firms, their primary interest is survival. They may fight for the lesser profit in a competitive market because they do not have the sufficient funding to spend on branding. A good brand cannot be developed over night, and firms understand based on their current situation, they cannot create a sustainable brand.

Mr Lu: “For some small firms who wanted to make their own brand, their customer does not care about the brand. They only want the cheap price.” (Mr Lu, Interview 18, 01/03/2013)

Ana: “In our industry, the brand awareness in SMEs is very weak. The brand registration system is too complicated, and also it’s not recognizable in overseas market as a Chinese brand.” (Ana, Interview 9, 14/11/2012)

Most international buyers are interested in the Chinese price, but not the Chinese brand. The favourable price of a Chinese product has driven Chinese firms into the exporting market by subcontracting for global brand, and somehow this has caused a lack of demotivation to develop their own brands. For a firm who used to produce the OEM model, branding is a risky decision full of uncertainty. Companies invest large amounts of time, money and energy to cultivate a brand, but the return is not always guaranteed. As such, this can be seen in the copying section which was discussed in previous chapter.

8.7.1 Brand Developer

For most SMEs, brand is a luxury accessory. They would love to have a well-established brand to show the prosperity of their business. Having a proper brand is always a desire for the Chinese SMEs. Based on the interviews, there are three types of firms that have performed well in developing a brand, and those firms act as role model in branding perspective.

1) *The leading Companies*

Most of the leading companies are state-owned enterprises that have performed well in the industry. They enjoy abundant resources from the government and they always take the leadership from different aspects, including technology, marketing and branding. Other type of businesses include the private firms, who use a catch-up strategy to follow them.

Mr Lu: “My last company (a State-owned firm) does very good job in branding. They promoted brand from early time in the overseas market. Every year they go to foreign market and display their brand logo on the body of product tube. It’s a well-known brand in this industry.” (Mr Lu, Interview 18, 01/03/2013)

Zhong Q: “There is one company called ** (*omitted information*) in Shenzhen produces LED monitor and other lighting products. Another one called ** (*omitted information*) in Zhongshan, both of them are big size firms have developed own brands and quality value. Their prices are higher than other unknown brands. And the aftersales services are very good. They will cooperate with the local wholesales, if the product quality has flaws, they can solve it without sending back to China...” (Zhong Q, Interview 13, 20/11/2012)

These leading firms have to always be one step ahead of other SMEs. Most of them are either state-own companies with unlimited resource support from the government or the private firms that have developed for a number of years. They have cultivated brand awareness from the early stage and their products are supported by excellent quality and services.

2) The trading companies who have the branding awareness

Another type of firms that have great brand awareness is the trading company, also known as the trading intermediary.

Theo: “I knew a boss of an exporting company. His company has been involved in exporting business for 8 to 9 years. Before, most of his deals were OEM that produced in manufacturers. But two years ago, he started building own brand. All the exporting products have his logo, including the deals to the big supermarket in American and Italy. He frequently flights to American and Italy and negotiates to sell the products under his brand.” (Theo, Interview 1, 10/11/2012)

The trading companies are the group of people who directly face the international market. They are more sensible to the change nature of a global business environment. They perceive the need of branding as the essential part for the business development. When some of them are no longer content as being just an intermediary, they transfer the product from the domestic factory to the international market. Thus, they take a more proactive approach by putting their own brands on the product to gain a high profile in the market. Although, the drawback of this business is that they have a high level of branding awareness, yet they do not have sufficient help to support their ideas.

Theo: “The drawback of such business model is he is a single person team, he does not have a factory. As an individual he is very good. He makes 50-60 million yuan sales per year. But look at the business as whole, he has limited resources to support. His trading company only has less than 10 employees. And he does not plan to hire more traders, because he is afraid those traders will take away his customers.” (Theo, Interview 1, 10/11/2012)

The private trading companies in China tend to be small in size with very limited number of exporters in the firm. They receive their order from international buyers and place it with local manufactures. They are usually led by one person (the owner of the business) with limited resources for support. This is a new phenomenon in Chinese exporting business. Individual trading companies with few employees have contributed significantly to Chinese exporting business. Such firms can be found in many exporting oriented cities such as Ningbo, Guangzhou. These small size trading firms are active in the exporting business having built business connection between

International buyers and local manufacturers. Compared to the local factories, they require less investment in manufacturing facilities. They are better educated employees with strong English communication skills, and they understand the overseas buyer's needs much better than the manufacturers. Therefore, it is reasonable for them to build brand awareness ahead of manufacturers. However, they cannot work without support from the factories. They act more like an exporting department of a number of factories. These small factories rely heavily on them to sell products and the trading companies also rely on the factories to produce the deals requested by international buyers.

3) Factory for Domestic Market sales

Most factories think the process of branding should start from the domestic market. These firms are not constrained to OEM production; they have started practicing their branding strategies in the domestic market. Internal market is regarded as easier to learn compared to the new environment in overseas market.

Ms He: “If I want to create a brand, I won’t start from overseas market, but try the domestic market. If it goes well, then go out...” (Ms He, Interview 15, 26/02/2013)

This is a general perception which referred to as a logical and sensible path to follow. By focusing on domestic market, firms test the water and gradually develop the branding skill. After gathering the abundant practical experience from domestic market, firms will be stronger and readily go out and participate in overseas market.

8.7.2 Factory Brand Promotion

Firstly, it is important to state the different level of factories in interviews. There are two types of firms involved in this research: the large (State-owned) firms and the SMEs. The SMEs also consists of two types. One is small size firm that have limited number of employees. These kind of firms do not have export licences, but they are still participating in exporting business. This group of enterprises can be found in many export-oriented coastal cities. Trading companies (the intermediaries) are

happy to work with them as they are easy to control, and normally have a big price advantage. Their direct customers are the trading companies, at the same time, they may participate in the domestic market. Another type of SMEs has been developing for some time. These SMEs have the stable business connection with overseas buyers and most of them own the export licence. Their business is also open to intermediaries. The differences between those two types of SMEs can influence on their brand promotion strategies.

For the first type of SMEs' firms, their customer is the domestic trading companies and their brand promotion will focus on the domestic market.

Lemon: "I use QQ group to promote brand, I also look for the information of online projects for bidding,. My boss has good connection with the big companies and he will try to build Guangxi to look for those high profit project, you know the kind of projects that can live on for some years." (Lemon, Interview 11, 16/11/2012)

Kira: "If the customer does not have specific requirement, we will promote our brand on the package. We also offer cheaper price if the customer is willing to buy product with factory's logo. Otherwise, we promote our brand on company website." (Kira, Interview 5, 13/11/2012)

The small firms' brand promotion is centred on the Internet: either the B2B websites such as Alibaba.cn, madeinchina.cn etc, or the exporting-oriented QQ chat group. The strategy of discount price for factory brand product and promotion on product package, are also practiced. These strategies require little cost which suit to the small firms' restricted financial budget.

Other factories with direct exporting experience have expanded the potential customers to both domestic and international markets.

Mr Chen: "Every year we go to Hong Kong Fair, then the Canton Trading Fair, twice a year. We also go to the American Las Vegas Fair every year. This year, we went to Taipei. We planned to go to Brazil but did not make it. We also visited the Germany Fair, Dubai Fair, South African Fair. Some of them we are still going. Others depend on the opportunity, like the Taipei Fair, Dubai Fair and Germany Fair. We visit these fairs with company name, but when the deal comes, it's all about OEM..." (Mr Chen, Interview 6, 13/11/2012)

Compared to the small firms mentioned above, these types of firms shift their focus from domestic to international. They spend more on budgets in order to participate in

different trading fairs. Some short distant fairs they will visit frequently, for instance, the China Import & Export Fair, known as the Canton Fair, held in Guangzhou city two sessions a year. Some International trading fairs in Hong Kong also will attract them to participate on yearly basis. They may attend other fairs in U.S.A., German or Dubai if they can afford to go. Through the international fairs, they promote their company's brand and deliver their product and factory image to the customer, and further to enhance the working relationship with them.

8.7.3 The Future Plan for Branding

The producers' interest of the future plan for branding varies. Generally, it can be summarized into three types of attitudes: the ambitious, the conservative and the randomist. For the ambitious, their goal is have a famous brand. They understand the difficulties in building a great brand, but the goal of the future has been set.

Mr Yan: "It's the matter of time, including the domestic market. I always tell them that we have invested so much in this product, it just like our baby and we cannot let it die in cradle. We've already started, then try our best to do the branding, be the famous brand, we are approaching it..." (Mr Yan, Interview 3, 11/11/2012)

From this point, the company indicated their ambitious for branding to become a world famous brand. Like other ambitious, they keep an eye on achieving a high level brand, and try their best to approach this goal.

For the conservative, their business priority is still fixed on OEM production model. They are unwilling to take risks in branding as they feel uncertain and too risky. Some of them were constrained by the size of firm and they think they are too small to enter the global market. Whereas, other have a stable relationship with overseas buyers, and they are more satisfied with the current situation and they think it's unnecessary to promote the further work.

Kira: "To be honest, at this moment we won't spend too much time to promote in overseas market. Because in this industry, almost everyone does OEM production. Working your own way in branding is very hard. We are a small company, we won't try to promote brand at this moment. Because it's too big effort and our main focus is in increasing the exporting orders to sustain business runs. Then we will consider branding..." (Kira, Interview 5, 13/11/2012)

Ms He: “We won’t consider it in years’ time. We have own brand, just haven’t promoted it, not yet at this moment. We’ve been in this industry for some years, a lot of old customers recognize us. I think at this moment if we want, promoting this brand is also possible...but, I don’t want to push myself too hard. I am quite content with the current situation...” (Ms He, Interview 15, 26/02/2013)

The conservative is unlikely to take risks in their business and they wait to see how the situation develops. Branding is something new to them compared with their traditional OEM model. They have the stable business connection in the current market and they are not keen to boost their businesses by taking further risks. This typifies the majority of Chinese manufacturers stand on branding.

The last type is randomist. This type of firms does not have a particular goal, and their future decisions depend on the global environment. They do not have clear objectives, more like ‘go and see’ (a Chinese term). This type of firm does not rush things, they grasp the opportunity when it comes, but at the same time, they do not go and create opportunities if it requires further effort.

Mr Yan: “I have thought about developing own brand. But, it depends on the global environment and how the situation develops... it’s all depends...” (Mr Yan, Interview 3, 11/11/2012)

Dandan: “Branding, at this moment we did very little. We just registered this logo, only started planning on that, if talk about what will be for the future, not sure, let’s go and see.” (Dandan, Interview 10, 15/11/2012)

Randomist is more likely to depend on the situation and environment changes. They are very unlikely to have a clear plan or stick to the plan, but rather stay and check with the environment and situation. If the situation turns out to be helpful to their firm’s development, they then will grasp the opportunity.

8.7.4 Summary

Through the interviews, the branding section has complemented the result from the netnography. The findings indicated the branding strategies have to be associated with product and factory itself. For some product such as the fastener and screw cap that could be embedded in a final product, it was perceived unnecessary for branding. Most of the producers think branding should be achieved when a factory reaches a

certain size, but not for those SMEs still struggling to improve their productivity to increase sales. The companies that have already started branding in China are the leading firms where most of them are state-owned, private ones with a long established history, and the trading companies who have strong brand awareness, but this latter type of firm lacks resources to support branding.

The factories in the domestic market may try to practice branding strategies starting within domestic market and the range of SMEs promotes brands differently. For the small sized one, they generally use online websites to promote and they directly face the domestic customer including the trading companies. For developed SMEs, their main branding strategy is via different trade fairs. This can improve their brand promotion and product sales significantly.

Finally, this section highlights the attitudes to branding can be divided into three types: the ambitious who think they should develop a world class branding, and should go for branding as soon as possible; the conservative with their priority on production, they are unwilling to take risk; and the randomist relies on the situation, they will consider developing a brand only when they think everything is ready. Overall, this section provides insight about the branding awareness of Chinese producers, especially from those SMEs.

8.8 Designing

8.8.1 Designing Forms

Most of the interviewed firms recognise the importance of design and they have put effort in improving product design. There are two approaches to design from the interviewed SMEs. Those who do not possess a design department, their design work will rely on an individual, such as the boss.

Ana: “We don’t have the design department, our boss responsible for design job, he’s from engineering background. We have two bosses, they take care of the design deal with customer directly...” (Ana, Interview 9, 14/11/2012)

Dandan: “My boss’s background is in designing, he has done for nearly 20 years in professional designing...” (Danda, Interview10, 15/11/2012)

Both of these interviewed firms specifically referred to their bosses’ professional background for industrial design. For these enterprises which have limited resources, it is often their manager’s knowledge of the industry that significantly impacts the business. In most cases, the design work is completed by the collaboration between the boss and customers. For other firms that have their own design section, they work differently:

Ms Huang: “Yes, we have own design department, we make the poster, flyer, but if it’s the product package design, like the outer design, we ask the design company from outside to do it for us.” (Ms Huang, Interview 12, 16/11/2012)

Mr Kong: “From last year we started concerning in this part, and we hired a design studio from outside. They will make the specific design for us. We have a confidential contract; the design will be only for us with our style. This is from outside, not as one part of department in company..., they can work with other firms too.” (Mr Kong, Interview 20, 1/3/2013)

These two firms indicated the design company acts as an aid to product design. When a factory has limited design resource to update their product, the help from a company who specialises on industrial design can be a tremendous help to the business. The terms of professional designing companies and design talent have been discussed in the design section, Chapter 7. The motivation behind this enhances designing awareness was partly due to the high competition as quote indicates below:

Mr Kong: “It started from the Canton Fair, we went to that fair and realized that a lot of factories have their own designing team, but our design is very mixed without unique characters. Before, we use the same design for many months without changing. Now we have started introducing different style for products...” (Mr Kong, Interview 20, 1/3/2013)

The competitive pressures from others have forced firms to enhance the design awareness. In order to gain market share, designing capacity is centre competitiveness for industrial business. In recent years, the Chinese government has been running a number of promotional event events in order to encourage industry to pay more attention to design and it has started to pay off (Li, 2012). More firms are developing their product design to enhance their market competitiveness.

8.8.2 Designing Development

There are various forms to support design development. Overall, the main source to develop a firm’s design capability is by closely working with buyers and market. In general, the Chinese firm’s design capacity has improved over time:

Ana: “Initially, we made very simple design. But different customers from different countries offer us different design suggestions. Our design has been better now; customers are generally quite satisfied with us...” (Ana, Interview 9, 14/11/2012)

By directly working with international buyers in the product design, the firm can have a better idea of customer’s needs. The design capability has improved significantly compared to before. This is a successful learning process for many companies from emerging markets by linking up with global giants to leverage the design resources and develop their skills.

Another way to establish the customer’s requirement is a closer working relationship with the salesperson or exporter and the designer.

Dandan: “Every year, the designers will go to fairs with salesperson, such as the Germany Fair, American Fair. They could walk around the other venues to check with our competitors’ style and try to learn from them. When the customer comes, the sales person also will ask what kind of particular style the customer likes. Then we will make notes and discuss it with designers and other department.” (Dandan, Interview 10, 15/11/2012)

An exporter is always on the front line dealing with buyers. When the designer has limited access to buyers, the information from the exporter can aid product development. This further develops a strong working relationship with different departments within a firm.

Overall, the main point to establish is the design from a company has to fit the market needs. As Dandan stated in interview:

Dandan: “the traditional Chinese way is sit at office and wait for the product’s design image from buyers. It’s better we proactively go out to study and learn what the market wants, to understand their taste, their style. We learn and study on it, then sell it back to them.” (Dandan, Interview 10, 15/11/2012).

Employing such market strategies is a more effective way to take the business forward. Previously, production was on demand from the international buyers, including the design. Understanding the customers will improve their market sense and hence to develop their market significantly.

8.8.3 Summary

For some particular Chinese firms that do not have a design department, their design work depends on individual’s capability, often the owner or manager. Most firms have to seek help from the industrial design company, and cooperating with them to achieve a professional design. Over the years, firms’ awareness in design has improved significantly. Many colleges in China provide courses in design, but the firms also have offered more opportunities for designer to learn. Some of the firms provide opportunity for designer to communicate with customer directly, by doing so, it develops a designer’s market sensibility and it helps to develop consumer friendly products. The design work in manufacturing is often done through the cooperation with international buyers. The interaction helps firms to develop their design capabilities. The interviews also suggested Chinese firms should break the old tradition by going out to the market and learning the customers’ needs directly. Such strategies have been adopted by some firms and they have seen a significant success in production designs.

8.9 Creativity

The interviews show similar results to the earlier section on creativity. There is lack of creativity and desire for innovation amongst the manufacturers. For most Chinese factories, they remain attached to the traditional assembly work rather than applying a creative idea to the product.

Dandan: “From what I knew, the creativity awareness in this industry is very rare, including those fashion industries in clothing, shoes, bags and umbrella industries. They only focus on production, deal by deal. There is no such creative idea. It probably because the manufacture is an environment to make money from labour force, but not for creation...” (Dandan, Interview 10, 15/11/2012)

Ms Huang: “I think Chinese lacks creative capability, most copy others. But it is gradually changing in Shenzhen, a lot of high-tech firms have their own research and development technology... but from my surrounding, not a lot happening. It's more in traditional industries, same as our factory's model.” (Ms Huang, Interview 12, 16/11/2012)

Even though, there is an increasing awareness of creativity, and some specific industries have made changes in their creativity, the majority of manufacturers still remain same traditional production model with little application of creativity. It might partly be due to the nature of the product, yet while some of the products do not require creativity:

Kira: “Our product is rubber gloves, only can be improved from product quality and after sales services. It is unnecessary to develop a new product, that is because whatever you change it, it's still a glove.” (Kira, Interview 5, 13/11/2012)

Due to the nature of the product, creativity or innovation does not take shape. In these cases, though, there may be opportunities to offer improvement in quality, after sales service, or product diversification. When talking about creativity and innovation, it is always associated with imitation in the context of China. The relationship between innovation and imitation is constantly brought out in the interviews where it is agreed upon that Chinese businesses are still based on the imitation. In their eyes innovation means creating from nothing which is perceived as a distant goal for many firms to reach. The imitation or copying problem has been discussed previously in this chapter and Chapter 6, respectively.

Creativity awareness is generally perceived as a weakness in Chinese manufacturing industry. Interviews tell us there is little attention paid to creativity from Chinese producers and they complain the type of products (i.e. toothbrush, gloves) constrains their creativity. The only part they can change is in the product package or services. Their attention is focused on product itself rather than the whole manufacturing process. Through the interview, parallels are drawn in the relationship between innovation and imitation. Raising innovation to a level of revolutionary changes seems unlikely for Chinese firms to achieve in the near future. However, the most suitable way of innovation is through imitation, gradually cultivating the Chinese firm's production capability and enhancing its capability to create based on their knowledge.

8.10 R&D

8.10.1 R&D in Chinese Manufacturer

Most Chinese manufacturers do not require high level technological capabilities for production because labour is the main resource for production:

Lemon: "Our product does not need high technology equipment, it can be done by a general machine. The raw material is just the woods. This product only needs machine, labour and raw material. So, as long as you have enough money to buy the machine, you can produce it." (Lemon, Interview 11, 16/11/2012)

As indicated, the whole process is relatively easy and only requires three elements: machine, labour and raw material. For the manufacturing industry, the concept of R&D is mainly considered the machinery and equipment.

Another interesting finding from Interview is the comparison between domestic and imported technology:

Mr Chen: "The main control in our product is imported from America, Korea and Japan, the CPU also imported. LCD monitor is from Taiwan and Korea. Now the domestic made monitors are also available. The products with imported technology take over the high-end market while the domestic made technology make the low-end one. The domestic made DDR is also quite practically good. My company's job is collecting all the components from other countries for assembly...we also practice

R&D but mainly on product hardware part, not the core technology part...” (Mr Chen, Interview 6, 13/11/2012)

In the electronic industry, a firm will only be able to make or copy low technological components, such as hardware board and other plastic item. The core component of CPU and the high definition monitor will have to be acquired through importing. Some domestic firms have developed knowledge to catch up, but due to the limited technological level, the domestic made component can only compete at the low-end market. This is one sided technology gap in China and it is believed to occur in the majority of firms in China.

Another aspect is using technology to replace workers:

Mr Yan: “Another thing is the labour, you see one labour cost nearly 3000 yuan per month, not including the accommodation and food. This is quite a lot of cost. I would prefer to reduce the number of labour by machine. It is a onetime investment but save money in the long time ... I also can use the machine to optimize production...” (Mr Yan, Interview 3, 11/11/2012)

Mr Kong: “From last year, this region has started doing half automation. Before, each moulding injection machine needed at least one labour. If we have 20 machines, it consumes 20 workers. From last year, we promoted half automation concept and now it only needs 4-5 workers. It is expensive at the first investment, but it’s still saving money in the long term...” (Mr Kong, Interview 20, 01/03/2013)

During the last decade, the cost of Chinese labour has increased from less than 1000 yuan per month in early 2000s to 3000-5000 yuan in coastal cities recently. It not only results in high cost in production, but creates labour shortage for some particular jobs. Firms developed new strategy by automating the production in order to reduce the amount of labour involved, possibly with better quality product at a lesser cost in the long term.

While the Chinese SMEs keep a focus on the local large firms as the leader of R&D, those local, large firms (most of which are state-owned) have to cooperate with overseas market in order to learn the top technology.

Floating: “We upgrade technology with our foreign partners. Before that, we were relying on them in technology part. At beginning, it started working with their technology and our capital. Through that cooperation, we understand the working process... We have gradually learnt their technology and try to innovate based on it...”

now we don't need to continue the contract with them...we can work solely..."
(Floating, Interview 14, 26/11/2012)

This quote was given by an interview from a state-owned firm. The interviewee gave me exclusive information on how their company develops the learning process in R&D. It started by contracting with a foreign company to learn from its technological resources. The learning process is gradually undertaken during this process. With the global competition, even the state-owned firm with unlimited resources and support from government, have to keep learning the latest technology and grasp every opportunity they could possibly gain to catch up the world leaders.

8.10.2 Summary

Most firms do not have a R&D department to aid production, they focus more on technology. For the SMEs, they view technology investment as a way to replace labour and increase productivity. While the large firms gain the R&D knowledge through the cooperative work with international giants. Interviewees suggest there is a gap between local and imported technology in the manufacturers. While imported technological component are seen as of a better quality and dominate the high-end market, and domestic made ones generally seen as occupying the low-end market. The domestic products are still going through a learning process of catching up rather than forging ahead of the competition.

8.11 Conclusion

This chapter presents the findings from interviews and covers the eight topics that arose in Chapter 6 and 7. These are those associated with ‘Made in China’: image, price, copying and quality issues in Chapter 6, branding, designing, creativity and R&D were issues raised in Chapter 7. Most of the current situation from image, price, copying and quality confirm the findings from Netnography. Further findings indicates the relationship between buyer and suppliers, the specific phenomenon in ‘Made in China’ bonded warehouse and the generational issues complemented the previous findings. The interview provided detailed information on the role of the size of firms in participating in copying and branding that are consequences of the processes and the strategies undertaken. The design, creativity and R&D together with branding are still perceived as weaknesses, thus Chinese firms, especially SMEs, need to overcome these where resources are limited for future success.

Chapter 9 Discussion

9.1 Introduction

The purpose of this chapter is to discuss the findings from Chapter 5 to 8 in the light of the theoretical models described in Chapter 3. The aim is to achieve the research objectives that have been previously set out which stated: to identify the current situation of 'Made in China'; to explore the future development of 'Made in China'; and to understand the development of a country brand and how it changes over time. Further to answer the three research questions that have been outlined earlier:

Q1: What is the current situation of 'Made in China' in the global market?

Q2: What does the Chinese producer think about the future development of 'Made in China'?

Q3: How can the evolution from 'Made in China' to 'Created in China' be obtained?

As a preliminary to the development of the chapter, it is necessary to discuss why the focus has been on the producers' viewpoint rather than those of either consumers or international buyers (importer, wholesalers and retailers). After, there will be a brief recap of the main findings of the empirical Chapters (Chapter 5 to 8). Then the different conceptual models will be considered in the empirical findings and terms of their applicability to the context. Finally a model will be developed that encapsulates both the theory and empirical findings of this thesis.

9.2 The Choice of Subjects for the Research

The literature review of COO in Chapter 3 emphasises the consumer's perspective, particularly in understanding how COO cue affect consumer's product evaluation (Peterson and Jolibert, 1995; Usunier, 2006; Wang et al, 2012). Yet many consumers do buy China produced items, but they are often seen as international brand. In Chapter 5 while the importers indicated their preferences, they were also realistic

about Chinese products. They were willing to buy from China and indicated that quality depended on the specification. Hence it is clear that COO whilst an indicator of preference does not always directly impact on buyers' behaviour, and there is a gap of the exporters' view to be explored. So far there is no specific study that focused on the producers' stance on how the COO concept perceived.

Unlike these mainstream studies, this research will take a different approach by listening to the voices from producers. Hence most of the discussions will be based on the producer's stance. This is the foundation of the research and so deserves some justifications.

Since most COO studies focus on the consumers' viewpoint, one first has to establish why this is not appropriate for this study. One of the great innovators, Steve Jobs once said: *'Consumers do not know what they want until we have shown them.'* On the day he unveiled the Macintosh Computer, a reporter from *Popular Science* asked Jobs what type of market research he had done. Jobs responded by scoffing, *'Did Alexander Graham Bell do any market research before he invented the phone?'* (Isaacson, 2011). As an innovator he clearly had belief in his product. Would market research provide sound guidance on the viability of the new Macintosh? Obviously, this is a controversial view, but it highlights that there has to be a producer for the consumer and producers may determine the range of possibilities for the consumer. Consumer's decision is based on the availability of information that combines both intrinsic information (e.g., product design, taste, performance) and extrinsic cue (e.g., brand name, price, country of origin), see Olson and Jacoby (1972), Saeed (1994), Ahmed et al (1994) and D'Alessandro and Pecotich, (2013).

In the COO research, it is assumed that a purchase is being contemplated and consumer is 'forced' to respond to the availability of COO cue to evaluate a product (Magnusson et al, 2011). One can argue that it has produced an 'artificial' effect which may not reflect in the actual purchasing behaviour, some would suggest that it exaggerates the effects of COO (Samiee, 2010). It is also possible to suggest that since most COO research is carried out in developed country, the views elicited from the consumers will generally be negative towards products from developing

countries. This may be related to a 'home country bias' (Balabanis and Diamantopoulos, 2011) or even a 'developed country bias'.

Furthermore, the rapid development of globalization has made the business borders less significant. As stated in the literature, a product's origin may be thought of as COA (country of assembly), COB (country of brand), COM (country of manufacturer), COD (country of design) etc. The concept will be further diluted in the future as it possibly will become even more difficult to establish the 'origin' of a product. Hence the influence of the determining cue for the consumer will diminish. It is reasonable to question the degree of valuable information that can be obtained by a consumer especially when he/she has limited knowledge of production. For example, some consumers have become increasingly aware of the production's working condition and hence they might be concerned about a sweatshop condition or child labour. Yet, if the information meets the global Corporate Social Responsibility (CSR) standards, it may not be an essential concern to detect a product whether it is made in China, Vietnam or America.

Consumer's demand may act as a pulling influence in the supply chain, whilst producer or manufacturer is the main driving force pushing the product's quality, physical appearance, and perceptual image forward. Only when the perceptions and attitudes change, will there be a direct influence on products. Furthermore, a producer's view is more dynamic and robust than consumers. The data shows Chinese manufacturers' perceptions are heavily influenced by their international buyers. Their perceptual knowledge is related to the international buyers. At the same time, their professional role leads them to understand the markets and business conditions. The interviews also showed producers' thoughts switched to their personal experience as an individual consumer. This indicates producers' perceptions possess multi-dimensional aspects in their role of individual consumers and as manufacturers.

Moreover, a producer contributes to a nation's economy and at the same time is affected by the changing circumstance of a country's economy to which they may decide to react. Hence it may be more meaningful to understand their views on the changing circumstances and to see how they perceive the future. It is helpful to

understand their understandings of COO within this changing environment and the way they might influence it or not.

Producers are powerful forces who determine the type of business model and market they inhabit. They are the major push force for product development. The interviews demonstrated the different business models that a firm employed, which include OEMs, OBM, ready for branding, or going for ultimately B2C (Business-to-Customer) market. These aims are ultimately determined by producers which will eventually influence the whole supply chain and hence the consumers' market. Producers can either passively accept their situation or actively try to change it. Focusing on producers' voices provide insights into their thoughts in a particular situation, their future direction and business orientation. The stance of producers will form the basis of the discussion throughout this chapter.

9.3 Recapping the Findings

9.3.1 The Current Situation of 'Made in China'

To identify the current situation of 'Made in China' is one of the research objectives established previously. As indicated in Chapter 6, the current situation is a result of a vicious cycle from negative image, low price, copying and quality issue. The value of Chinese products is seen as low cost. Yet, its quality, technology level and value-added is still debatable in the global market as the quote from one of the interviewees presents:

“My American client told me that he would only consider buying low value product with cheap price from China, it is because Chinese firms cannot make the high-end products, and they have to buy it from America.” (Mr Kong, Interview 20, 1/3/2013)

In the main, 'Made in China' is a symbol of cheap product that associated with low value-added production. The high value-added product is always linked with those countries with more favourable image, i.e. Japan, Germany and the U.S. The evidence from data showed there are some critical issues that Chinese producers have to cope with and these are often perceived as barriers for the development, namely thin profit, price war and copying issue.

Thin Profit

'Profit as thin as a paper', the phrase often used by Chinese exporters to describe the profitability of producing 'Made in China' products. Chinese producers constantly complained the lack of profit in exporting market. This can be seen from netnography and interview data, both referred to the squeezed prices and hence low margins. Previous research (Huang et al, 2012) has indicated the benefits customer enjoys from low cost products in their local market, but it is accounted as a hardship suffered by suppliers. Other research (e.g, AFL-CIO Wal-Mart Campaign, 2009) has referred to powerful retailers (i.e., Wal-Mart) as a 'world-wide chain of exploitation' destroying communities by squeezing their suppliers. The dominance of multinational companies' bargaining power reduces a manufacturer's share of joint profits. Suppliers are forced to offer attractive trade deals, merchandising support, and slotting allowances to please powerful buyers (Bloom and Perry, 2001). *Thin profit* phenomenon has severe impact on many Chinese manufacturers, especially for the SMEs with less capability in innovation and R&D to develop outstanding products. This is partly due to the intensive internal competition in price within China. The firms have to response to the competition in order to sustain their businesses, which have resulted in price wars.

Price War

The price war is deeply embedded in the body of business and it has made a major impact to the existing vicious cycle within China. Chinese producers claim that part of reason for the price war is international buyer who is constantly looking for cheaper alternatives. This is opposite to previous research conducted by Claycomb and Frankwick (1997). They claim the buyers prefer not to engage in seeking alternatives, especially in the earlier phases of the relationship development process. This can help buyer to reduce the cost of searching in terms of pursuing information about potential exchange partners (Claycomb and Frankwick, 1997). In contrast, Chinese manufacturers constantly receive a large number of quotation requests from buyers who seek alternatives. The booming exporting business in China has aided

provision of a wide range of business opportunities from which buyers can select. The development of Chinese e-commerce websites are established to provide platform for SMEs to advertise. There are various B2B websites in China, including *alibaba.com*, *madeinchina.com*, *globalresource.com* etc. They have greatly helped Chinese SMEs to export. At the same time, it is easier and faster for buyers to find potential manufacturers and this has made the price more transparent than ever. Buyers can easily get the quotation of potential products for comparison. The interviewees also complained of constantly receiving the same quotation request in different time. The great achievement of B2B websites has had a negative impact on Chinese exporting business. The suppliers compete in price to attract more deals and this leads to a fierce price reduction in China. As reflected in the literature (Harney, 2009) on the high competition in Chinese domestic market, '*In China, you don't have one or two competitors, you have 100 and 200.*' (Harney, 2009: 39).

Copying

Another noticeable situation that 'Made in China' has faced is the copying. This is one of the major obstacles to prevent the future long-term development. The Chinese firms are never afraid to '*borrow*' from others. Competitors rapidly follow offering lower price without paying for research and development. This offers producers little incentive to innovate. Imitation has been a common practice that has been rooted in every business activities. They duplicate products from prestige brands to designs, and they are less willing to devote time to developing their own product. They regard it as unnecessary, expensive and risky. The under developed policy on intellectual property protection is unable to provide protection of patent and property rights in the market. It is partly facilitated by local protectionism and reluctance on the part of authorities to enforce fledgling intellectual property laws.

9.3.2 ‘Created in China’—the Future Path

In this study, ‘Created in China’ presents an opposing concept to ‘Made in China’. It is a symbol for high quality, high technology and high value-added image. This concept is seen by Chinese producers as the future path for ‘Made in China’. The second research objective of the future development of ‘Made in China’ is explored in this section. The findings from Chapter 6 to 8 indicate that the initial four elements in its wish list of ‘Created in China’, namely creativity, branding, design and R&D, may have different impacts. For instance, the complementary data from interviews have stressed that branding may not be a critical issue for Chinese small and medium sized manufactures. It has, though, stressed the need for attention to be paid to product’s quality and reconfirmed the importance of industrial designing, which ideally should be based on creative idea and industrial research.

Quality Assurance

A major development tool is quality assurance in industrial production. It is regarded as the starting point to ascend the value chain. The development of the Japanese economy was largely due to its development of quality improvement (Schaede, 2012). The quality revolution allowed Japanese products to gradually gained trust from international buyers and moved up the chain to become high-end products. The findings from survey also reconfirm the importance of quality as one of the top issues in B2B business besides price. The literature also shows both industrial buyers and individual consumers associate a better country image with high quality product (Bilkey and Nes, 1982; Kabadayi and Lerman, 2011). In general, ‘Made in China’ does not appear to be seen as a symbol for quality guarantee. It is essential to raise the quality standards to a higher level for Chinese products if they are going to achieve greater value in the market place.

Industrial Designing

In terms of industrial design, the British buyers in survey rated supplier's product design and brand recognition are less important. In contrast, the qualitative studies based on netnography and interviews reveal that industrial design is the key factor for manufacturer's business development. One possible reason to explain such contradiction is both parties may take different point of views. For the importers, they have their own design for Chinese firms to produce. Hence manufacturers' designs are less important to importers, whilst the manufactures treat industrial design as the key element to gain business power. Industrial design works as a key capacity for development. This movement can be seen as the improvement from OEM to ODM, or further into OBM, while the international buyers are more interested in looking OEM producers who can supply at low cost. Such differences lead to the distinct views of industrial designing. The industrial design needs support from creativity and industrial research, which currently appear to be less apparent in the Chinese manufacturer environment.

Branding

Chinese firms are claimed to lack global brands (Fan, 2008; Mao, 2006). As shown by Fan (2008), the majority of Chinese firms are still in the early stage of internationalization and there are very few Chinese brands available in the global market compared to Japanese brands. His research stresses the urgent need to develop Chinese global brands. Different views have been carried out in the evidence of this research. The producers' voice indicates that there is less urgency to focus on branding. The SMEs regard branding is unnecessary, risky and uncertain for the future. Only those well-developed firms, or state-owned, FDI firms, have paid greatly interests in brand building. The majority of SMEs, however, seem ill-disposed to branding. This does not mean that they have no brand awareness, in fact, they are well enough aware of the importance of building a brand for company. Yet, they perceive the brand is an ultimate outcome of a firm's development, however, it

needs strong foundation to be cultivated. For Chinese SMEs, the more crucial thing is to be profitable to ensure the survival of their business.

To sum up, for the future development of ‘Created in China’, firms should take the quality as a base for product development. With quality assurance, further attention can be garnered to the industrial design, which requires high level of creativity and research to develop. In the manufacturing domain, not a lot of firms take real action over branding. Only a well-developed firm with a strong foundation may consider expanding into branding.

9.4 Understanding the Research Concepts

9.4.1 COO Development

In this study, the concept of ‘Made in China’ often regards as country-of-manufacturer or country-of-assembly rather than country-of-origin. Following the five decades studies on COO concept, a number of contemporary studies have shown the concept of COO from original ‘Made in’ cue can be linked to product’s brand origin (Saeed, 1994; Agrawal and Kamakura, 1999), or the association a consumer possess with a product or brand regardless the manufacture origins (Usunier, 2006). The concept of ‘Made in China’ in this research originally derived from COO, though, is less associated with country of brand or design and more with country of manufacture or assembly. In fact, the findings show Chinese producer who is advised to omit the product’s origin and asked to change ‘Made in China’ name into ‘Made in Japan’ or another countries’ name. Similar things happen in other studies (Jaffe and Nebenzahl, 2006) with Chinese firms removing country of origin to promote products in overseas market, such as Haier, the Chinese white goods brand in America. It was advised to use its German sounding name to get away its true origin and have less association with China (O’Shaughnessy and O’Shaughnessy, 2000).

The image of COO can further reflect on a product’s image and brand image. In this research, ‘Made in China’ image influences the image of Chinese products and

Chinese brands, which are often seen as cheap with poor quality. This finding is consistent with the literature of COO studies associates with product quality evaluation (Bilkey and Nes, 1982; Kabadayi and Lerman, 2011). In the case of favourable country image, i.e. Japan, Germany, their images lead to a favourable perception of product quality (Gurhan-Canli and Matheswaran, 2000b). Such perception can further influence a consumer's purchase intention (Verlegh and Steenkamp, 1999). The findings in this study extend this knowledge to B2B field and it show a different result compares with COO in consumer studies. Even though, the organizational buyer is affected by a product's COO in evaluating its quality, it does not affect their purchasing decision making. This can be seen from the survey findings that British importers are aware of the controversial quality issue related to 'Made in China' product, they still choose to import Chinese product due to its price advantage. The results show in B2B realm, the COO image is an element to evaluate product's quality, however, it does not play an essential role in the purchase decision making.

The data also shows switching behaviour may occur in the case of buyers' past experience of a product from a relevant manufacturer or a country. The qualitative data reveals some importers are wary of potential factories from the same region where there have been difficulties in the past. In general, the research shows the more expert and knowledgeable the international importer, the less likely COO cue affects their decision-making.

In the qualitative study, it emerges that there is a significant relationship between a product's country image and perceived price. A better product-country image can often gain premium price while the products originate from a poor product-country image have to face price reduction. Similar findings can also be seen in other author's studies (Agrawal and Kamakura, 1999). The qualitative evidence in this study indicates that the Chinese producers are asked by international buyers to offer price discount because of the poor image of 'Made in China'. The co-relationship of price and country image is consistent in both consumer's study and B2B organizational buying behaviour.

The price difference also indicates in product-country match studies, i.e. French wine, German car, Japanese camera, which show a high relevance of a country and its product category-specific, this can further help to increase price (Chattalas et al, 2008). In 'Made in China' case though, has not yet been attached with a particular product that can represent quality reputation. As it claimed in the netnographic data, ancient China had a better image associated with specific product, i.e., Chinese tea, china- the ceramic product even named after the country ([abscn 2008-6-20 00:06](#); [FSH 2008-6-19 23:35](#)). In modern times, 'Made in China' as a COO label has evolved to be a country just for producing and assembling. The large business scale has failed to produce a representative product for China.

In the industrial purchase, Ahmed et al (1994) suggest the brand name played a very limited role whilst the country of design is a more important cue in organizational purchase decisions than country of assembly and brand name. This research confirms that the limited role of brand name in industrial purchase, though, it rejects the significant contribution of country-of-design in B2B field. The quantitative study shows the importers choose a particular country to supply mainly based on its price and quality consideration. Both brand and designing elements play a very limited role in purchasing decision making. Furthermore, the brand name in the industrial buying will simply reflect the prestige of different manufacturers. The interviews' results show the manufacturers promote their brands with factory's name through website, the trading fair.

COO is important especially when forming new partnerships or when venturing into new markets. This research finds Chinese SMEs are more dependent on its country image- the cheap 'Made in China'- to expand their exporting business in the global market. It starts with the early study by Niss (1996). Further empirical evidence shows the initial advantage of COO image will eventually fade with the growth of supplier's size. The SMEs will have to gradually move from relying on country image to competing on quality and brand in the market.

9.4.2 Industrial Development

The development of ‘Made in China’ image requires a holistic view not only from its product, firm, but also from the industrial development. This study has shown that Chinese firms being late arrival on the industrial scene has its drawbacks, difficulties and inadequacies. At the same time, being late provided Chinese firms with the ability to tap into advanced technologies avoiding previously failed trajectory. Chinese firms can rapidly take up new ideas and learn, utilising various forms of collaboration processes with state agencies assisting in the process. This meets the main focus of latecomer in overcoming the disadvantages of being late and takes advantage of whatever it has (Hobday, 2003), and it further fits in to the ‘latecomer’ effect outlined by Gerschenkron (Gerschenkron, 1962; Mathews, 2006).

The further knowledge from findings also supports the developmental learning strategy Linkage-Leverage-Learning (LLL) by Mathew (2002, 2006). The results show Chinese firms linked up with global supply chain serving as global suppliers to be active in the global market. This tight linkage helps Chinese firms to acquire market knowledge, advanced technology and gain access to overseas market. It leverages those resources that were beyond firm’s limitation. Chinese firms have enhanced their capabilities by repeating the linkage and leverage process and achieving its learning goals. Nevertheless, the difference with other developed countries is the scale of Chinese industries. The large coverage of businesses in China has produced a great number of Chinese SMEs to supply this learning resources and this has further prolonged the learning process.

One salient strategy that Chinese firms (especially those SMEs) often apply is the utilization of imitation and it can be tracked through the qualitative data collected from Chinese producers. The findings about imitation and copying issue serve as a complementary knowledge to traditional innovation research, which is claimed imitation may spur productive innovation (Lieberman and Asaba, 2006). As the quotes from producers indicates:

“copy+ imitation +innovation + exceed = the rise of manufacturing industry.” (浪迹天涯458 2011-07-07 20:11; Alibaba-cn, 2011-07-06 22:45)

They perceive imitation as a positive way to learn advanced designs and ideas, and it often refer to the learning process by producers. Such statement supports the studies of ‘from imitation to innovation’ as a strategy for development (Kataz and Shapiro, 1985; Lieberman and Asaba, 2006; Mathew, 2006; Posen et al, 2013). This is often adopted by latecomer firms to catch up with market leaders (Posen et al, 2013). The findings include the market leader in the competitor and other larger firms, such market leaders are often described as an industry’s ‘fashion leader’ or ‘trend setter’- a status that imparts significance to the follower’s choice (Abrahamson, 1996; Bikhchandani et al, 1992). In Chinese SMEs case, they perceive the ‘fashion leaders’ and ‘trend setters’ mainly to be the larger firms, especially those well-established firms or state-owned enterprises. Chinese SMEs follow those market leaders closely by imitating their products. Imitation may invoke legal issues; in contrast, it aids to develop firm’s capability, especially in design capacity.

The Chinese export oriented SMEs can be clustered in different levels of stages, is applied to the early study conducted by Wortzel and Wortzel (1981). In the early stage I and II, most of the firms rely on selling its production capacities that ensures low margins. Only those developed to the later stage IV and V are thought to be capable of competing in other areas, such as quality, design and branding. There are some of well-developed Chinese firms, i.e. Haier, Lenovo and Haiwei, which have made their appearance in the global market and they are trying to compete in high-end markets. The majority of firms that contained in this study are still at their early stage of development and their challenge is to move into a more profitable stage.

9.4.3 Competitive Advantage and RBV

The quantitative survey data indicated the main attractiveness of ‘Made in China’ product is the price which is based on its abundant labour resources. The other aspects of quality, technology and value-added are debatable though. It is acknowledged that such price advantage may not aid to a sustainable development, especially the rise of Chinese economy has increased the worker’s demand for higher

payment and better working condition, which cause to the end era of cheap Chinese products. Shaun Rein (2012) of Shanghai-based China market Research Group argued in the book of *'The End of Cheap China'*, the long tradition of China of having cheap labour has started to disappear in recent years. The entry of countries such as Vietnam and Indonesia has brought to an end this advantage of Chinese products (Rein, 2012). This is also shown in the empirical data from both quantitative and qualitative result. The findings from British Importer's survey shows China has to face the rise of its neighbouring countries, i.e., Indian, Vietnam, Indonesia, or the Eastern European countries and Turkey, they are all perceived as strong competitors to 'Made in China'. They have taken over the price advantage in the labour intensive industries from China.

The interviews also show that labour cost in the interviewed firms have been increased to high rates from less than 1,000 yuan per month a decade ago to over 4,000 yuan per month in some industries. Even with such high salary, the factories still have a labour shortage problem. According to *Financial Times* (Noble, 2012), the costs of 'Made in China' have risen, starting in the coastal provinces where factories have historically clustered. Labour costs have surged by 20% a year for the past four years. It is predicted the cost to manufacture in China could soar twofold or even threefold by 2020 (The Economist, 2012). This phenomenon has been supported by the data. From the study, the evidence shows the main competitiveness of cheap labour cost for 'Made in China' is hollowing out and the previous Chinese model is in jeopardy.

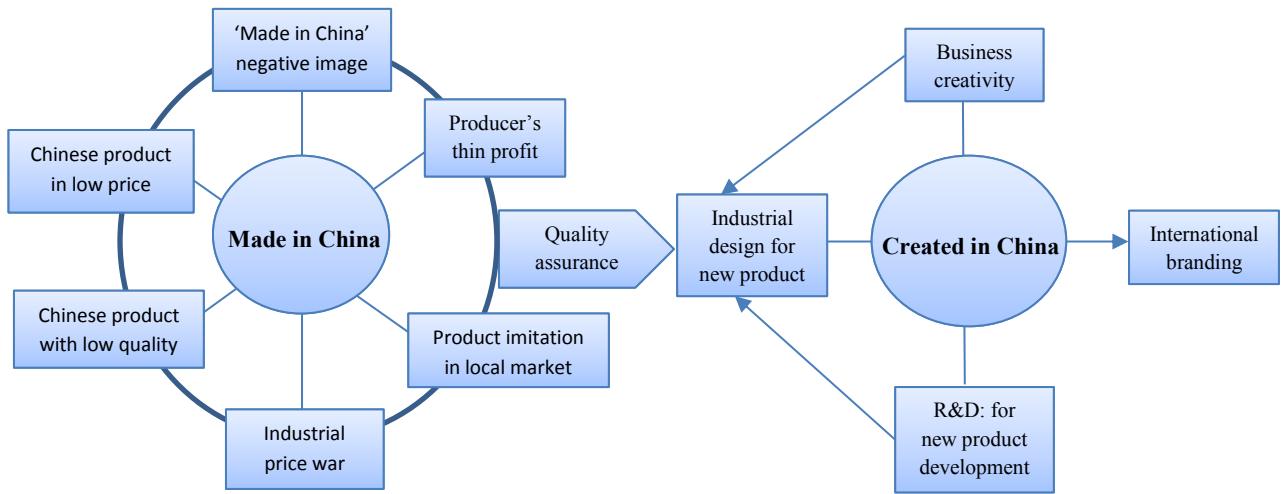
Nevertheless, another contradictory voice also heard from the data that some producers think the competitive advantage of 'Made in China' will not diminish in any short time. For the decades' development on Chinese exporting business, China has developed its strong infrastructure and powerful supply chain, and these cannot be copied and replaced by other emerging countries. Together with aid from government policy, 'Made in China' as a whole has already built the unique competitive advantage and will not easily hollow out in short term. It has resulted in increasing number of Chinese firms competing in global high-end market. Though, most of them are state-owned firms with unlimited support from Chinese

government. For the SMEs, their competitive advantages still build upon cost and depend on price for survivals. They lack a unique competitiveness to compete in the global market. This study has shown the products from SMEs are homogeneous and they are easily to be substituted, transferred and imitated. They adopt the pricing strategy to compete with relatively undifferentiated products. Such situation has been explained by other authors (Forman and Lancioni, 2002; Porter, 1998:13) in pointing suppliers will have to discount price well below other competitors' to gain sales in the homogeneous product's competition.

9.5 Introducing Conceptual Model from 'Made in China' to 'Created in China'

To continue the discussion, this section is targeted to understand the third research objective by establishing a model presented in Figure 9.1. This study looks at the development of 'Made in China' in the global exporting market on the basis of competitive advantage and RBV theories by combing with the empirical findings from Chapter 5 to 8. The original 8 themes that related of 'Made in China' (quality, image, copying and price issues) and 'Created in China' (branding, creativity, R&D and branding) presented in Chapter 6 and 7, can be combined differently after recapping with findings and literatures. A summation of all themes and processes is presented in a final conceptual model in Figure 9.1. This model integrates the important themes that emerged from evidence and indicates the process of evolution. It presents the revolution of link between 'Made in' and 'Created in'.

Figure 9.1 Conceptual Model from ‘Made in China’ to ‘Created in China’



This model has been divided in two parts: ‘Made in China’ and ‘Created in China’. The left section demonstrates the current situation of ‘Made in China’ which consists of negative image, low price, low product quality, price war in Chinese market, producer’s thin profit, and product imitation in market. These six factors constructed a cycle and impede the development of ‘Made in China’.

The negative country image is always perceived as a challenge for firms from emerging countries going global. Such negative perception is also perceived by Chinese producers as they complain it hindered their business development. Due to other negative effects and the intensive local competition, Chinese firms have tended to adopt a strategy to survive based on the price discount. This creates a vicious circle while low price impacts on product quality, and creates other negative business practice such as imitation, and further evokes price war. Overall, it impacts on producer’ ability to be profitable and demonstrates the current situation of ‘Made in China’.

‘Made in China’ products positioned as low value-added production in the global market and established their major competitiveness edge on cheap labour cost. This

is especially true in SMEs in practicing OEM product model, but it does not allow a sustainable development. Another issue of 'Made in China' is the quality, it is always perceived as a problem under the 'Made in China' label. Quality is perceived as an important step to break down the barriers and addressing quality improvement further helps to achieve 'Created in China'.

The new era of 'Created in China' represents high value-added production. In China's context, industrial design is deemed a foundation to achieve manufacturing development and it needs support from creativity and industrial R&D. Business creativity and R&D are essential to differentiate their products from the homogeneous market, while Chinese firms, especially SMEs, lack such competencies. Following the discussion in this chapter, by improving industrial design, creativity and R&D, branding is seen as an ultimate outcome for the firms who want to compete in the global market. This is one of the significant differences of the branding concept between Western literature and Chinese business practices. Western views branding as a benchmark to guide business development, while Chinese firms see brand is an outcome from business practice. Currently, most Chinese SMEs are located in the transitional stage of quality improvement and industrial design enhancement.

In the process of pursuing a sustainable competitive advantage for 'Made in China' by creating inimitable, non-substitutable and non-transferable resources, 'Created in China' is perceived as a solution. This helps China to create a positive COO image and also provides answer to the last research objective in understanding how the changes evolve. Such model is used to enhance our understanding of a country brand's current position in the global market, the future development and most importantly to bridge the changes.

9.6 Conclusion

To conclude this chapter, the discussion in terms of research setting has been outlined and 3 research objectives and research questions have been considered. The main stance of this discussion is on the Chinese producers' viewpoint which is different from the traditional study on consumers' view. A list of final determinants of research findings is recapitulated and discussion has been made upon the combination of literature knowledge. This chapter helps to understand the evolution of a country brand in exporting context. The final model is developed based on the conceptual framework from literature studies on the development of other advanced country brand. The context of this conceptual model is based on China, it can also be applied to other emerging countries developing their country brand in international trading market. In next chapter, the detail contribution of this research will be specified and further research work will be acknowledged.

Chapter 10 Conclusion

10.1 Research Summary

This is the closing chapter of the thesis. It will firstly provide an overview of the study by summarizing each chapter. It will then explain how this research contributes to the theoretical knowledge indicated in the literature chapter and the empirical contributions made to the methodology and data. The recommendations for Chinese policymakers and producers are also considered and some limitations of this study are identified. Finally, the future researches that can be possibly expanded on the work presented in this thesis are outlined.

The aim of this research was initially advertised to enhance the understanding of the ‘Made in China’ phenomenon in the global exporting market and to explore how a country brand evolves over time. This aim has been achieved by answering the research questions of understanding the current situation of ‘Made in China’, exploring the future for ‘Made in China’ and the evolution from ‘Made in China’ to ‘Created in China’. The key objectives and questions addressed in the early of this thesis have also been satisfied and a non-traditional approach of taking producer’s and exporter’s viewpoints has been explored.

Chapter 1 provided an overview of this research. The research motivation was initiated by the author’s professional curiosity that has driven research interest in exploring the development of ‘Made in China’ image. The research objectives and questions were outlined in this chapter and the potential significance and challenges of this research were stated before exploring the data.

Chapter 2 stated the background to this study. It sets the scene for this research by outlining the economic development situation in China and describing the ‘Made in China’ effect in the global market. China used to be a country that accounted to nearly one third of world’s economy in pre-1949 history of Qing Dynasty (Maddison, 1998). While the economy stagnation through nineteen century to the early twenty century has led China to be one of the poorest countries in the world.

The situation only changed after the economy open policy in 1978 and since then, Chinese economy has been developing at an unprecedented speed. Under this circumstance, products attached 'Made in China' name have been delivered to the world market and it has brought global attention in appreciating and criticizing the positive and negative effect from 'Made in China' products. With the increasing competitive pressure arisen from other emerging countries, the question in the future of 'Made in China' has become blurred. Therefore, this study aimed to understand the current situation of 'Made in China' in the global market in order to explore its future development.

Chapter 3 explained the theoretical framework for this research and elaborated the research gaps in different literature fields. It started by exploring the literature studies on COO effect. The globalization phenomenon has complicated the definition of COO which also diversified the studies of COO effect into different fields, including product evaluation and consumer purchasing decision, country comparison, product category and emotional affection, industrial trade and nation brand studies. With such overview studies on the COO effect literature, one notes the limitation of COO studies that has mainly relied on the consumer's perspective. Very few studies have investigated in the international trading B2B field, especially in understanding the producers' point of view. Furthermore, the existing knowledge is dominated by the quantitative research method which has limited the effect of COO cue in a structural way while the real life situation might operate it differently. Samiee (2010) claimed such approach may produce 'artificial' effects in terms of the sizes of data as well as exaggerating the effects of COO that lacks of validity and reliability measures.

The existing knowledge in COO studies indicated this research cannot be completed by a single COO study literature and the phenomenon of 'Made in China' needs the further connections with its country's economic development and the global competitiveness knowledge. Therefore, the literature has been extended to understand the nation economic development study and theories of competitive advantage and resource based view (RBV). The knowledge on the 'latecomer effect' indicated that a latecomer firm or nation should take the advantage and overcome the disadvantage of being late. By looking at the experiences from other developed

countries, it noted a latecomer often uses catch-up strategies such as ‘Linkage-Leverage-Learning’ (Mathews, 2002) and the development strategies of ‘from imitation to innovation’ (Posen et al, 2013) to achieve the development goal. Furthermore, the studies on competitive advantage (Porter, 1985) and RBV (Barney, 1991) provided information useful in the case of ‘Made in China’. It is essential to develop its valuable, rare, inimitable and non-transferable resources to create its sustainable competitiveness in the global market. This literature chapter has provided a strong theoretical framework for furthering the investigation of ‘Made in China’ effect in its international trading field.

Chapter 4 presented the research methodology of this study. It explained the adoption of a philosophic stance of scientific realism that was based on a complementary understanding from positivism and interpretivism. It focused on both observed and unobserved variables. This research was designed by employing a mixed methods strategy that combines quantitative and qualitative studies. Three methods (survey, netnography and interview) were adopted to investigate the perceptions of British importers and Chinese producers. In each method section, justification has been made over the choice of method, the data collection process and analysis, and ethical considerations, these were outlined in detail. This research was designed for a triangulation and complementary purpose.

Chapter 5 presented the analysis of quantitative data that generated from 56 British importers. Despite the amount of effort put in 900 phone calls and more than 500 emails that were dispatched to British importers, the limited response rate constrained the application of in-depth analysis. Therefore, the descriptive analysis was employed. The result showed that the majority of respondents were the SMEs importers. Their businesses were heavily relied on importing from other countries while China was their top importing partner. The data showed that the UK importers, as the organizational buyers, acted in a rational way. Cost benefit was the top priority for them, followed by quality consideration. The price advantage of ‘Made in China’ products fitted well to their top needs which contributed to their primary interests in importing from China. The further qualitative answers in survey reconfirmed the

findings. This survey provided a general understanding from the international importers' viewpoints and it further paved the path for the producers' studies.

Chapter 6 and Chapter 7 presented results from netnography data. It provided the Chinese producer's voice behind the screen. Through analysing the amount of data from forums, the findings showed the current situation of 'Made in China' lies on a negative image, quality, price and copying. These four variables interact to each other to create a vicious cycle to the situation of 'Made in China'. The findings also showed that the Chinese producers' future lies in the 'Created in China' that comprises another four themes, namely creativity, R&D, design and branding. These four themes construct a development of the future and at the same time, it also signals as weaknesses of Chinese firms. The overall findings from netnographic data indicated a development model of "from 'Made in China' to 'Created in China'" (see in Figure 7.3, p151). The model showed the process of movement from current 'Made in China' to the future 'Created in China', two themes of thin profit and copying issue impeded the movement and it is essential to remove these obstacle for Chinese firms to make the future achievement.

Chapter 8 used the interview data to validate and complement the netnographic findings. The data from 20 Chinese manufacturers was collected and analysed under the eight main themes from 'Made in China' and 'Created in China' two umbrellas. The results reconfirmed the findings from netnography and further extended to the other aspects. It was found that the working relationship between exporters and international buyers contributes to the perceptual change of 'Made in China' image significantly. In terms of Chinese price, 'Made in China' suffers the dilemma of being cheap and getting more expensive at the same time. The findings demonstrated the generational issue and the currency exchange problem that contributed to making 'Made in China' expensive. It also suggested that the best way to cope with imitation, which has long been established in the Chinese market, was by taking the leadership of product design and constantly innovating the product. Result also revealed the significant relationship of quality with the market segment, technological capability and factory size.

In the four themes under ‘Created in China’, the interview data showed Chinese SMEs perceived the need for branding and creativity were depended on product categories. Products with the same international standards, i.e. screw cup and fastener, do not necessarily require branding and creativity capacities. The result displayed that manufacturer’s main focus is on the product itself and branding is perceived not as urgent as it has been described in the forums. Though, the increasing awareness in design section showed a positive movement in design improvement from Chinese firms. Lastly, R&D is still perceived as one of the weaknesses in manufacturing industry. In manufacturing section, firms often regard R&D development as the upgrading machinery and equipment to replace labour and increase productivity.

Chapter 9 brought the theoretical knowledge and empirical chapters together to discuss the essential elements of the research. It started by providing a justification of the importance of studying the producers’ stance rather than the traditional approach of consumers. After recapping all the empirical findings from previous Chapter 5 to 8, this chapter discussed the research knowledge by combining with the literature studies provided in Chapter 3. It has shown the summation of conceptual model of from ‘Made in China’ to ‘Created in China’ (see in Figure 9.1, p205). Such model not only explains to the phenomenon concept of ‘Made in China’ in the global market, but also contributes to understand the product’s country of origin development from an emerging market context.

10.2 Research Contributions

An important finding of this research is the future for ‘Made in China’ which lies in ‘Created in China’ with the suggested potential path. The terminology of ‘Created in China’ is relatively new and it has been appeared in many media articles and academic papers (Keane, 2006; Huang et al, 2006; Mao, 2006). For instance, Keane (2006; 2007) referred ‘Created in China’ from cultural and media aspects, while Jiang (2012) was particularly interested in the development of Information and

Communication Technology (ICT) in medical devices and systems in Chinese rural areas. Huang et al (2006) observed China's textile industry as technological competent development and Mao (2006) specialized on brand building. They all carry an attractive title of *'From 'Made in China' to 'Created in China'*, with different approaches to identify the gaps and to indicate the future path for Chinese economy and social development. In a similar vein, this thesis focuses on the development of Chinese exporting oriented manufacturers from the perspective of understanding its current situation, therefore to achieve the future needs.

This research has made contributions in a number of ways. The main contributions can be categorized under a number of key findings in relation to applicability and approach. The first area is the non-traditional approach to the studies of COO effect in the global market. The second area highlights the literature approach in the combination of COO effect and nation economic development with the theories of competitive advantage and RBV. Furthermore, it provides a more thorough understanding to the current situation of 'Made in China' phenomenon. This research also accentuates the future development of 'Made in China' as 'Created in China' and by providing a conceptual model for a nation's brand development. The detail is presented below.

The key contribution is the non-traditional approach of this study which mainly takes the producers' viewpoint instead of consumers'. The justification of this approach has been made in the Chapter 9 (Section 9.2). While the majority of studies are focus on the consumer's and buyer's view, this approach provides a different research angle to complement the literature knowledge. It is believed the information gained from this approach is more robust and valuable to understand the research needs.

Theoretically, this research has critically reviewed the literature on COO effect. Chapter 3 has indicated a number of gaps in COO studies with respects to the topic of this thesis. The mainstream of COO literature has focused on consumer's perception as a cue for product evaluation. In terms of changing in COO perception from negative to positive there has been long standing research, as typified by 'Made in Germany' (Plötner, 2012) and 'Made in Japan' (Wang et al, 2012). This field of

study has focused more on ‘effect’ studies rather than theoretical studies, as it lacks an integrated theory to provide an explanation on how the change happens.

Further the COO literature with its attachment to establishing the significance and insignificance of a COO cue on product evaluation based on expressed preferences rather than actual purchase behaviour adds little to the current study. They are often based on quantitative methods, such as survey or experiments using student samples. Samiee (2010) has suggested that such data are ‘artificial’ and not ‘real’. Also the COO literature provides little insight into how COO perceptions change over time. This indicates the importance of exploring the views of industrial buyers’ and suppliers’, especially the product markers, as they are the main source of instigators and promoters of change that may affect the COO image.

Having reviewed the COO literature extensively, it lacks of answers to the specific research questions of this thesis. This indicates a need to find alternative approaches on which to base the research. Hence the need to consider the literature on how developing countries become globally competitive and perceptions of their goods change. This led to the exploration of ‘catch-up’ strategies, competitive advantage and RBV to answer the research questions.

This research also made the contribution to the studies of industrial buyers’ and suppliers’ behaviour in the COO studies. As stated in the literature chapter, the majority of COO empirical studies are interested in consumer research. There is very limited number of COO studies that has contributed to the industrial trade. The behaviour of individual consumers and industrial buyers is somewhat different (Moriarty and Spekman, 1984). This study contributes to this part of research and helps to expand the knowledge in industrial buyer’s perception in COO effect.

It also provides an applicable contribution to Mathew (2002; 2006) ‘Linkage-Leverage-Learning’ (LLL) model for Chinese manufacturer. The findings showed that Chinese exporting-oriented manufacturers tend to practice this learning process by applying an imitation strategy. It also showed most Chinese SMEs linked up with the global buyers by practising OEM production. In such vein, they gained their

industrial design capabilities. It was found that for Chinese SMEs, the strategy of from imitation to innovation is more applicable and worth to study in-depth.

The empirical findings of this research contribute to a thorough understanding of the current situation of 'Made in China'. The findings provide evidence in outlining the vicious cycles which was created by the negative image, price, quality and copying issues. It also highlights the main impediments of thin profit and price war that lie in the development of 'Made in China'. This contribution has made the study of China context, as the main emerging market, available in the literature studies and it provides a timely knowledge of Chinese firms, especially SMEs performance in the global market.

Furthermore, the final conceptual model of from 'Made in China' to 'Created in China' provides a model to comprehend of the development process of nation brand. It bridges a nation brand with the current states to the long term and more sustainable development. This model provides a comprehensive understanding in how a nation brand evolved over time, which is started in the quality assurance as a breaking point to move towards industrial design enhancement. It further needs to be supported by the development of creativity and R&D, therefore, gradually achieve brand building. Such model also provides the answer to the other emerging nations who also keen to develop their nation brand in the international trading context.

Also, this thesis made the contribution to the methodology part by using a mixed methods strategy to understand the views from international importers and local producers. It also provided data for the first time from online exporting forums which was further complemented by a number of in-depth interviews from Chinese manufacturers. This research has investigated different industries, and by doing so, it generated the main findings that can be more representative to explain the 'Made in China' phenomenon. By empirically compiling a dataset of the popular forums and combining in-depth profiles of interviewed Chinese manufacturers, this research has closely listened to the Chinese producers' voice and explored their perception and thoughts.

Overall, this research has made some significant theoretical contributions. It has fulfilled the research gaps that have been indicated earlier. It offers a comprehensive understanding of how the changes evolve, as the existing literature lacks information in outlining how a COO image can be changed from a negative to positive one (Lampert and Jaffe, 1998). Furthermore, it contributes to Business-to-Business research fields in understanding the COO effect impacts on international buyers and importers, as the majority of COO studies is conducted on consumers (Ahmed et al, 1994). This research applies the economic development catch-up strategies (Gerschenkron, 1962, Hobday, 2003), such as ‘LLL’ model (Mathews, 2006) and ‘from imitation to innovation’ (Katz and Shapiro, 1985, Posen et al, 2013) within China’s context, and further indicates the applicability of the models in developing countries’ context.

This research also critically reviewed the literature studies on COO and further pointed out the limitation of COO effect literature. This research contributes to establish a new research structure by combining economic development model, i.e., from imitation to innovation, the latecomer effect and catch up strategies, to support competitive advantage and RBV theories. The literature studies in the different strategic management field helped to build a new research contribution of COO field.

10.3 Recommendations of This Study

The findings of this research clearly showed the role of producers was crucial in building a positive nation brand. In line with the outcomes discussed in the thesis, recommendations of a practical nature are provided for the consideration made to the management level of both policymakers and practitioners.

Regarding to the research findings of the impediments of development, it has been shown that the major obstacles are the thin profit, copying and a price war. In order to clear these obstacles, it is important for Chinese government to impose and enhance certain regulation on the IPR protection and regulating the industrial collaboration to minimize the copying occurrence in the market.

Another recommendation that can be offered to the Chinese government and the industrial development agency is the emphasis on creating a representative industry and products that can show the quality of 'Made in China' products and so improve the image of Chinese product significantly. The advanced countries that have a positive country image are related to symbolic product(s) or industry (industries), i.e. Japan with electronic products, France associated with wine and cosmetic products, Germany with automobile products, etc. Therefore, in order to improve the global image of 'Made in China', it is essential to develop a particular industry and product. One recommendation provided in this research would be to focus on the electronic industry. Research has shown that Asian countries have already developed a good reputation for electronics base on the perceptions of products from Japan and Korea (Amine and Shin, 2002). China has already been well known in the assembly work for the global branded electronics. The further enhancement in the elements of 'Created in China', such as R&D, creativities, design, will eventually create products and brands that fully belong to China.

10.4 Research Limitations

This research bears a number of limitations. This study is subject to certain empirical and methodological limitations. The researcher would have wished to find an appropriate theory on which to build the research. The on elements researcher has based her work taken primarily from three fields on Country of Origin (COO), economic development studies, Competitive Advantage (CA) and Resource-Based View (RBV). Using the COO literature, even though, there have been over thousands papers developed by different researchers during the last 50 years, it still lacks an integrative theory and the majority of COO studies seem as a list of conceptual developments spread over different research realms (Liefeld, 1993; Nebenzahl et al, 1997). Therefore, the researcher tried to explore other literature related to 'Made in China' phenomenon, which includes the studies on economic development and the theoretical literature on competitive advantage and RBV. By standing on the basis of competitive advantage and RBV theories, this research is designed to explore the

development of 'Made in China' from both micro and macro levels. Other literature field may also be highly related to this research, such as B2B business studies, industrial business behaviour etc, however, such exploration would have further cause dilution of research concepts and a lack of a core conceptual stance. Due to the nature of this study, the three fields of literature seemed to be the most appropriate for the research.

In the methodology limitation, this research adopts three methods (survey, netnography and interview). It was designed to use a mixed methods approach for the complementary and triangulation purpose. The first of which is that it suffers from a common limitation of researchers who conduct survey method with low response rate. Initially launched the survey method was expected to provide a reasonable amount of responses to give comprehensive results. Despite the researcher's tremendous effort put in making over 900 phone calls, the final 56 response rate is still one of the biggest limitations in this research and it constrains the research analysis.

In the netnography method, the argument over the netnographic definition was debatable. Puri (2007) stated the idea of interacting with online members for netnographic study, whilst others disagreed with this (Lee and Broderick, 2007; Xun and Reynolds, 2010). This research, though, did not try to interact with other members in forums, neither did analyse the evolutionary changes during period from which the data was collected. It was primarily based on the observation of textual material. With some arguments over the netnographic method, this may contribute to part of limitations. Furthermore, as the nature of online studies, the information collected from the online forums tended to be more arbitrary which caused the comments and quotations possibly to lack a central argument and seem more randomly displayed. The future investigation was designed as an approach to hopefully maximize the value of study by providing the complementary interview data.

10.5 Future Research

As indicated above, the limitation of the wide scope of the current study opens up the possibility of a more tightly-focused study in the future. Having laid the foundations for integrating the COO effect, nation development studies, and theories of competitive advantage and RBV, the findings of the current study could form the basis of a subsequent study specific to the factors that have emerged as the most important.

It will be meaningful to conduct a completed survey study with the British importers with reasonable amount of responses. Future research could be designed to understand their purchase behaviour. As the UK market has recently shown more products are made in other emerging countries, such as Indonesia, Brazil and Bangladesh rather than China. The future research could investigate their importing behaviour in-depth by complementing with some interviews.

One of the future researches is continuing the netnographic studies on this research. It can be approached from a longitudinal study on the perceptual changes of Chinese producers over the years on online forums. By comparing the changes in the different time periods, future research can try to understand the producers' thoughts and further to investigate the factors that caused the changes.

A last potential area this study can extend is to practice the framework and models that have been developed from this research to other emerging nations. A possible context could be other BRICS countries (Brazil, Russia, India and South Africa). The reason for this is that the BRICS countries as the association of emerging national economies may show its development of new industries. They have been distinguished by their landmass and population, fast-growing economies and significant influence on regional and global affairs. The outcome of this research could be possibly extended to these contexts.

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APPENDIX

Appendix 3A: Country-of-Origin Effect Studies

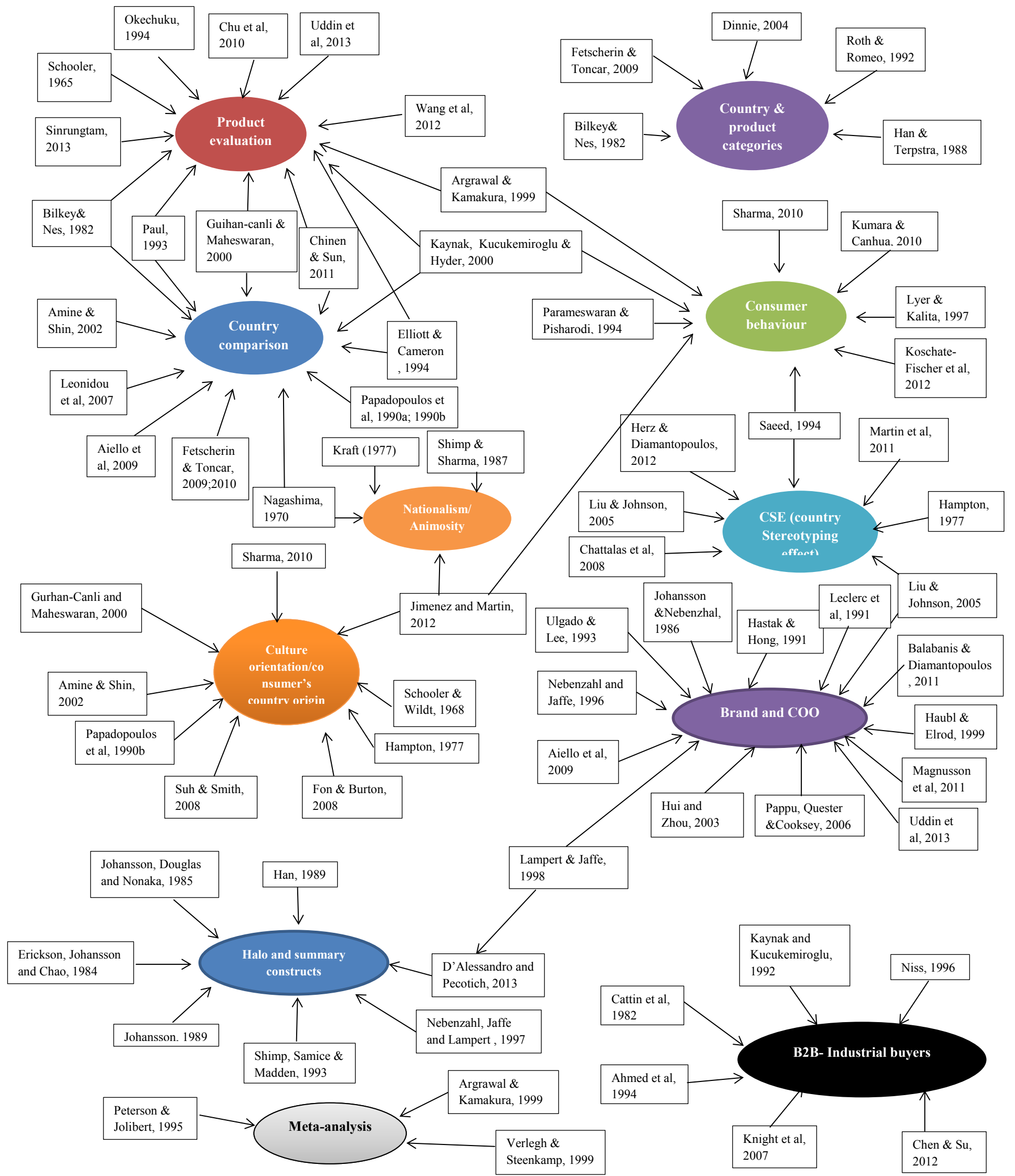
Appendix 3B: List of Empirical Literature on COO Studies

Appendix 4A: British Importer Survey

Appendix 4B: Interview Questions

Appendix 4C: Interview Data List

Country-of-origin effect studies



Appendix 3B

List of empirical literature on COO Studies

No	Year	Author	Methodology		Methods	Location	Notes
			quan	quali			
1.	1965	Schooler	√		Experiment	Guatemala	A sample of 200 part-time students randomized into four groups to evaluate two products (juice and a fabric sample) from different countries
2.	1970	Nagashima	√		survey	America, Japan	The US study consisted of a random sample of 230 businessmen; and the Japanese study was based on replies from 100 Tokyo businessmen.
3.	1990	Papadopoulos, Heslop & Bamossy	√		survey	8 countries: the US, Canada, the UK, the Netherlands, France, Germany, Greece and Hungary	consumer samples by using the drop-off/pick-up technique resulted a total of 2,220 usable questionnaires with overall 75% response rate
4.	1992	Roth & Romeo	√		survey	graduate students in Ireland, Mexico and U.S.	country image
5.	1993	Chao	√		Experiment	US	Residents in a medium-sized city in the Midwest for total 120 subjects
6.	1993	Ulgado & Lee	√		Experiment	US	2 studies conducted by metropolitan state university students
7.	1994	Elliott & Cameron	√		Survey	Melbourne, Australia	401 respondents from 20 shopping malls
8.	1994	Ahmed et al	√		survey	Canadian	industrial buyers
9.	1994	Okechuku	√		survey	American, Canadian, German, Dutch respondents	TV sets and car radio, made in Japan, US, The Netherlands, South Korea...
10.	1994	Leclerc, Schmitt and Dube	√		Experiment	US	Focusing on French brands, three experiments to test the effects of foreign branding on product perceptions and evaluations by using students subjects.
11.	1994	Parameswaran and Pisharodi	√		survey	3idwestern metropolitan area	CO image on consumer perception
12.	1996	Niss	√	√	survey, interview	Denmark	Denmark exporting companies
13.	1996	Nebenzahl and Jaffe	√		survey	New York city	students from university in New York
14.	1997	Lyer & Kalita	√		survey	New York	275 undergraduates enrolled in junior level introductory classes
15.	1999	Agrawal and Kamakura	√		Meta-analysis	US consumer magazine <i>Consumer report</i>	Data collected of 13 products from US consumer magazine from 1980-1994 (electronic products)

16.	1999	Haubl & Elrod	√		Interview survey	Austria	pilot study with 48 undergraduates, the main study conducted based on face-to-face-interviews in 15 sporting goods stores with 284 Austrian skiers participated in the study
17.	2000	Kaynak, Kucukemiroglu and Hyder	√		survey	Bangladesh	
18.	2000	Guihan-canli and Maheswaran	√		Experiment	USA and Japan	Undergraduates students, look at cultural perspective view to see COO effects
19.	2002	Beverland and Lindgreen,		√	Case studies	New Zealand	Interview + secondary information. I don't see too much valuable information out of this paper.
20.	2002	Amine and Shin	√		survey	US and Thai students	Student sampling in comparing product made from 8 countries, including China.
21.	2003	Hui and Zhou	√		experiment	North American University	192 Undergraduates in a major North American university. Looking at brand origin, brand equity and COM (i.e. Sony is Made in Japan vs Made in Mexico).
22.	2005	Liu & Johnson	√		experiment	US	two phases studies by the participants from a large professional organization in a southern metropolitan city
23.	2006	Pappu, Quester & Cooksey	√		survey	Australian	539 final useful response from shoppingmall over two product categories: cars and televisions
24.	2007	Knight, Holdsworth & Mather		√	Interview	New Zealand	17 interviews to food distributors.
25.	2007	Leonidou, Paliawadana & Talias	√		Survey	UK	404 questionnaire conducted by face to face interview with Uk consumers to compare product imported from US and China.
26.	2008	Suh & Smith	√		Survey	South Korea	a pilot test with 42 students, the main survey conducted in shopping malls in the Seoul, Korea resulted in 131 usable response.
27.	2008	Fong & Burton		√	Netnography	the US and China	a total of 4308 discussion posting from a 90-day period (March-May) in 2004 and 2005 were analysed
28.	2009	Aiello et al	√		survey	eight geographic research groups	total 165 undergraduate management students
29.	2009	Fetscherin & Toncar	√		experiment	US	A total 129 student in three groups to evaluate cars made in the US, India and China
30.	2010	Fetscherin & Toncar	√		experiment	US	a total of 119 US student to compare cars made in China and US
31.	2010	Sharma	√		survey	China, India, the UK and the USA	1752 completed questionnaires with 17.5% response rate

32.	2010	Chu, Change, Chen and Wang	√		experiment	Taiwan	232 students from three colleges in Taiwan
33.	2010	Kumara & Canhua	√		survey	China	170 students from three cities in China
34.	2011	Martin, Lee & Lacey	√		experiment	Germany?	3 studies conducted by the student
35.	2011	Balabanis & Diamantopoulos	√		survey	UK	193 completed questionnaires from UK households in evaluating microwave oven product
36.	2011	Chinen & Sun	√		survey	US	a mall intercept survey resulted 345 responses in evaluating Chinese brand automobile produced in 9 countries
37.	2011	Magnusson, Westjohn and Zdravkovic	√		survey	US	544 responses: a combination of student and non-student respondent (each student with completed survey to recruit a maximum of five other non-student respondents) in 3 product categories (LCD TVs, automobiles and fashion brands).
38.	2012	Koschate-Fischer, Diamantopoulos, and Oldenkotte	√		experiment	Germany	3 studies conducted by Germany students
39.	2012	Chen and Su	√		survey	Taiwan	102 industrial buyers of Taiwanese fasteners.
40.	2012	Wang et al	√		survey	China	survey conducted in 5 cities in China with overall 1257 completed questionnaires
41.	2012	Herz & Diamantopoulos	√		experiment	Austria	3 experimental studies conducted with Austrian consumers
42.	2012	Jimenez & Martin	√		survey	Mexico	274 valid questionnaires from vehicle users and owners in three major cities in Mexico
43.	2013	Sinrungtam	√		survey	Thailand	approximately 500 people who is intended to buy an eco-car within six months from Thailand
44.	2013	Uddin, Parvin, and Rahman	√		survey	Bangladesh	237 household respondents accounted for two models over refrigerator product
45.	2013	D'Alessandro and Pecotich	√		experiment	Australia	two experiments with 31 first year university students and 19 members of wine tasting society as experts to evaluate wines from five countries (the US, Australia, France, China and Morocco)

Note: this table excludes the conceptual papers.

Appendix 4A



British Importer Survey

OVERVIEW:

Dear respondent:

I am a doctoral research student in University of Edinburgh Business School, and I am conducting a study examining the relationship between international importers and exporters. My research will explore the significance of Country of Origin in international trade. The aim of this study is to understand the determinants of country brand for an emerging country and to explore the development of it and how it can be changed over time. Your participation to this questionnaire will be the initial step to in this investigation: the perception of Country of Origin and its importance for the role of International Importer.

The enclosed questionnaire has overall 27 questions in 4 sections, including general information of company, importing behaviour, country of origin perception. The items in the questionnaire focus on factors affecting your decision in importing from overseas suppliers.

I would like to stress that your participation in this study is voluntary and all efforts will be taken ensure the information you give is confidential and secure and only used for research purposes. It should take you no more than 10 minutes to complete this questionnaire. As an incentive, we will provide all participants a copy of the findings of the study. I look forward to learning about your experience in international importing field. Your participation will be greatly appreciated.

Sincerely,

Fenfang Lin

PhD Researcher

F.Lin-2@sms.ed.ac.uk

SECTION 1: GENERAL INFORMATION.

1. Which of the following description is the most appropriate for your company?
(tick one box)

- International trading company
- International importing company
- Import broker
- Distributor
- Wholesaler
- Retailer
- Others please specify here: _____

2. What kind of product does your company import? (Tick as many as appropriate)

- Antiques
- Apparel industry/ Fashion/ clothing, shoes & accessories
- Automobiles
- Building/ construction material/ Tools
- Chinaware
- Electronic product
- Foods
- Gifts/ Promotional items/ Souvenir
- Home appliance /domestic appliances (white goods)
- Machinery
- Musical instruments
- Restaurant/ cafe equipment
- Plastic product
- Sporting product
- Toy product
- Travel goods
- Others, please specify: _____

3. When selling to your customers, how do you sell products: (tick one box)

- Under your own name and brand

- Under original name or brand of supplier/manufacturer
- Under both your name and name of supplier/ manufacturer
- Others, please specify: _____

4. What percentage of product(s) do you import? (tick one box)

- 90-100%
- 70-89%
- 50-69%
- 30-49%
- Under 29%

5. How many years has your company been involved in importing?

- Above 10 years
- Between 3 years to 10 years
- Between 1 year to 3 years
- Under 1 year

6. How regularly do you place import orders? (tick one box)

- Every week
- Every month
- In a particularly season or for a particular occasion, such as Spring, Summer, Autumn & Winter, Christmas, New Year etc
- Once a year
- Less than once a year
- Others, please specify: _____

7. Please name the top 3 countries from which you import products?

SECTION 2: IMPORTING BEHAVIOUR

8. What were the initial motivations for importing in your company?

(tick more than one box)

- Lower cost
- Good quality
- Lack of domestic availability
- Competitive pressure
- Unique product
- Better Design
- Brand recognition
- Good relationship with supplier
- Others, please specify: _____

9. Please **tick 3** of the following factors that you think are the most important factors in maintaining your importing relationship with suppliers: (tick 3 boxes)

- Low product prices
- Low transportation costs
- Favourable payment terms
- Favourable exchange rates
- Low or no import duties
- Design and style of the product
- Brand name recognition
- Product uniqueness
- High product quality
- Satisfactory packing and presentation of the product
- Simply ordering/shipping procedures
- Low minimum order quantity
- Short delivery time
- Large range of product in the same order
- Supplier's promotional support
- Cultural/friendship with the overseas suppliers

Reliability of long-term supply

Others, please specify: _____

10. Which one of the following supplier would you prefer to work with? (tick one box)

Trading company/agency

Local brokers

Manufacturers

Local whole sellers

Others, please specify: _____

11. Generally, how would you describe your relationship with recent suppliers of imported goods? (tick one box)

Very good

Good

Acceptable

Poor

Very poor

Considering changing supplier

Others, please specify: _____

12. Have you in the past switched from a supplier of imported goods to another?

Yes No

12a. If Yes, what was the reason? (tick one box)

Lower Price

Better quality

Better procedure

Better packaging

More reputable product brand

Image of country of origin better

Better after sales service

Lower minimum order quantity

A larger range of products in one order

Others, please specify: _____

SECTION 3: COUNTRY OF ORIGIN

13. When you are selecting a supplier, is supplier's country of origin important for you?

- Yes
- No
- Unsure

14. Which region in the world would you prefer to import from? (tick one box)

- Asian countries
- European countries
- African countries
- North America countries
- South America countries
- Australia and New Zealand countries
- Others, please specify: _____

14a. Is there any specific reason for this?

The definition of 'Made in China' in this questionnaire includes product which has 'Made in China' stamp/label, or any product comes from Chinese company/distribution/manufacturer.

15. Have you ever imported products from China?

- Yes
- No

15b. If 'No', what is the reason?

- No access to import from China
- Have no knowledge about Chinese product
- Because of the inferior quality
- Long shipment period
- Unfavourable country image
- Other (please specify): _____

16. If you have imported from China, please indicate your main reason for importing from China? (tick one box)

- Price advantage
- Advanced Quality

- Good after-sales service
- Convenience shipping system
- High technology
- Cooperative government policy
- Favourable currency exchange rate
- Others, please specify: _____

17. Please indicate the most important aspect of the 'Made in China' product? (tick one box)

- Lower cost
- Positive country image
- Advanced technology
- Better quality with the competitive price
- Good relationship with supplier
- Unique product
- Brand
- Simplified document procedure
- Favourable exchange rate
- Convenient transportation system
- Favourable Chinese exporting policy
- Good relationship with the suppliers
- Others, please specify: _____

18. Which of the followings would you feel is the main issue encountered with 'Made in China'? (tick one box)

- The inferior quality
- The increasing cost
- The increasing currency exchange rate
- Unfavourable government trading policy
- Product design
- Brand recognition
- Long shipment period

Unfavourable country image

Uncooperative supplier

Others, please specify:

19. Please state two countries that you think are the main competitors or potential competitors for 'Made in China'?

20. Have you any relevant comment(s) on the subject of importing and country of origin?

Section 4: Some knowledge about your company

21. Approximately, how many full-time employees are there in your organization?

- 10 or less;
- 11- 49 employees;
- 50-249 employees;
- 250-500 employees;
- 501 or more employees;

22. What is the main function of your business?

23. Would you be willing to take part in further research?

- Yes;
- No;
- Don't know;

24. What is the name of your company? *(optional)*:

25. What is your company's address *(optional)*:

26. Name of contact *(optional)*:

27. E-mail (This will help us to send you the copy of findings for this research):

End of questionnaire.

Thank you for your cooperation in this study.

If you have any further question about the study, please do not hesitate to contact me via email:

F.Lin-2@sms.ed.ac.uk

Appendix 4B

Interview Questions

Firm's background (4Q):

- 1) What's the main product does your firm produce?
- 2) How long has your firm participated in exporting business?
- 3) What're the main countries does your firm export to?
- 4) How does your firm export? (Through middle person, or deal with overseas buyer directly?)

Made in China competitiveness and future (10Q):

- What do you think the main strength for 'Made in China' in global market? (what about the strength for your product?)
- How long do you think the main strength can be last? (if it is 'being cheap')
- What's the main competitiveness for future needs? Do you think Made in China is ready to meet the future global competition?
- Do you think Chinese firm now is facing survival problem or developing problem?
- Have you seen other businesses closed down? What was the reason for that?
- Do you feel the pressure from business shifting to other countries? Has anything like that happened to you or your friend's business?
- If your product is run out of competitiveness in the industry, what will you do? Will you quit the product and go for another different industry?
- A lot of people said that China should follow the development model of Japan and Korea, moving from cheap labour production into high value-added product, what do you think about this?
- What's your opinion of the future for Made in China?
- From which aspect, Made in China should improve in order to achieve the future?

Creativity (5Q):

- Do you think Chuan Xin (creativity) is necessary for a firm?
- What is your definition of being creativity (ChuanXin)?
- How to achieve creativity? What are the foundations for creativity?
- How do you think the Chinese firm's performance in 'Creativity'? What is the difference between Chinese big firm and SMEs performance in creativity?
- What is the reason for the firm that not going for creativity?

Design (5Q):

- What do you think Chinese capability in designing?
- If design is lacked in China, how do you think should be improved?
- What about your firm's performance in design? Do you care about designing a lot?
- Is your firm has own designing team or department? If no, do you have any plan in stressing in design?
- Who is the best design in your industry? Which country? Do you have any collaboration project with them?

Technology (9Q):

- If you are going to buy a high technology product, do you have any preference with the product from which country? What do you think about Chinese technology's level compared to them?
- Do you think technology is very important to firm's success?
- In forum, some people said '*Chinese technology is borrowed*', what do you think about this statement?
- What do you think about the Chinese firm's technology awareness? High or low?
- Is your firm's production mainly focused on technology base or labour base?
- What do you think the level of automation in China? Should we all go for higher level of automation?

- What are the drawbacks of automation? Do you think this is possible for Chinese firm to go for it at current stage?
- What about your firm technology? Are you making all the key (core) components by yourself or buying it from other countries?
- Is your firm spending a lot of money on technology (R&D) development?

Quality (12Q):

- What do you think about your product quality? What does your overseas buyer think about your quality?
- How do you think about the controversial Chinese quality scandals? Who should take this part of responsibility? Chinese manufacturer? Overseas buyers?
- Price VS quality, which one is more important?
- What's your view on price war?
- What kind of situation will affect the quality? What do you think the relationship between quality and profit?
- In reality, what do you think about the manufacturer's quality awareness?
- How do you do with overseas buyers to ensure the certain quality? What kind of action has been taken?
- How to build a virtuous industrial production?
- Quality VS cost, when the cost is increasing, how do you cope this situation to ensure the quality?
- Do you think the individual customer has anything to do with the quality issue?
- Made in China now is rely on cheap?
- Do you cooperate with the global firms? How do you perceive the quality differences between you and them? Do you want to be one of them? How to achieve it in your opinion?

Marketing & Branding:

- How much is your product offered to overseas buyers, and how much does your buyers sell it overseas? What do you think about the price differences?

- Does your product have own brand?
- Yes: How is your own brand in overseas market?
 - What is the problem in overseas market?
 - What is the good side of having own brand?
 - What is your future plan for the brand?
 - Do you sell more expensive or cheaper if customer wants to buy your branded product?
- No: what is the good side of not having own brand and what is the bad sides about it?
 - Do you have any plan to have your own brand or you are comfortable with the situation now?
- What do you think about the relationship between self-branding and Chinese firm's future?
- What is the benefit for having self-dependent brand?
- As the result showed in forum, a lot of people complaint Chinese exporting oriented firm has very limited profit, what is your opinion on this?
- What is the main problem the Chinese firm has been facing from the case of your firm?
- What is your view to Chinese brand?

Appendix 4C

Interview Data

No	Time (min)	Interview date	Interviewee	role	Factory location	exporting years	Industry/product	Exporting form (how do they export?)	Number of employee	Exporting market	Production Model	Market strategies
1	53	10/11/2012	Theo	exporter	Ningbo	5	bathroom lights	trading company + own license	20-50	Europe (Italy, France)	OEM	exporting only
2	40	10/11/2012	Ms Hon	owner	He Bei	9	natural stone	trading company	10 to 20	Europe, U.S, Australia, South America, Middle East	OEM	exporting plus very little domestic market
3	40	11/11/2012	Mr Yan	owner	Yangzhou	6	tooth brush	trading company + own license	SMEs	Brazil, South America, U.S Africa, India, Middle East	OEM + OBM	mainly domestic market
4	34	13/11/2012	Mr Wang	owner assistant	Ningbo	9	fasteners	own license	SMEs	Russia, African countries, Philippine (mainly Russia)	OEM	exporting only
5	40	13/11/2012	Kira	exporter	shanghai	6	Disposable medical supplies	trading company + own license	above 1000/100+	Middle East, Africa and Europe	OEM	exporting + domestic
6	25	13/11/2012	Mr Chen	exporter	Shenzhen	10+	PC	own license	SMEs	America, Brazil, Europe etc	OEM + OBM	exporting + domestic
7	20	13/11/2012	Mr WangHF	owner	Ningbo	5	promotional product	trading company	20	local exporting firms	product attachment	to exporting company + domestic market
8	55	14/11/2012	17	exporter	Hui Zhou/Guangdong	8	speaker	trading company + own license	SMEs	Russia, U.S., Japan and South Korea	OEM	exporting + domestic
9	30	14/11/2012	ana	exporter	Shenzhen	9	LED Advertising screen for pharmacy	trading company + own license	below 100	Europe , North America, West Europe	OEM	exporting only
10	90	15/11/2012	Dandan	exporter	Shenzhen/Fuzhou	established year: 1988/2006	umbrella/art work	trading company + own license	1000/500	Europe etc	OEM	mainly exporting, with some domestic needs

11	70	16/11/2012	Lemon	exporter	guangzhou	10+	Sound Proofing Materials	trading company	10 to 20	local exporting firms	OEM	mainly domestic market
12	30	16/11/2012	Ms Huang	exporter	Shenzhen	3	charger	trading company	below 100	Europe (Italy, German, Norway), U.S.	OEM	exporting + domestic
13	50	20/11/2012	Q	exporter	fushan	2005/	LED lighter	trading company + own license	30	Europe, U.S.	OEM	exporting
14	45	26/11/2012	floating	exporter	Baotuo	10+	heavy truck	own license	state own company	Developing countries	own brand	exporting + domestic
15	25	26/02/2013	Ms He	owner	Yiwu	9	jellwery/accessories	trading company + own license	100+	Europe, U.S.	OEM	exporting
16	50	26/02/2013	Xiao Duo	exporter	Quanzhou/fujian	8	electronic clock	trading company + own license	above 100	Japan, South Korea, Europe, U.S	OEM	mainly exporting, 30% domestic needs
17	20	01/03/2013	Mr Dai	owner	Ningbo	11	promotion fabric product	trading company + own license	above 100	Europe, U.S, South America, Asia, Middle East, Africa	OEM	exporting plus very little domestic market
18	50	01/03/2013	Mr Lu	exporter	Huzhou	established year: 1999/ 5 years	stainless steel tube	own license	state own company	Middle East, Europe, US, South-East Asia	ODM/OEM	exporting
19	25	01/03/2013	MrChengang	sales	Shanghai	10+	Server cabinet	own license	FDI	Japan	OEM	Exporting only
20	52	01/03/2013	Mr Kong	exporter	Yangzhou	10+	tooth brush	trading company + own license	above 200	Japan, South Korea, South America, U.S, ASEAN, Middle East, Africa, Europe (excluding UK)	OEM + OBM	exporting plus very little domestic market
total	844 min (42.2 min on average)											