THE COO EFFECT IN THE INTERNATIONAL BRAND POSITIONING: A QUALITATIVE STUDY OF CHINESE COMPANIES

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ABSTRACT

Chinese companies have been an important issue in the world economy development, since China belongs to the group of emerging countries that had been gaining prominence in the last years. To gain market, ranges of companies are going abroad, aiming to develop their brands internationally. Brand positioning plays an important role when the goal of the company is to gain competitive advantage and to be positioned in the consumer’s mind. Furthermore, when Chinese companies decide to internationalize, they have to deal with the COO (country-of-origin) effect, which might influence the consumer’s perception when purchasing a product. The aim of this study is to examine how the effects of COO influence brand positioning of Chinese firms when going international, and how they deal with these COO effects. In this context, a theoretical framework presenting the brand positioning drivers with the combination of the COO effect is developed. A qualitative case study that incorporates four interviews in two different Chinese companies with subsidiaries in Brazil, called JAC Motors and ZTE, are settled. The findings from the case study are compared and contrasted with the theoretical framework, developing a cross-case analysis, identifying and complementing the elements of the theoretical framework. In this regard, it was identified that Chinese companies position their brands with a cost-benefit approach, due to the COO effect caused by different general attributes from China. The brand positioning drivers, in a certain way, are defined taking in consideration the COO effect, although the drivers were not totally affected by the COO. In order to deal with the COO effect, most drivers oppose a negative effect of the COO when it is caused by the perception of lack of quality from Chinese products; or the COO effect is highlighted in the strategy, when it is caused by the perception of low price. These findings are eventually depicted by a theoretically anchored and empirically guided model, which allows the authors to describe the international brand positioning of Chinese brands and how they deal with the COO effect in its international brand positioning.

Key Words: brand positioning, COO (country-of-origin), Chinese companies, international brand positioning.
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1. INTRODUCTION

In this first chapter the outline of the studied area is presented and provides the background of the subject. Afterwards, the main problem of the thesis is discussed, which leads to the research purpose and the research questions. Finally, delimitations are given.

1.1 Background

The international marketing context enhances the need of understanding differences and similarities from one market to another (Hassan & Craft, 2002). This knowledge provides arguments to base brand positioning decisions (ibid). Furthermore, it is necessary to have in mind the importance of brand positioning in the international marketing, considering these differences and similarities, in order to create competitive advantage (Baack, Harris & Baack, 2013).

The brand positioning concerns in a strategy that determines the place that a brand will occupy in a given market, in order to create a differentiate consumer perception, enhance the competitiveness and strength over other brands, deliver the brand benefits to the consumer and define the type of segment to be targeted (Keller, Sternthal, & Tybout, 2002; Hassan & Craft, 2002); the brand positioning gives direction to the marketing strategy (Keller, Aperia, & Georgson, 2008).

Different combinations of market factors, such as price, quality, brand reputation, marketing strategies, country-of-origin (COO)\(^1\), among others, can represent a brand (Gürhan-Canli & Maheswaran, 2000). By this, the brand evaluation in the international context can be affected by these market factors, including the country-of-origin label that the product carries (Yasin, Noor & Mohamad, 2007).

As a consequence of the globalization phenomenon, where companies expand its presence throughout a range of countries, the consumers are more sensible of the increasing number of international products available in their routine (Essoussi & Merunka, 2007). Simultaneously, the aware of country-of-origin also grows and raises several questions for academic and business research (ibid).

Studies point out that the COO has influence on consumers’ product perception and its purchases decisions, affirming the effects of it through several perspectives (Peterson & Joilbert, 1995; Schooler, 1965; Samiee, 1994). These perspectives can be lead to causes concern to the General attributes from China (GCA), which are political system, economic style, culture, education level, technical skills and standards of living (Parameswaran & Pisharodi, 1994) influencing the COO effect and consequently the customers’ perception. Zhang (1997) raises the importance for firms to understand the

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\(^1\)COO effect is the influence of the place of origin on consumer evaluation and related decisions (Gürhan-Canli & Maheswaran, 2000).
COO effect, in order to adopt effective strategies when marketing the product in global scale.

The COO effects are the influences or bias that the place of manufacture of a product may have on consumer evaluations and correlated decisions (Gürhan-Canli & Maheswaran, 2000; Samiee, 1994). Enhancing these definitions, Kabadayi and Lerman (2011) argue that the “made-in” labels – which correspond to the country-of-origin effects on a product, are very relevant for marketing practice, since consumers are devoting special attention for the COO labeling.

The country-of-origin is a secondary brand association, although when dealing with new brands in a specific market, the COO have a direct impact on brand evaluation, becoming a part of the brand image, which has a huge influence on the perception of the consumers regarding the brand (Keller, 1993). To settle a brand positioning in a market, different drivers should be taken in consideration, which are the brand identity, the target audience, the brand communication, and the competitive advantage strategy (Aaker, 1996). Along with Keller’s (1993) explanation of country-of-origin, these components might be affected by this brand association when entering an international market.

The evaluation of products taking in consideration its country-of-origin is a tendency especially in emerging markets (Yasin et al., 2007; Essoussi & Merunka, 2007). This fact is a consequence of the increasing offer of international products in these markets, where the perception of the consumers about a country became a decisive factor for this evaluation (Essoussi & Merunka, 2007).

According to the UNCTD (2013), in 2012, developing countries absolved more foreign direct investments (FDI) than developed countries, and China is one of the nine developing economies ranked among the 20 largest beneficiaries in the world. China turned to be one of the main drivers of outflows from Asia and will keep the position for the next years (ibid). There are a number of motives for Chinese companies to enter foreign markets, such as the country financial situation, the national strategy, the political features of the national government, the market access of the host country and the need for global capability in the market (Shenkar, 2009).

Among the emerging markets, Brazil is the second-largest destination for FDI flows, after China, and the largest destination in Latin America, which lead the country to gain prominence in the world by being one of the most important emerging economies (UNCTD, 2013). As a consequence, China has become Brazil's most important economic partner, since the total trades between the countries have risen 17-fold since 2002 (The Economist, 2012). These investments in the Brazilian market are a result of changes in Brazil’s domestic economy, where the country has shown to be an increasingly attractive destination for foreign investment: the Brazilian moderate economic growth and successful social programs have lifted 30 million people out of poverty and into the new and expanding middle class, with greater purchasing power and easier access to credit (UNCTD, 2013).
China Brazil Business Consul (2013) asserted that the most common entry mode of Chinese companies in Brazil is by establishing a new wholly owned subsidiary, in which the automotive sector is the most popular in this entry mode, representing 37% of the projects in Brazil. The telecommunication sector also ensures representativeness with 7% of Chinese investments in Brazil (ibid). The advantage of the Chinese companies in the Brazilian market is their low-cost benefit, which increases the challenge for the established Chinese companies in Brazil (ibid).

Chinese companies have been developing their brands year by year, conquering place in foreign markets (Prange, 2012). When exporting to emerging economies, Chinese brands offer low prices and value for consumers that are acquiring purchasing power in the market (Schept, 2014). In contrary, to become large investors in the international market, a number of Chinese firms are trying to change the image of low-cost competitors to a global provider of valuable brands (ibid).

1.2 Problem Discussion

In order to achieve a competitive position in the global market, it is necessary to build an international brand positioning, which involves creating a differentiation for the customer (DeChernatony, Halliburton & Bernath, 1995). With the brand values well defined, with a strong concept and an effective implementation, the brand will be able to stand itself in the international market (ibid); another challenge when creating an international brand position is to identify its global segment and target (Huang & Hsieh, 2011). This is a consequence of the constant associations of the value of the product with the brand by the consumers, which conveys either a positive or a negative effect (Ghauri & Cateora, 2010). Studies illustrate that these effects can be caused for many factors, and one great fact concerning the international area is the country-of-origin effect (Gürhan-Canli & Maheswaran, 2000). The COO effect can be caused for many different attributes such as, political system, economic style, culture, education level, technical skills and standards of living (Parameswaran & Pisharodi, 1994) of the country, which lead to understand the COO effect.

There is a relation between COO image and brand image, where it is possible that the country image is transferred to the brand, and also, the opposite way, where the brand image can influence the country image (Guercini & Ranfagni, 2013). The negative COO image can influence, as consequence, the evaluation of a product in a poorly way, even though it has a high quality (Cheng, Blankson, Wu & Chen, 2005).

All the terms correlated above are part of the brand positioning strategy of a company, where the differentiation is perceived in the competitive advantage, the brand image stands for how the company communicates the brand and how it is perceived by the consumers; the audience target concerns to whom the brand addresses and the brand identity represents the essence of the brand (Aaker, 1996).

Considering the increasing importance of the international brand position and the country-of-origin effects for the brand, the combination of these themes is shown as a valuable study for the marketing area.
1.3 Research Purpose
Assuming the problem discussion above, the aim of this study is to examine how the effects of COO influence brand positioning of Chinese firms when going international, and how they deal with these COO effects. By considering the great amount of business among China and Brazil, this study focus in Chinese companies inserted the Brazilian market to further research the COO effects in the brand positioning.

This research approaches an examination of a framework regarding brand positioning and COO effect, where is analyzed the international brand positioning strategy and the effects of the COO in each brand positioning driver.

1.4 Research Question
Therefore, this study follows the bellow research questions:

*How do Chinese companies position their brands when going international?*

*What are the causes of the COO effect that affect Chinese companies brand position when going international?*

*How do Chinese companies deal with the COO effect when positioning their brands internationally?*

1.5 Delimitations
As the concept of brand positioning is rather broad, this study delineates the brand positioning with a special focus on the drivers that assist a company when positioning their brand abroad. In addition, the COO effect, which is largely connected to entry modes theories, is approached in a different way. The COO effect in this research is focused as a general term, where its influences on the brand positioning are analyzed.

Also, this study approaches the companies’ view of brand positioning and the causes of the COO effects, and does not take in consideration the consumer’s view of this subject, which is a limitation to be aware of.

1.6 Thesis Outline
The thesis includes six different chapters. The first chapter of introduction consists of the background of the chosen area and the problem discussion, leading to the purpose and the research question. In the next chapter, the literature review, relevant literature regarding the COO effect and causes, brand positioning and its drivers are presented, before the actual theoretical framework is illustrated. The third chapter provides the methodological characteristics of the thesis in detail. The subsequent chapter presents the empirical findings and provides the input for the analysis in chapter five. The analysis embraces a combination of within and cross-case analysis, comparing each case simultaneously to existing theory and to each other, defining the similarities and differences. In the last chapter of the thesis, the conclusion, implications and further research is presented.
2. LITERATURE REVIEW

In this chapter relevant literature is reviewed. To understand the brand positioning, the term brand, brand positioning, international brand positioning and the brand positioning drivers are described. To complement, the general construction of the term COO is described, composed with COO Effects on product evaluation and the causes of the COO effect, describing through institutional distance facts from China. Together, the Brand positioning drivers and the COO effect complement the framework of this thesis.

2.1 Brand

A brand can be recognized as a name, term, sign, symbol, design, service, person or place which supply buyer or user needs regarding uniqueness, adding sustainable value competition (DeChernatony & McDonald, 1999).

To create market differentiation, a brand might satisfy the same market needs of others products and services, though creating different dimensions, such as: functional, rational or tangible differences, related to the product performance and symbolic, emotional or intangible differences, related to what the brand represents (Kotler & Keller, 2006).

De Chernatony (1998) points that brand goes beyond differentiation and functionalism; it is more about personality that influence and creates clarity and closeness to consumers, influencing the brand success and overcoming its competitors. Companies use brands to be able to convey their marketing strategy and their positioning in the markets (Ghauri & Cateora, 2010)

2.1.1 Brand Positioning

The brand positioning refers to the strategy of developing a position in the market, increasing the customer perception, gaining competitive advantage and strengthening superiority or value over other brands (Hassan & Craft, 2012; Herrmann & Huber, 2000; Keller et al., 2002)

The positioning of a brand relies to identify an ideal location of a brand in the mind of consumers, maximizing potential benefits to the firm regarding its competitors (Keller et al., 2008). It is also related to how the company intends to have the brand perceived by the target (Fuchs & Diamantopoulos, 2010; Novak & Lyman, 1998), communicating what the brand is, what it offers and for who it is (Hansen & Singh, 2008).

As a part of the value proposition, the brand positioning concerns in demonstrating the competitive advantages of a certain brand to its target audience (Aaker, 1996). Hence, companies have to identify their brand capabilities in order to become a potential source of competitive advantage and build a strong brand positioning around the capabilities (Jalkala & Keränen, 2014).
The direction of marketing strategy is settled by the brand positioning (Keller et al., 2008), involving the establishment of key brand associations in the consumer’s mind and other important elements, such as the customer perception about the product attribute and the consumer’s image associations (Keller & Lehmann, 2006). Positioning a brand in a market evolves the use of formal and informal communication in order to reinforce the positive perception and values of a brand in the target’s consumer’s mind (Novak & Lyman, 1998). For this reason, the positioning attributes of a brand can be related in different potential positions, such as: attributes, usability, consumer, product category, price and quality, and competitive positioning (Aaker & Shansby, 1982). Besides these points, the situation, the country-of-origin and the customer service delivery can also position a brand in different categories (Romaniuk, 2001).

Keller, Sternthal and Tybout (2002) point some pitfalls that companies usually commit when positioning their brands, such as: (1) create brand awareness before knowing who the brand is and what its position represent in the market; (2) promote the product’s attributes without knowing what the consumer really needs; (3) invest in competitive advantage that can be easily copied by its competitors; (4) be more worried in respond the competitor’s attitude than establishing its position; and (5) do not find a workable and efficient brand positioning – since reposition is a tough task, sometimes impossible to be achieved.

2.1.2 International Brand Positioning

In an international marketing context, the understanding of differences and similarities from one country to another is a fundamental need to position a brand abroad (Solberg, 2002).

Baack et al., (2013) argue that international positioning involves changing or creating attitudes, in order to create a different component product or organization’s image, creating a competitive advantage. For an international brand position, a company should consider some strategic points, such as: analyze the competition, knowledge of the target customer, decide on the position in the particular market, develop a consistent marketing communication strategy, decide on global x local content mix, create a balance between brand elements and establish an international brand measurement system (Ghauri & Cateora, 2010).

The differentiation of a brand relies to specific benefits and attributes that make the product unique, performing a point of difference and value proposition to the global target markets and global competitors (Baack et al., 2013).

2.1.3 Brand Positioning Drivers

There are four drivers of brand positioning, which are: (1) subset of the brand identity and value proposition, (2) the target audience, (3) being actively communicated and (4) creating a competitive advantage (Aaker, 1996). With these characteristics the brand aims to achieve a specific position in the consumer’s mind (Hansen & Singh, 2008).
The subset of the brand identity and value proposition is summarized in a short sentence that can express the brand position, and it is composed of the brand identity, the points of leverage of the brand and the value proposition (Aaker, 1996). The target audience can comprehend the primary and secondary audience that the brand aims to communicate with (ibid). To be actively communicated means that there will be a precise communication with objectives of the brand that could be changing or enhancing the brand image, or even focusing on its relationship with the customer (ibid). To create competitive advantage the brand should find a specific point of advantage that would differentiate it from the competitors, and should also use this superiority as a part of the value proposition (Aaker, 1996).

**Brand Identity**

As the first step in the brand positioning framework, the brand identity provides purpose, direction and meaning for the brand, being a central concept to build a strong brand (Aaker, 1996; Sagar, Khandelwal, Mittal & Singh, 2011). All the information that a consumer connects to the brand should be summarized in the brand identity, which should be clear and explicit (Randall, 2000). The brand identity is how the brand aspires to be perceived, while the brand image is how the consumers perceive the brand, the reason why the brand identity does not influence directly the consumer preference (Saaksjarvi & Samiee, 2011).

To understand which elements of identity to be included in the brand position, there are three items that should be further considered: the core identity, the points of leverage and the value proposition (Aaker, 1996). By representing the timeless, central and essence of the brand, the core identity often carries the most valuable aspects of a brand. Not necessarily the core identity of a brand, the points of leverage might be represented by a subbrand, feature or service of the brand (ibid). The value proposition is represented by the key benefits to the customer, often driving the brand-customer relationship, and can be used to determine the brand position (ibid).

**Target Audience**

The brand position should be addressed to a certain target, which could be primary and also secondary (Aaker, 1996). The latter one should always be taken in consideration when building the brand position strategy (ibid). To define a target audience, it is necessary to segment the market, which is composed by potential buyers who have interest, income and access to the product or service (Keller et al., 2008). Furthermore, the market segmentation consists of a group of consumers with similar needs and behaviors (ibid).

**Actively Communicated**

When a company has a specific communication with the objective to strength or change the brand image or the brand-customer relationship, it means that the brand is actively communicated (Aaker, 1996). The brand communication is a process where it is stated
the product features and attributes, as well the emotional aspects of a product or service, likewise to communicate the brand personality and the brand identity to the customer (Keller, 1993).

The brand image reflects a current perception of a brand (Aaker, 1996) and plays an important role in the brand positioning (Herrmann & Huber, 2000).

The communication is an important instrument to be used in the brand position, and can be used to augment the image, if a dimension needs to be added or strengthened in the brand image, reinforce the image, if the perception of the brand is consistent and strong, and diffuse the image, if the brand image is inconsistent with the brand identity (Aaker, 1996).

**Competitive Advantage**

The advantage over competitors should be illustrated in the brand position, exhibiting the points of superiority, meaning the differentiation from competitors, which is a part of the value proposition (Aaker, 1996). For Herrmann and Huber (2000), the aim of the brand positioning is to distinguish the brand from the competitors, ensuring that the brand occupies an exclusive position in the market and in the consumer mind. To ensure a proper brand position, it is necessary to identify the points of parity and points of superiority of the brand regarding its competitors (Keller et al., 2008; Keller, Sternthal & Tybout, 2002).

For a successful brand positioning, the positive unique associations that differentiate a brand from its competitors are fundamental, known as points of difference (Keller, Sternthal & Tybout, 2002). Based on an attribute or benefit of the brand, the differentiation that a brand has from its competitors becomes a strong association in the consumer’s mind (Keller et al., 2008).

The points of parity are associations in common with other brands, which can be in the competitive or category form (Keller et al., 2008). The competitive points of parity are supposed to null the competitors’ differentiation; the category points of parity are those which are intrinsic from a product category, and are necessary to the credibility of a brand in the certain category (ibid).

The below framework, created by the authors of this thesis; adapted from the authors Aaker, 1996; Herrmann & Huber, 2000; Keller et al., 2008, indicates the fours brand positioning’ drivers and each sub-driver as discussed above.
2.2 COO (Country-of-origin)

The COO (country-of-origin) is an important factor in international marketing, influencing the consumer’s perception about a product (Zhang, 1997; Gürhan-Canli & Maheswaran, 2000; Samiee, 1994). For this reason, further studies regarding this theme will be developed as it follows.

2.2.1 Development of the Term COO

The first study giving interest for the COO effects to the academic research was Schooler (1965), which findings affirms that identical products were evaluated differently by consumers regarding the country-of-origin of the product. Since then, researchers develop studies concerning the effect of the country-of-origin effects on products.

The COO effect is the general images created by variables that influence the consumer behavior towards a product, in addition to the variables that are inherent of the products (Bannister & Saunders, 1978). Those variables that are related to the COO effect are representative products, economic and political maturity, historical events and relationship, tradition, industrialization and degree of technological virtuosity (ibid). A simple definition of the COO effect is the influence of the place of origin on consumer evaluation and related decisions (Gürhan-Canli & Maheswaran, 2000).

The COO effect raises a number of main concepts about the understanding of the term. It is clear that the consumers demonstrate a preference for products made in a specific country than others, and this preference is related to the level of economic development of the country. Also, consumers from different countries reveal different perceptions on the COO effect of each country (Samiee, 1994).
There are four areas that originate the COO effect: the home country is the consumer’s home country and its influence on its beliefs; the origin country is the country that the consumer generally associates with a certain product; the made-in country, which is listed on the label of the product and the designed-in country is the country where the product was designed (Baack et al., 2013).

2.2.2 The COO Effects on Product Evaluation

The perception of consumers of a certain country-of-origin exerts influence on the evaluation of a product from the given country; therefore this perception will also influence the consumer choice for a particular brand, the purchase intention and their preferences. This perception of the COO implicates on the brand evaluation (Yasin et al., 2007).

The country-of-origin can affect the product evaluation in a positive or a negative way, depending on the consumer perception of the country (Yasin et al., 2007; Baack et al., 2013). The stereotypes formed about products and countries will influence this negative or positive perception of the consumer (Cateora & Graham, 2013). Among product differentiation, perception of quality and reduced purchasing risk, the country-of-origin influences consumers in many ways, hence some studies point that COO might be more important than brand name for some consumers (Baack et al., 2013).

According to Parameswaran and Pisharodi (1994), there are three facets from country-of-origin which influences the perception of a determined product in a given country. These facets can be described as causes of the COO effect, which can influence the consumer perception. The facets are the general country attributes (GCA), the general product attributes (GPA) and the specific product attributes (SPA).

The SPA refers to specific product attributes, consisting of aspects from a given product, implicating also on the marketing and firm related attributes (Parameswaran & Pisharodi, 1994).

The GPA refers to the general offering of products of the country, such as value, attractiveness, uniqueness, availability among others. This facet can be divided into three components: negative attributes, positive attributes related to promotional and distributional image and positive attributes related to product image (Parameswaran & Pisharodi, 1994).

The GCA concerns to the political system, economic style, culture, education level, technical skills and standards of living (Parameswaran & Pisharodi, 1994). This facet consist of two components: the people component – “positive feelings about a country and its people, and particularly about their education, skills, likability and other positive traits” (Parameswaran & Pisharodi, 1994, p. 54); and the interaction component, referring to similar political views, economic moment and culture, that leads to a perception of similarities among the country (ibid).
In order to complement the GCA facets, since the GCA refers to the causes that can affect the COO effect, institutional distance facts about China, regarding its political system, economic style, culture, education level, technical skills and standards of living are presented below.

In the last years, China has become one of the most important emerging countries (Rapoza, 2014). The Chinese economic data from the last year suggests that the economy has stabilized and the inflation has been maintained at a manageable level, meaning a positive government development and progress, focused on rebalancing its economy to achieve a more sustainable and higher-quality growth trajectory (Mirae Asset, 2013). China is considered a low labor cost country with different opportunities for capital investment, for this reason, China became an important emerging country, especially for investors aiming higher margins and cost-cutting opportunities (Najafi, Dubois, & Hulthén, 2013).

In order to classify the causes of the COO effects in China, some world competitiveness indicators, which determines the level of productivity of a country (Schawab, 2013), with political system, economic style, culture, education level, technical skills and standards of living (Parameswaran & Pisharodi, 1994), have been identified as it follows.

Regarding China’s institution framework, the country leads the BRICS economies (Brazil, Russia, India, China, South Africa), which is improving every day, however China still has strong problems with corruption, security issues, low levels of accountability and ethical standards among business (Rapoza, 2014). China’s financial market has been undermined by the fragility of the banking sector, technological adoption by firms, population largeness and the efficiency of its goods market is damaged by various barriers to entry and investment rules, which greatly limit competition (Rapoza, 2014). China’s macroeconomic situation remains favorable, since the inflation is back down, the budget deficit is moderate and the GDP (Gross Domestic Product) is one of the lowest in the world (Rapoza, 2014). Regarding health and primary education, China has received good marks (Rapoza, 2014). The negative point is on higher education, mainly because of China’s low tertiary education enrollment, the average quality of teaching, and an apparent disconnection between educational content and business needs (Rapoza, 2014). The innovation in China has been improving recently, but much remains done for it to become an innovation powerhouse (Rapoza, 2014). Regarding China’s infrastructure, since 2001 the country has been investing in its high-speed train lines, connecting most of the important urban hubs and the highways are estimated to connect more than 90 percent of the cities (Ghiasy, Mothe & Pontemayor, 2013). This allocation of infrastructure has allowed China to maximize and exploit its competitive advantages (Ghiasy et al., 2013). Regarding China’s labor market efficiency, automation and mechanization of the work has been prepared for an industrial shift towards cost management for the next years (Rapoza, 2014). The service industry is predicted to become China’s primary growth driver in the future in order to create opportunities for local and foreign education institutions, such as offering specialized degrees and certification programs (Stanley & Rittaca, 2013).
The table presents a summary from the world economy competitiveness indicators created by the authors of this thesis and adapted from Schawab, 2013:

**Table 1 World Economy Competitiveness Indicators (own illustration, adapted from Schawab, 2013)**

<table>
<thead>
<tr>
<th><strong>Institution Framework</strong></th>
<th>Leads the BRICS economies; Problems with corruption and security issues; Low levels of accountability; Low ethical standards among business.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Market</strong></td>
<td>Damaged by the fragility of banking sector, technological adoption by firms and population largeness; Efficiency of the market is damaged by barriers to entry and investment rules; Provides higher margins; Provides cost-cutting opportunities.</td>
</tr>
<tr>
<td><strong>Macroeconomic</strong></td>
<td>Favorable situation; Low inflation; Moderate budget deficit; Low GDP.</td>
</tr>
<tr>
<td><strong>Health and Education</strong></td>
<td>Good marks for health and primary education; Higher education is a negative point.</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Recently improved.</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Recently invested in transportation.</td>
</tr>
<tr>
<td><strong>Labor Market</strong></td>
<td>Creation of opportunities for local and foreign education; Low labor cost country.</td>
</tr>
</tbody>
</table>
2.3 Theoretical Framework

The theoretical framework is a summary of the main parts of the presented theories in the literature review. Firstly each driver from the framework part was individually analyzed according with the companies’ brand position. Secondly, each driver was analyzed considering the COO effect on the brand positioning. The framework below assumes that every driver in the brand positioning is affected by the COO in a similar way.

Figure 2 Brand Positioning and the effect of the COO (own illustration)
3. METHODOLOGY

In this chapter the methodology of the thesis is explained and presented. Justifications and arguments are provided in order to clarify all methodological choices made in the course of the research process.

3.1 Research Purpose

The research purpose has as main goal to answer the research questions and the research objectives (Saunders, Lewis & Thornhill, 2007). To answer the research purpose, the research design assists to develop a framework that sets the foundations for conducting a project (Malhotra, 1999).

The research design is used in the research method’s literature in three different fields: explanatory, exploratory and descriptive (Yin, 2014). The explanatory design emphasizes the study of a situation or a problem in order to explain the associations between variables (Saunders et al., 2007). The exploratory study is used to seek comprehensions into the general nature of a problem (Aaker, Kumar, Leone & Day, 2013). The descriptive design encloses the characteristics or functions of the market (Malhotra, 1999). The study has as main goal depict a precise profile of persons, events or situations (Saunders et al., 2007). The descriptive study provides a snapshot of some aspects of the market, might bringing hypothesis, that may be unsure and speculative (Aaker et al., 2013). The descriptive study is considered in this thesis to clarify a problem using new insights, questioning new theories and assessing new concepts (Robson, 2002; Saunders et al., 2007).

The purpose of this thesis is to develop a research from the literature, exploring the way Chinese companies deal with the COO effects in its international brand positioning. In order to achieve this purpose, the research will be developed under the description of the market characteristics (Malhotra, 1999) between the COO effect and the brand positioning drivers.

3.2 Research Approach

Bryman and Bell (2011) propose that the theory is an explanation of observed regularities in order to develop a certain domain. A theory can develop the research design of a project and is divided between deductive and inductive theory (Saunders et al., 2007). The inductive theory emerge new findings from a theory already created and the deductive theory use of experimental and hypothesis testing research, basing the research in preconceptions data collection and data analysis (Thomas, 2006).

This thesis approaches the deductive theory. The deductive approach is more emphasized in the creation and test of hypotheses or theories (Saunders et al., 2007; Bryman & Bell, 2011). The study presents a pre concept framework, which the deductive theory approaches the theoretical considerations already created in order to develop new ideas.
The search to explain causal relationships between variables are studied, in order to generalize a concept (Saunders et al., 2007).

To complement the research approach, there are research methodologies that help to answer the purpose of the research, which are the qualitative and quantitative method (Malhotra, 1999). The qualitative research can be selected when the research requires knowing more about things that cannot be measured or observed (Aaker, 2013). The quantitative method pursues to measure the data and relates for some statistical analysis method (Malhotra, 1999). This thesis approaches the qualitative research, since the objective is deep interview two different companies where it is not possible measure or observe, but better underlay the measurement of behavior and attitudes (Chisnall, 1997). Bryman and Bell (2011) argue that a qualitative analysis is carried by the qualifications of the words. This method analyses the point of view of the participants, where the researcher is straight and may have no structured interview (ibid). The more unstructured is the research, the more the subject can design the real emotion, needs, motives attitudes and values of the research (Aaker et al., 2013).

The theories used for the literature review are based in two different subjects regarding the COO effect and the brand positioning inserted into the international brand strategy. This literature review delineates a structured framework, creating a relation between both themes and answering the purposed research questions. The theories and the structured framework simplify the analysis and find a connection explaining how Chinese companies position their brands internationally, the causes of the COO effect that affect the international brand positioning and how they deal with the COO effect when positioning their brands.

The empirical findings provide the necessary knowledge to contribute to previous knowledge, which enriches the understanding and serve as support on the data collection and interview guide construction, praising the deductive approach. In order to derive the right information, depth interviews were applied in form of an unstructured data collection, approaching a qualitative research method.

3.3 Research Strategy

A qualitative strategy leads to a non-positivism consideration (Bryman & Bell, 2011). The biggest challenge of the interpretivism considerations is to understand the phenomenon by the point of view of those who are living it (Saunders et al., 2007). The research strategy generally adopted by this approach is the case study and frequent visits in the field (ibid).

This thesis approaches a case study, since this study empirically investigates a case in a deep and real context, considering that the case limitation and its context may not be clearly evident (Yin, 2014). A case study might investigate a contemporary phenomenon within its real life context connecting with an empirical inquiry, which relies on multiple sources of evidence (ibid). Saunders, Lewis and Thornhill (2007) complement that a case study includes interviews, observation, documentary analysis and questionnaires. This
thesis approaches two different cases. The needed of multiple-case is given when the findings of the first case may occur in the second case, and as consequence, the need to generalize and compare these findings (ibid). Yin (2014) explains that multiple-case designs may be preferred than single-cases. Single-cases give the opportunity to the researcher to observe and analyze a phenomenon that less researchers has considered before. Although, as this research involves an empirical investigation with depth interview in order to compare two different cases. Yin (2014) explains that even a two-case study may be more substantial than single-cases.

A case study might be conducted through questions with “how” or “why”, since the research method is focused on a contemporary event and do not require control of behavioral events (Saunders et al., 2007; Yin, 2014). However, the question with “what” is also focused on exploring a phenomenon in a certain context (Yin, 2014). The content of this thesis is the effect of country-of-origin in a brand positioning strategy, focusing on an automobile company and a telecommunication company with the closed-connected research questions:

*How do Chinese companies position their brands when going international?*

*What are the causes of the COO effect that affect Chinese companies brand position when going international?*

*How do Chinese companies deal with the COO effect when positioning their brands internationally?*

In order to answer the research questions, two different Chinese companies from different segments were analyzed and compared concerning their brand positioning strategy dealing with the COO effect. Based on the aim and the research questions of this study, as well as the claim of an analytical generalization of the thesis’ findings, a multiple case study is the most suitable strategy.

### 3.4 Case Selection

In a quantitative research the sampling is one of the most important parts of the market research, which concerns with the collecting, analyzing and interpreting data collection (Chisnall, 1997). In a qualitative research, the sampling population might be less important than in quantitative research, since a case analyzed in depth, is the most important aspect of the research (Bryman & Bell, 2011).

In marketing research there are some techniques to identify the sampling, the probability sample and non-probability sample (Chisnall, 1997). In the probability sample a population is known and might be equal for all cases, meaning that the characteristic of a population is statistically delineated (Saunders et al., 2007). In the non-probability sample relies to the researcher judgment about which elements should be included in the sample, since there is no way or statistically technique to determine the probability of selected elements (Malhotra, 1999). In this context, no pre-defined and suitable sampling frame
for Chinese companies was defined. Consequently, the non-probability sampling was selected as is more frequently used when adopting a case study strategy (Saunders et al., 2007). In more detail, in order to answer the research question and the research objectives, the sampling technique purposive or judgmental has been applied and enhanced by convenience sampling (Malhotra, 1999; Saunders et al., 2007). The purposive or judgmental sampling has usually an unknown frame and the sampling procedure is not well specified (Aaker et al., 2013). In this context, a number of criteria to purposefully select an appropriate sample were applied, which were as follows: (1) Companies from China, (2) Multinational companies, (3) Companies with subsidiary in Brazil, (4) Companies that have their own brand.

In order to select the companies for this study, eleven different companies that matched the above criteria requirements for this thesis were found, which only two companies answered positively, being JAC Motors and ZTE the nominated case selection companies.

JAC Motors, which has as a line of vehicles focused to different segments of automobile market, had its first export to the Bolivian market, in 1990 (JAC Motors a, 2014). Nowadays, the company is placed in over 100 countries around the world and entered the Brazilian market in 2011 (ibid). Currently, the Company has more than 50 stores around Brazil, becoming one of most successful Chinese automakers brands in the country (JAC Motors b, 2014).

ZTE is a global provider of telecommunications equipment and network solutions, with operations in 160 countries, and entered in the Brazilian market in 2002. (ZTE Corporation, 2013). Nowadays, over 50% of the overall operating revenue of ZTE comes from the international market, and their business focus is in major populous nations and mainstream global carriers (ZTE Corporation, 2013).

3.5 Data Collection

To collect data for the research, it was used multiple sources of evidence to rely the information, constructing validity and reliability for the findings (Yin, 2014). The triangulation of the collected data is suitable for a case study research method, since it enhances the overall quality of the study (Yin, 2014). The triangulation was provided throughout the interview of the primary data and the articles and reports from the secondary data.

The data collection in the qualitative research is possible through two approaches – primary data and secondary data (Bryman & Bell, 2011). This study approaches both possibilities, first the secondary data, since this data was the first to be researched and afterwards the primary data, given that the interviews were conducted after secondary researches.
3.5.1 Primary Data

As the purpose of this study is descriptive, it is necessary to comprehend the reasons for the decisions, attitudes and opinions that the research participants have taken, and the most appropriate technique to obtain the proper data is through a qualitative interview (Saunders et al., 2007). There are many reasons that the qualitative interview suits better the presented study, such as the purpose of the research, the number of questions to be answer and the complexity of it, the need of varying the order and logic of questions, among others (Saunders et al., 2007). The qualitative interview denotes to unstructured and semi-structured interviews, expressing more flexible, rich and detailed answers than the quantitative interview types (Bryman & Bell, 2011).

This study approaches a semi-structured interview, aiming to gather valid, relevant and reliable information to answer the research question presented in the study (Saunders et al., 2007). This type of interview is recommended when the researcher have a fairly clear focus, so more specific subjects can be approached (Bryman & Bell, 2011). The semi-structured interview refers to a context where the interviewer has a general form of an interview, with a list of themes and questions to be addressed (Bryman & Bell, 2011), although it might vary in each interview and some questions could be omitted or added, depending on the interview (Saunders et al., 2007). For this reason, the questions among the interviews vary, as necessary in the elapse of the content. Concerning an exploratory study, it is more likely that the interview include non-standardized questions, especially to deduce casual relationships between variables, which enable the researcher to collect a rich and detailed set of data (Saunders et al., 2007); furthermore, the discussion follows the participant view on the research topics, exposing its perspective, not the researchers (Marshall & Rossman, 2006).

The semi-structured interview guide was built on the theory searched, which was segmented into four topics: brand identity, target audience, actively communicated, and creating competitive advantage; the topics go along with the chosen theoretical framework. This prior knowledge from the researchers was crucial to ensure that the interview guide would lead to relevant information to the study (Saunders et al., 2007).

To better understand the connection between theory and interview, a table below simplifies the categories studied with its definitions, indicating the interviews’ questions and the authors of each theory:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Topic of questions from the interview guide</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Identity</td>
<td>Provides purpose, direction and meaning for the brand, being a central concept to build a</td>
<td>1</td>
<td>(Sagar, Khandelwal, Mittal, &amp; Singh, 2011); (Aaker D., 1996)</td>
</tr>
</tbody>
</table>

Table 2 Theory Approach (own illustration)
The research subjects were qualified according with the knowledge about the topic of this study. In this context, knowledge about the companies’ brand position and its strategy were suggested being the marketing manager and the responsible person for the brand in Brazil. Therefore, four different professionals in these positions were considered as best people to contact, aiming to pursue the purpose of this thesis. After the first contact by the Company website contact, the e-mail was redirected to the responsible person from the area. From this point a second contact through e-mail was headed, explaining all researched subjects in this study, afterwards video-calls through Skype with four different people were headed, considering that all interviewees were allocated in Brazil.

In order to clarify the information about the interviews and its interviewees, follow a table:

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewer</th>
<th>Position</th>
<th>Date</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAC Motors</td>
<td>Eduardo Picingher</td>
<td>Corporate Affairs Director</td>
<td>Apr. 21th</td>
<td>Skype</td>
</tr>
<tr>
<td>JAC Motors</td>
<td>Chyslia Fernanda Santana</td>
<td>Marketing Director</td>
<td>Apr. 22nd</td>
<td>Skype</td>
</tr>
<tr>
<td>ZTE</td>
<td>Celso Pagotti</td>
<td>Terminal Director</td>
<td>Apr. 23rd</td>
<td>Skype</td>
</tr>
<tr>
<td>ZTE</td>
<td>Shen Zheng</td>
<td>Terminal Director</td>
<td>Apr. 23rd</td>
<td>Skype</td>
</tr>
</tbody>
</table>
The interviews with JAC motors were held in Portuguese, since the interviewees from JAC Motors have as mother language the Portuguese. While one of the interviews with ZTE was held in Portuguese and the other one in English, since one of the interviewees of ZTE has as mother language Portuguese and the other, Mandarin – which the common language between interviewers and interviewees was English. The interview in Portuguese and in English is presented in the appendix.

The interviews were carried out through video-calls in Skype due to the distance between the interviewees and the researchers. This method allowed the interviewees to attend to the interviews from their own offices, enabling them to have familiarity with the place and properly answer the questions given. The interviews were recorded, allowing the researchers to fully transcript all given answers. It was a two-to-one interview, which allowed the researchers to fully process the answers and perceive the reactions of the interviewees during the questions.

The interviewees were subjected to the same semi-structured questionnaire, with variations in the questions and the answers were recorded through an audio recorder. The interviews deeply provided strong information, enabling the development of the subjects and answering the research questions.

### 3.5.2 Secondary Data

The secondary data is the information that was previous collected for other purpose, and that is available to be used and can provide a useful source to help answer the research question (Saunders et al., 2007). Secondary data can provide new ideas to be explored by the researchers, also a better understanding of the problem and assist to select the proper case to collect the primary data (Aaker et al., 2013). This nature of data provided relevant information to approach the theoretical framework used in this study, by allowing the researchers to obtain knowledge through academic articles, publications and suitable books.

For the international marketing research, the secondary data is a particular key source of information, in due to its ready availability, providing general economic, social and demographic data from specific countries (Aaker et al., 2013)

The secondary data from this study approaches documentary written materials, multiple source area based and time series based and surveys (Saunders et al., 2007). This type of data includes the website of the companies researched, journals, newspaper, books, governments’ publications, censuses and surveys, which contain relevant information for the study (ibid).

To build general knowledge about brand positioning, country-of-origin and methodology, the study is based on books from Halmstad University Library. To better link the subjects researched and obtain precise and updated information, academic articles were gathered from available databases, such as Google Scholar, DiVa, Portal Capes, which gave the authors access to a number of different databases, such as JSTOR and Emerald. To search
the proper academic articles, the most used key words used were brand strategy, brand positioning, branding, international, country-of-origin, etc.

3.6 Data Analysis

To bring order, structure and interpretation to the collected data, this study follows a structure to analyze the data and search for relationships among categories of data, in order to build grounded theory (Marshall & Rossmann, 2006).

As a deductive method was used to shape this study, the data was analyzed through a general analytic strategy, linking the case study with the initial theoretical propositions, also working from the ground up (when the data provides insight of useful concepts, suggesting additional relationships) and the case description, which organizes the case according to the chosen framework (Yin, 2014).

After transcribing the audio recorded from interviews and also the notes taken during that moment, the analysis of the obtained qualitative data occurred when the information was in form of word-processed text. A circular process was conducted to analyze the data, concerning of describing the phenomena, classifying it and observing how the concepts were explained (Dey, 1993).

To analyze and understand the meaning of the qualitative data collected, the process was accomplished manually, sorting the data into categories and tracing subdivisions according to a pre-defined criterion (Saunders et al., 2007). The research questions and the literature previously gathered provided a guideline to the analysis (Marshall & Rossmann, 1999).

The combination of a within-case and a cross-case analysis suited better to analyze this study, since the within-case compared each case with the presented theory, and the cross-case compared both cases, emphasizing the patterns in similarity and dissimilarity among the cases (Yin, 2014). When the two techniques of analysis are used, the reader can perceive straightforwardly the relation between the cases and the theory, avoiding redundant information. As a “two-case” case study, crossing the data collected among the cases ease the analysis and increases the academic importance of the research (Yin, 2014).

3.7 Research Criteria

Throughout testing specific criterion in a research, it is possible to judge the quality of the study (Yin, 2014). The validity and reliability are the two most important criterions to determine the academic weight and the informative value of the study (Bryman & Bell, 2011). Yin (2014) also segments the validity into construct, internal and external, as relevant to a case study research. This project follows methodological rules for marketing research and the methodology chapter provides a guidance to ensure that this research provides the reliability and the validity necessary for the qualitative study.
3.8 Validity

As the most important criterion, validity refers to the integrity of the conclusions found in the presented research (Bryman & Bell, 2011), which should present an accurate version of the world (Bloor & Wood, 2006). To construct validity, it is necessary to identify the precise operational measures for the researched concepts (Yin, 2014). The internal validity refers to the causality of the collected data, concerning if the findings of the study can be a causal relationship or if it reflects a reality (Bryman & Bell, 2011). As the triangulation of different primary and secondary sources was used, the validity reflects a reality of this study. In the other hand, the external validity concerns if the findings of a given study can be generalized to other contexts different from the approached in the study (Bryman & Bell, 2011). As this qualitative study regards a small sample, it is known that the results could not be generalized to an entire population.

3.9 Reliability

The term reliability implicates that the study can be replicated, as well as it results (Bryman & Bell, 2011; Yin, 2014). This means that, if a later investigator applies the same operations in a case study over again, it should reach the same findings and conclusions (Yin, 2014). To ensure the reliability of this study, the authors describe as many steps as possible in the process of the case study, enabling other researchers to follow and reveal similar information. When using semi-structured interviews the results are not necessarily intended to be repeated, since the research in question reflects the reality of a certain moment when the data was collected (Saunders et al., 2007). The complexity and dynamics of the data collected through a semi-structured interview research reasons the difficulty to achieve the same results when following the given steps (Saunders et al., 2007).
4. EMPIRICAL DATA

In this chapter the empirical data from the qualitative interviews is provided. In total, four interviews were conducted, being two interviews from JAC Motors and two interviews from ZTE. The interviews are written in a continuous text divided into nine topics, starting with the background of the company and preceding with the brand positioning drivers, as well the effect of the COO on these drivers. In order to complete the data triangulation, it is also presented in the empirical data documentary written materials from multiple sources, such as the Company Website and Annual Reports, recognized magazines and articles.

4.1 Case One: JAC Motors

The information presented in this case was mainly collected during interviews with two leading position employees with well-known knowledge about the Brand JAC Motors: Mr. Eduardo Picingher, Corporate Affairs Director in Brazil, working at JAC Motors for 3 years; and Ms. Chyslia Fernanda Santana, Marketing Director in Brazil, working at JAC Motors for 3 years.

Background

JAC Motors is a 50 years old Chinese automobile manufacturer, presented in the Brazilian Market through importation of products since 2011. The brand has a diverse line of vehicles that attend different segments of the automobile market (JAC Motors b, 2014). According to Mr. Picingher, when the Company entered the Brazilian market, the brand positioning was settled by the importer that brought the brand to the country, since in the interviewee’s opinion, marketing in China is still a subject in development. Ms. Santana complements that the Chinese companies do not have the culture of building a brand or using the benefits of marketing tools; they have the capability to produce in a large scale, but not to create a brand. In this way, the brand positioning of JAC Motors began to be created and designed by the launch of the brand in Brazil, since the Chinese headquarter did not had any brand positioning strategy to launch the brand in this market.

Timeline

In order to organize the main facts that happened in JAC Motors, regarding internationalization and brand, a timeline is presented.
Brand Identity
When JAC Motors entered in Brazil, the Company was seeking for an opportunity in the automobile segment in this market. The Company found its differential by using the main Chinese attribute – the low cost. Hence, the Company was launched in the market with the basic value of a cost-benefit brand. Mr. Picingher points that this cost-benefit value is not used by JAC Motors in the Chinese market. Therefore, this positioning was adapted to the Brazilian market, since it was identified a lack of competitors that would offer standard equipment included for an affordable price. JAC Motors became an example of an Asian company printing a new impression in the market, especially with its cost-benefit model (Ferrari, 2011). This main value is clearly transmitted to the customers, since JAC Motors want to be seen by its consumers as a rational brand that delivers a cost-benefit product.

The core identity of JAC Motors in the Brazilian market, as described by Mr. Picingher, is the cost-benefit value. Different from its competitors in the country, JAC Motors entered the Brazilian market supported by a large automotive group with know-how and capital to fund an aggressive communication strategy (Ferrari, 2011). The points of leverage created for the brand in the Brazilian market are identified as the standard equipment of the cars for a reasonable price and the six years car warranty. This equipped cars and the longer warranty bring to the brand an important consumer appeal (Poggetto, 2011). The value proposition of the brand is perceived and identified by the consumers as the cost-benefit value.

Brand Identity and the COO Effect
JAC Motors does not inform its consumers the fact that it is a Chinese brand. The Corporate Affair of the Company points out that it was never mentioned that JAC Motors was a Chinese brand in its communication, but it was also never hidden. The Company is aware about the prejudices against Chinese products; hence JAC Motors does not use and does not report its country-of-origin. Mr. Picingher complements that in the website of the Company there are some characteristics that correspond to the fact that JAC Motors is
a Chinese company. About the same subject, the interviewee declares that “this does not represent a sales argument, and it is not something to communicate, but is also not hidden.” In Ms. Santana opinion, due to an economic issue, China is considered a low cost country, where every product manufactured is considered a cheap product. This country attribute has affected the brand positioning, since if JAC Motors did not enter the Brazilian market with a competitive price, even offering different benefits, the Company would not be able to reach the consumers. “This is a direct consequence of the product and its price”, as Mr. Picingher stated.

For Mr. Santana, the core identity and the value proposition of the product are not influenced by the country-of-origin, since the car entered in the market not as a cheap car, but as an affordable and equipped car. Nevertheless, “when a company presents an advantageous cost benefit product, people might interpret that the car is cheap”, says the interviewee.

The points of leverage were exclusively created for the Brazilian market, since the brand positioning in the country approached an aggressive strategy to be fast introduced in the market. Mr. Picingher complements that the Company knows that there is a Chinese prejudice concept, but when approaching the consumer with a six years car warranty, for example, the brand starts to oppose this prejudice.

**Target Audience**
In Mr. Picingher opinion, when thinking about a cost-benefit product, is not possible measure a social-class, gender or age, since the consumer perception about cost-benefit can vary according with their behaviors. An example given by the interviewee is that the three cities with the highest ranking of sales in Brazil are cities represent completely different cultures inside Brazil. “There is no fact that explains this difference, as the cost-benefit perception can be prized by different social classes”, point Ms. Santana. JAC Motors do not fit their consumers in any category; but identify them by having a rational behavior, with different ages, gender and social classes. These consumers are approached with the cost-benefit behavior, showing no difference between primary and secondary target audience.

**Target Audience and the COO Effect**
Most of the consumers from JAC Motors only know that the company is from China when buying the product at the car dealership. Mr. Picingher states that some customers frequently ask if the brand is from Korea, Australia or Canada, even though inside the car dealership there are pictures and videos from the headquarter in China. JAC Motors believes that the consumers are not influenced by the country-of-origin of the brand, since most of them are unaware about it.

**Actively Communicated**
The communication of JAC Motors was built considering a certain type of consumer behavior, since the consumer main perception of JAC Motors is the cost-benefit. The brand always signs as an “unexpected” brand. For Ms. Santana, the unexpected can be,
for example, the offer of a “complete car” with an affordable price. The consumer understands that this “unexpected” refers to the cost-benefit identity when the brand is exposed in this way. Nowadays JAC Motors is still using the same communication of three years ago and have succeeded in the market with this strategy – the Company is one of the most successful Chinese automakers brands in Brazil (JAC Motors a, 2014). Hence, it is not only the “unexpected” brand positioning that made JAC Motors positively impact the Brazilian market. When the brand was launched in Brazil the Company created an extensive work in digital media, leaded the brand to be an important case of online communication (JAC Motors c, 2011).

The brand reinforces the image and is in a maturation brand process. In Ms. Santana opinion, there is no need to change the brand image. The strategy to reinforce the image is used because of the positive reply from consumers. In a market where there are 45 different automotive brands, it is necessary find out a gap, as explained by Mr. Picingher. JAC Motors found its place with the recognition of an “unexpected” brand. A range of brands of this segment are very old and well-known, and for these reason, it did not have the possibility to come with a different innovation/positioning. For this reason, JAC Motors followed this way in order to gain a market differentiation. Nowadays, because of external issues, the budgets for communications has been cut down by the Chinese headquarter. Since beginning of 2013, the marketing strategy that was really strong in the first two years has been reduced (VEJA, 2014). In Mr. Picingher opinion, when a company does not communicate its brand for a while, it is difficult to get flow inside the stores, because the consumers will not remember the brand.

*Actively Communicated and the COO Effect*

In JAC Motors’ communication strategy, the country-of-origin was discussed as an important fact by the interviewees. In the communication of the product, the Chinese attribute “price” was faced as a virtue for the car price calculation in the Brazilian market. For Mr. Picingher, the communication about the price of JAC Motors’ cars was a very aggressive and competitive argument. Ferrari (2011) argues that when analyzing the brand positioning of JAC Motors when the brand entered the Brazilian market, no one would say that it is a Chinese company, because this is not a feature that the Company emphasizes in the brand. JAC Motors wants to dispel the stigma that Chinese products have a dubious quality. To overcome this barrier, JAC Motors seeks to highlight in its communication the car adaptations to fit the Brazilian’s consumer’s demands.

*Competitive Advantage*

When comparing JAC Motors with its competitors (such as Volkswagen, Fiat, Ford, Renault, Peugeot), there are points of differentiation and product disadvantages. A point of difference is that JAC Motors presents an accessible product with standard items, offering a cost-benefit product. Another difference is the extended product warranty, which only JAC Motors offers in the Brazilian market. As disadvantages, JAC Motors work with a smaller media budget when compared with its competitors. Therefore, the immediate impact is that JAC Motors does not sell as much as it sold when the brand entered the Brazilian market, but the competitive advantages remain. Another disadvantage of JAC Motors concerns the good quality of products from competitors and
their bigger cars dealership with global assistance and post sales. Regarding the points of parity, JAC Motors presents the same components and benefits of other competitors from the automotive industry. In Mr. Picingher opinion, in this segment all products should have a certain standard of quality and safety, which is a requirement for all brands. When JAC Motors entered the Brazilian market, the products had to be adapted in order to be more similar with the competitors, because of the Brazilian consumer perception. The adaptation was completely aesthetic in order to please the Brazilian target. For Ms. Santana, the Brazilian consumer who spend at least R$ 30,000,00 (Brazilian currency) in a car is much more demanding than the Chinese consumer, even because the automobile industry in China is very recent. Therefore, JAC Motors exports its cars adapted to the Brazilian consumers. Another fact is that JAC Motors does not worry about its Chinese competitors; the Company main goal is to gain market share from the big automakers in Brazil (Ferrari, 2011).

**Competitive Advantage and the COO Effect**
There is no positive or negative effect of being a Chinese company regarding its competitors, as Mr. Picingher explains. Car is a big commodity and some components of the car are made by suppliers from different parts of the world. JAC Motors main competitors have parts of its cars produced in other countries, such as in China. By being a Chinese company, JAC Motors believes there is no differentiation, since there is nothing that identifies that the car was not produced in Brazil, when comparing imported or national produced cars.

**4.2 Case two: ZTE**
The information presented in this case was mainly collected during interviews with two leading position employees with well-known knowledge about the Brand from ZTE. Mr. Celso Pagotti, Terminal Director in the Brazilian market, working in ZTE over 4 years and Mr. Liang Zhou, Terminal Director in charge of Brazil, Uruguay and Paraguay business, working for 6 years in the Company, were the respondents of the interviews.

**Background**
ZTE is a Global provider of telecommunications equipment and network solutions, with the headquarters based in Shen Zheng, China (ZTE China, 2014). Created through a government initiative in the 80’s, ZTE was highlighting the production efficiency of China (Low, 2005). Over the years, the Company has developed strong production and marketing skills, an aggressive pricing due to the economy of scale, and gained experience particularly with low-end telecommunications equipments, such as switches and routers (Low, 2005). With operations in 160 countries, ZTE is listed as one of China’s largest telecoms equipment Company (ZTE China, 2014). In 2013, over 50% of the overall operating revenue of ZTE came from the international market, and their business focus is in major populous nations and mainstream global carriers (ZTE Corporation, 2013).

Due to the fast growing of telephony in markets such as the Latin America, ZTE was able to successfully penetrate it with telecommunications networks and handsets (Bell, 2009).
The Company started its operation in Brazil in 2002, developing business with the B2C (business-to-consumer) and B2B (business-to-business) market in the country, providing products and services for both markets, as explained by Mr. Zhou. Since 2012, ZTE is focusing in the B2B market in Brazil, and the B2C market was backed off by the Company, in order to follow the Chinese headquarter requirements for a sustainable growth in the country.

**Timeline**

In order to organize the main facts that happened in ZTE, regarding internationalization and brand, a timeline is presented.

![ZTE Timeline](image)

**Brand Identity**

Technology and innovation is one of the main values of ZTE, the reason why it invests more than 10% of annual revenue in research and development (ZTE China, 2014). For Mr. Pagotti, the values of the Company are also expressed in the mission of ZTE, evolving ideals such as becoming a global communication leader, the development of the employees’ career along with the company’s growth and social responsibility. These same values are globally shared in ZTE, revealing that the company is the same in every country it operates.

For Mr. Pagotti, a challenge for ZTE is to transmit its values to the Brazilian consumers, since the company has backed behind with communications strategies in the past years in...
this market. The interviewee affirms that in the past – years 2010 and 2011, ZTE had a clearer identity in the Brazilian market. Although it is possible to affirm that the employees allocated in Brazil share the Company values.

The Company aims to reinforce its identity in the Brazilian market in the next years and at the same time achieve a sustainable growth in Brazil, the reason why it has backed behind with communication strategies at this moment.

In Mr. Zhou opinion, the business in the Brazilian market, at this moment, is focused on B2B, which implies more in the development of relationship with the telecommunication carriers than the development of the brand itself. This statement goes along with ZTE Corporation (2013), which asserts that partnerships with global carriers were formed as a result of the Company focus in key markets.

Mr. Zhou explained that ZTE headquarter has developed “product families” to better approach different segment of consumers, and this was a special feature inside ZTE brand to focus on a specific audience – “high level customers”.

When ZTE Brazil launched devices for the B2C market (such as feature phones, smartphones and tablets), the Brazilian subsidiary started to communicate the sub brand “ZTE Mobile” – a local brand for this new segment of products offered by the Company. Although this subbrand was showing successful (in term of sales) in the Brazilian market, Mr. Zhou said that the headquarter requested the subsidiary to quit the communication of it, since it claimed that the main brand of ZTE should be in the consumer’s mind, not the local subbrand. In Mr. Zhou opinion, this situation happened because lacks of knowledge from the Chinese headquarter about the Brazilian market.

Mr. Pagotti explains that while the brand does not have a strong position in consumers mind in this last years, in 2010 and 2011, the Company was among the top 4 market share of telecommunication companies in Brazil.

For Mr. Zhou, the key benefits that companies in this segment must deliver in the Brazilian market are quality, cost and deliverable time, and ZTE brand meets this market demand.

**Brand Identity and the COO Effect**

ZTE has shown for the consumers that it is a Chinese company, but essentially, has positioned itself as a world class company. By identifying it as a Chinese company, Mr. Pagotti understands that standards such as great development and interesting costs would go along with the brand. However, when ZTE revealed itself as a Chinese company, some consumers presented concerns about the quality of the products. For this reason, ZTE had to work very close to Brazilian consumers and explain that quality is a critical issue for the Company and reinforce that ZTE is a world class company, not only Chinese. The interviewee believes that this issue is explained by the perception of Chinese products in the Brazilian market, which is related with the several small Chinese
firms that provide low quality products around the world, and the result is an overall perception that products from China lack in quality attributes.

Mr. Pagotti explains that ZTE brand positioning is different from one country to another, the reason why attributes from China are not carried to other markets, such as the Brazilian market. The strategies applied to position the Company in each market is different, since “makes no sense to use a strategy from China in the Brazilian market; the market is totally different. In China, ZTE is one of the most important companies in the telecommunication business, so the approach in Brazil has to be different”, explains Mr. Pagotti.

The most valuable aspect for ZTE in the Brazilian market is the cost, which Mr. Zhou affirms that is linked with the fact that it is a Chinese company.

Target Audience
In the last years, the primary target defined by ZTE in Brazil was the B2B, represented mainly by the major telecommunications carriers in the country. In Mr. Zhou opinion, this is a consequence of the products that the Company is currently offering for the Brazilian market. This focus is different from ZTE in other markets, and due to this, Mr. Zhou states that the Company will “restart” next year in the Brazilian market.

There is a focus on mobile devices by the Chinese headquarter, that is being approached by other markets in a global scale. Although the B2C market is not the main audience for ZTE Brazil at the moment, Mr. Pagotti explains that the Company cannot discard it, since future strategies of ZTE goes towards targeting the B2C market.

Seen as a secondary target, the B2C market is compound by consumers that look for a cost-benefit motive when acquiring a new device, such as a feature phone or a tablet. For Mr. Zhou, this consumers are mostly represented by the “new middle class in Brazil”, that have access to buy a feature phone, although not a high-end product, such as the iPhone.

When the Company focused on the B2C market, the headquarter intended to position the brand for the middle to high income audience in the Brazilian market, to go along with the strategy developed for other markets, such as the Chinese. At the same time the brand was focusing in that target, it was using as a “market place” open markets, represented by big retailers stores in Brazil, such as Ponto Frio and Casas Bahia, explains Mr. Pagotti.

Target Audience and the COO Effect
In Mr. Pagotti opinion, the definition of the target audience was not affected by being a Chinese company, neither B2B nor B2C targets.

Actively Communicated
For Mr. Pagotti, the brand image of ZTE in the Brazilian B2C market is not strong at the moment, as he states that “unfortunately, Brazilian consumers probably have only a
vague remark about ZTE brand, because they might have bought a product from the brand in the past”.

In 2010 and 2011, ZTE had advertised massively in the Brazilian market, although at this moment the Company is not close to the end-user (B2C market), not broadcasting any advertisement. In those years (2010, 2011), ZTE was among the top 4 of the market share in the Brazilian market, however the perception of consumers was not as the Company expected: consumers were buying the devices because the products offered an interesting cost and a good quality. Mr. Zhou emphasized that usually consumers from mobile phones change the devices after one year or one year and a half after the acquisition. This means that consumers that acquired ZTE devices in 2011 already changed at least twice their mobile devices. For this reason, most consumers have already forgotten about ZTE products that they bought in the past, explains Mr. Zhou.

For Mr. Zhou, there is a low fidelity from consumers in the secondary target of ZTE – the B2C market. Consumers are always seeking for new trends and products available. And the consumers decide what they will buy according to the brand that is most frequently in their mind. If ZTE wants to regain the position in the Brazilian market share of this segment, the interviewee is aware that the Company will have to invest a great budget in advertisement.

For Mr. Pagotti, at the moment, the Chinese headquarter is not focusing in the Brazilian market with advertisement efforts. Most of investments go to the North American market, where the Company sponsors the NBA League. As most Brazilian’s consumers are not target for those games, this communication did not reflect in the Brazilian subsidiary sales.

A strategy used by ZTE to target the B2B audience in Brazil happens in a much focused way, where the Company performs meetings with the telecommunications carriers, presenting the benefits of the products, mainly focusing on quality, price and deliverable time. This three attributes, according to the interviewee, also represent the image that ZTE has with the B2B market. As those are the main target for ZTE (carriers), the Company has different approaches to keep the brand in the mind of this audience. For Mr. Zhou, the focus of ZTE is not to have a strong brand at the moment, but to be a well-positioned brand by the telecommunications carriers. The interviewee arguments that after the products from ZTE are with the telecommunications carriers, the carriers will promote ZTE brand for its final consumers.

**Actively Communicated and the COO Effect**

For Mr. Pagotti, a main issue for the subsidiary in Brazil is to make clear to the headquarter that the behavior of the Brazilian consumer is different from other markets. Recently the brand has set high communication efforts in the USA market, by sponsoring NBA League. This strategy was factual for the Company, since not only the Americans’ consumers’ watched NBA games, but also the Chinese’s, as Mr. Zhou explained.
Competitive Advantage

The competitors for ZTE in the Brazilian market can be divided by segment that the company targets: B2B and B2C. Mr. Zhou points out as main competitors for the B2B market other Chinese companies, such as Huawei and Dlink. There are also local companies (in Brazil) that use a local brand, although the product is provided by Chinese companies.

For the B2C market, the competitors are the main brands in the mobile devices segment, such as Apple, Samsung, LG, Motorola, among others. At the same time, Mr. Zhou contrasts it by saying that those are not considered “real competitors”, since ZTE brand did not launched any mobile device in the last years.

Regarding the B2B market, in Mr. Pagotti’s opinion, ZTE is in the same level of its competitors. The benefits from the brand – quality, price and deliverable time, are mandatory for this segment, meaning that the competitors also offer these benefits for the telecommunications carriers.

As Mr. Pagotti emphasizes, a critical issue in the B2B segment is the relationship with the carriers – “It sometimes can determine the way a business is made. This market is ruled by relationships.” The interviewee complements that, in his opinion, ZTE has a better relationship with the carriers than the competitors. This is mainly due to the employee networks in the market, where they have as good friends employees’ from the carriers.

For the B2C market, Mr. Zhou pointed that, regarding technical benefits, ZTE products are better than its competitors, on the other hand, the negative point of ZTE is not having a strong brand. This is the reason why the Chinese headquarter is making effort on changing the consumer’s perception about the brand in other markets – as previously explained, advertisement efforts at the moment are mainly concentrated in the USA market.

Competitive Advantage and the COO Effect

All main competitors for ZTE in the B2B segment in Brazil are also Chinese companies, which might be a negative aspect for the audience (telecommunications carriers) when considering the brand and facilities to sell the product – as Mr. Zhou stated, if a well known brand launches the same product, it would ease the carriers effort when selling the products for the final consumer.

In Mr. Zhou’s opinion, when presenting the main competitors for the B2C products, besides the big players in communication devices (Samsung, Apple, LG...), a great competitor for ZTE brand are mobile phones from small and unknown Chinese companies, which are perceived with low cost and low quality.
5. ANALYSIS

In this analysis chapter the categories presented in the theoretical framework are used to structure the comparing and contrasting of the empirical findings with the existing theory. A model presenting the outcome of the analysis and depicting the relationship between brand positioning and the COO effect is illustrated. The model contributes to the understanding of the brand position of Chinese companies when affected by the COO effect, the causes of the COO effect and how they deal with the COO effect.

5.1 Brand Identity and the COO Effect

**JAC Motors**

The brand identity and the brand image, as described by Saaksjarvi and Samiee (2011), are connected with each other, and since JAC Motors wants to be seen as a cost-benefit brand for the consumer and they perceived this value, the Company delivers its identity to the customer. The cost-benefit value was created as consequence of the COO effect, since China is perceived as a low cost country. This perception comes along with some country variables, such as: economic and political maturity, historical events and relationship, tradition, industrialization and degree of technological virtuosity of the country, which might affect the general image of the country, as affirmed by Bannister and Saunders (1978).

JAC Motors used the cost-benefit in its brand positioning, which also determines its core identity. At the same time, JAC Motors points that being from China is not a sales argument and is not communicated, although the Company does not hide that it is a Chinese company, since their stores and website brings some Chinese characteristics.

The core identity is the most valuable aspect of the brand (Aaker, 2006), and the cost-benefit presented by JAC Motors turned as an outcome of the COO. This cost-benefit aspect is mainly caused due to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013). As the COO affects the product evaluation (Yasin et al., 2007; Baack et al., 2013), China’s stereotype is enhanced in the core identity of JAC Motors.

The points of leverage are represented by the standard equipment included in the cars offered for a lower price among the car category and the six years car warranty that JAC Motors offers. The standard equipment for a lower price was created to highlight the effects of the COO. This low price perception is mainly caused due to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013), reflecting in the price perception of the products. The second point of leverage – six years car warranty, was created in order to oppose the negative effect of COO, as the stereotypes formed about products and countries might influence this perception of the consumer (Cateora & Graham, 2003). The causes of this negative effect from the COO came from the institution framework of China, which is connected to the lack of quality
perceived by the products of the country, an outcome of the low ethical standards among business and the high level of corruption (Schawab, 2013). To avoid this negative effect of the COO, JAC Motors created this point of leverage, since the Company is aware about the COO effects regarding China.

The value proposition of JAC Motors is represented by two key benefits of the brand, which are the cars with standard equipment included and the quality offered for a lower price among the car category, leading JAC Motors into a cost-benefit brand. Yasin, Noor and Mohamad (2007) explain that the country-of-origin exerts influence in the consumer perception, implicating on the brand value and influencing the purchase intention of the consumer. In order to achieve a position the consumer’s mind, the two key benefits have been created due to negative influences of the COO effect. These negative COO effects are mainly caused due to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013). When JAC Motors highlight that it delivers a car with full standard equipment in a lower price among the car category, it assists the consumers to overcome the COO effects described above.

ZTE

ZTE does not have a clear brand identity in the market at the moment, since the brand has changed the product and the target focus in the market along the years; and the brand identity has to be explicit to the target audience in order to the consumers connect the brand with the information that the company wants (Randall, 2000).

Technology and innovation are the most valuable aspects of ZTE, called also as core identity by Aaker (2006). These aspects are the same in ZTE worldwide, and it is not adapted as the market. The aspects chosen by ZTE are a challenge for the Company, since China is still not a country known for the innovations, although it has been improving this aspect recently (Schawab, 2013).

Aaker (2006) proposes the points of leverage as a characteristic in the brand identity. In ZTE, there are two features to be considered: the Brazilian subsidiary has created in the past a subbrand called ZTE Mobile, when the Company was launching the communication devices in the country, which eased to express this category of products offered in the market – this subbrand does not exists any longer; the second feature is the “families” of products developed by the Chinese headquarter, which the subsidiary in Brazil uses to sell categories of B2B products, assisting to target the right audience when offering a range of products.

The ZTE Mobile was created to fulfill a need in the Brazilian market, however it was not in accordance with the brand guidance drawn by the Chinese headquarter, the reason why the Brazilian subsidiary quitted the subbrand. Also, the lack of knowledge about the Brazilian market from the Chinese headquarter was a reason why the subsidiary created such feature. In order to position the brand in a determined country, ZTE China has to be aware that the perception of consumers about a given country differ from consumers of other countries (Samiee, 1994) – effects of being a Chinese company can be perceived in different ways regarding the market it is presented. The causes of this lack of knowledge
about the Brazilian market is explained by the low importance given to the marketing area in China, that is connected to the low tertiary education in the country, leading to a disconnection between educational content and business needs (Rapoza, 2014).

The third element of the brand identity, according to Aaker (2006), is the value proposition, and in ZTE is represented by three key benefits that it delivers to the customers, which are quality, price and deliverable time. The Company affirms that, by being a Chinese company, some attributes of the country would go along with the brand, such as being positioned in the consumers mind as a price based company – and the market perceive the cost as the main aspect of ZTE brand in the Brazilian market. Yasin, Noor and Mohamad (2007) explain that the country-of-origin exerts influence in the consumer perception, implicating on the brand value and influencing the purchase intention of the consumer. This perception can happen in a positive or negative way (Yasin, Noor & Mohamad, 2007; Baack et al., 2013) and concerning price and quality, ZTE points that attributes of China have affected the identity of the brand. The causes of the COO effect in the value proposition of the brand is caused due to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013) and the institution framework of China, which is connected to the lack of quality perceived by the products of the country, an outcome of the low ethical standards among business and the high level of corruption (Schawab, 2013).

*Comparison between JAC Motors and ZTE*

JAC Motors and ZTE present different perspectives in its brand identity strategy; however both companies are affected by the COO. The causes are connected to China’s labor market (Najafi et al., 2013), institution framework and education of the country (Schawab, 2013), which leads the market to perceive the Chinese products as cost-based. For this reason, the cost-benefit is an important attribute to build the brand identity of both Chinese companies.
| **Table 4 Brand Identity and the Effect of COO Summarized (own illustration)** |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| **Brand identity** |
| **Element**     | **Company**     | **International Positioning Strategy** | **Causes of the COO Effect** | **Dealing with the COO Effect** |
| Core identity   | JAC Motors      | Cost-benefit    | China’s labor market | Highlighted the COO effect in its strategy |
|                 | ZTE             | Technology and innovation | The COO did not influence this strategy | The COO did not influence this strategy |
| Point of leverage | JAC Motors      | Standard equipment of the car for a lower price among the car category | China’s labor market | Highlighted the COO effect in its strategy |
|                 | ZTE             | Six years car warranty | Institution framework | Created to oppose the negative effect of the COO |
|                 | ZTE             | Subbrand created in the Brazilian market | China’s education | Created to fulfill the lack of knowledge about the Brazilian market by the headquarter |
|                 | ZTE             | Product families | The COO did not influence this strategy | The COO did not influence this strategy |
| Value Proposition | JAC Motors      | Standard equipment for lower price among the car category | China’s labor market | Highlighted the COO effect in its strategy |
|                 | ZTE             | Quality, price and deliverable time | China’s labor market | Highlighted the COO effect in its strategy |
|                 |                 | Institution framework | Created to oppose the negative effect of the COO |
5.2 Target Audience and the COO Effect

**JAC Motors**

JAC Motors does not identifies its potential target segmentation through consumers that have interest, income and access to the product, as suggested by Keller, Aperia and Georgson (2008). The target audience in the Company is described as a rational consumer, not taking in consideration its social-class, gender or age. To create a market differentiation, a brand might satisfy its consumers bringing functional, rational or tangible differences (Kotler, 2006). The market segmentation of JAC Motors mainly consists of consumers with similar rational needs and behaviors, as Keller et al. (2008) presents the target audience in the literature, what goes along with the brand identity defined by the Company, that is the cost-benefit.

Although JAC Motors states that the definition of the target was not influenced by being a Chinese company, it is possible to relate that the primary audience seeks as a benefit the price of the products. This benefit comes from China being considered a low labor cost country (Najafi et al., 2013).

The COO effect influenced the chosen target audience by the Company; however the consumers are not aware about the country-of-origin of JAC Motors. The Company knows that consumers demonstrate a preference for products made in a specific country than others, as theory developed by Samiee (1994). For this reason JAC Motors does not spread the fact that the Company is from China, since it knows that the Brazilian’ consumers have a prejudice about Chinese products.

**ZTE**

The company ZTE has defined as the primary audience the telecommunications carriers, which represent the B2B market for the Company. The secondary target defined by ZTE is the end-user – that consumes the communication devices offered by ZTE in the past.

Defined as the primary audience of ZTE Brazilian subsidiary, the telecommunications carriers in Brazil compound a market segmentation sharing similar needs (Keller et al., 2008). This segment demands from its suppliers the three key benefits: quality, price and deliverable time.

ZTE does not discard the secondary target, as recommended by Aaker (2006), even it did not offered new products for this market in the last years. This happens because ZTE wants to regain the audience in the B2C market in a short future, since in a global scale the final consumers are the main target for ZTE. According to the Brazilian subsidiary, this audience has similar behaviors when looking for new communication devices (Keller et al., 2008) – this segment seeks for a cost-benefit relation, and it is mostly represented by consumers that have the interest, income and access (ibid) to buy the devices, although not the high-end ones (such as devices from Apple brand).

At the same time the interviewees explain that the B2C market main motive to look for ZTE brand is cost-benefit, they also state that Chinese companies are ruling most markets
because of their cost and the availability of products in a large scale. By this, it is possible to make some relation between the B2C consumers and the fact that ZTE is a Chinese company. Whilst ZTE also asserts that their products have the same features from the well-known brands (Apple, Samsung, LG), the Company states that there is a lack of knowledge about ZTE brand, the reason why consumers prefer other brands.

Although ZTE Brazil affirms that the target definition was not influenced by ZTE being a Chinese company, it is possible to connect that both primary and secondary audience seek as a common benefit the price of the products. This benefit comes from China being considered a low labor cost country (Najafi et al., 2013), leading the brand to be perceived as a cost-based, attracting the audience with the product’s price.

Comparison between JAC Motors and ZTE
The target audience of both brands seeks for a cost-benefit relation when and purchasing the products. This cost-benefit relation is connected with the general attributes from China, since there is a linkage between the low cost of the product and the low labor cost of China (Najafi et al., 2013). For this reason, both companies highlight the country-of-origin attributes, and attract consumers mainly with the cost-based attribute.

Table 5 Target Audience and the Effect of COO Summarized (own illustration)

<table>
<thead>
<tr>
<th>Target Audience</th>
<th>Element</th>
<th>Company</th>
<th>International Positioning Strategy</th>
<th>Causes of the COO Effect</th>
<th>Dealing with the COO Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Audience</td>
<td>JAC Motors</td>
<td>Consumers with rational needs and behavior</td>
<td>China`s Labor market</td>
<td>Highlighted the COO effect to its target audience</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ZTE</td>
<td>Telecommunication carriers (B2B market)</td>
<td>China`s Labor market</td>
<td>Highlighted the COO effect to its target audience</td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>JAC Motors</td>
<td>No secondary target identified</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>Audience</td>
<td>ZTE</td>
<td>End-users that seek a cost-benefit relation when acquiring a communication device (B2C market)</td>
<td>China`s Labor market</td>
<td>Highlighted the COO effect to its target audience</td>
<td></td>
</tr>
</tbody>
</table>

5.3 Actively Communicated and the COO Effect

JAC Motors
As the target audience of JAC Motors is segmented by consumers with rational needs and behaviors, the Company communicates the brand based in these characteristics. JAC
Motors aims to strengthen its brand image as an “unexpected” cost-benefit brand that brings value for the consumers. According to Keller (1993), this demonstrates its main values and features. The company uses the same communication strategy from three years ago, since JAC Motors is still developing the brand in the Brazilian market. For this reason, the company’s communication strategy intends to reinforce the image of the brand in the market, what has shown to be a successful strategy so far.

In order to create a brand represented by symbolic, emotional, and intangible differences (Kotler, 2006), the “unexpected” concept was a gap in the market found by JAC Motors, since no other competitor explored it before. This opportunity defined JAC Motors' communication strategy in the Brazilian market. To reinforce a positive perception in the consumer mind, JAC Motors used formal and informal communication (Novak & Lyman, 1998), for example, the extensive work in digital media, bringing an important brand differentiation.

The company communicates what the brand is, what it offers, and for whom it is (Hansen, 2013). However, nowadays, as the communication budget has been cut down by the headquarters in China, problems were caused for its brand positioning in JAC Motors. The position of a brand relies on identifying an ideal location of the brand in the consumers' minds (Keller, 2008), when the company does not constantly communicate its brand, it is difficult to remember the customer that the brand exists.

As the brand uses the cost-benefit as an “unexpected” characteristic, when building the communication, JAC Motors was influenced by the COO. The COO might be more important than the brand name for some consumers (Baack et al., 2013), meaning that, with JAC Motors’ awareness about the stigma that Chinese products have a dubious negative quality perception, the company adapted its products and communicated according to the Brazilian market. Due to the fact that the low price perception comes from a general attribute from China, JAC Motors kept it in their communication, but the company did not explicitly communicate the fact that JAC Motors is from China. The causes that lead JAC Motors to reinforce the lower price for the car categories came from the COO, mainly affected by China being considered a low labor cost country (Najafi et al., 2013).

ZTE
It is clear that ZTE has two different targets that require different communication in the Brazilian market—concerning the approach and the message transmitted. Furthermore, the company is in a different position in the market when it comes to the primary and secondary target. For this reason, the communication instrument has to be used for different purposes when advertising the brand to each audience (Aaker, 1996).

For the primary target, the company is positioned among its main competitors, and has a much focused audience. As the telecommunications carriers are a restricted number of companies in the Brazilian market, ZTE Brazil communication strategy with this audience mainly encompasses special meetings directly with the chosen target. ZTE Brazil has a brand image among the telecommunications carriers that reflects the key...
benefits and the value that the brand aims to transmit; hence the communication with this audience is used to reinforce the image of ZTE. This happens because the Brazilian subsidiary has a consistent and strong brand perception from its primary audience, as recommended by Aaker (1996). The stereotype of China being a country that delivers cost-based attributes goes along with the identity that ZTE Brazil desires to transmit to this target, what influences in a positive way the perception of the consumers (Cateora & Graham, 2013). The causes of this effect from the COO are a result of China being considered a low labor cost country (Najafi et al., 2013).

The communication with the secondary target in the Brazilian market is not a focus of ZTE at the moment, since the Chinese headquarter is directing efforts for this segment (end-users) in other markets – such as the North-American market, where the Company is a sponsor of the NBA League. The Company had a communication strategy with its secondary audience in the years 2010 and 2011, although in recent years it has discontinued this communication to follow the Chinese headquarter directions. This massive advertising with the secondary target of ZTE Brazil at that time resulted in the Company achieving the top 4 market share in the country. This strategy was discontinued since the brand identity and the brand image were not in line. Whilst ZTE Brazil wanted to be perceived as a strong brand from a world class enterprise, delivering quality, technology and innovation for its customers for a good price, the brand image from consumers did not shown exactly how the Company has planned. The cost-benefit was the main feature that the consumers would look in the brand, and there was also a perception of low quality, since ZTE is a Chinese company. The brand image is an important factor when building the brand positioning (Herrmann & Huber, 2000), since consumers are influenced by the brand image when choosing a brand (Saaksjarvi & Samiee, 2011); as the brand image did not reflected the brand perception that ZTE headquarter desired, the communication with this audience was discontinued in order to later restart this communication, aiming to achieve a sustainable growth among the segment.

It is possible to affirm that ZTE brand is actively communicated at this moment, since it has a communication strategy with the primary target (Aaker, 1996). The image of the ZTE brand is affected by the country-of-origin of the Company, since the consumers perceive and expect a low price from Chinese products – as the stereotype of low labor cost accompanies the China image (Najafi et al., 2013) as well the communication must reinforce the quality, since the country brings the perception low level of ethical standards among business (Schawab, 2013).

**Comparison between JAC Motors and ZTE**

The current brand image of both companies considers the cost-benefit relation, meaning that the consumers perceive the brands as cost-based. The communication strategy of JAC Motors and ZTE were used to reinforce the brand image enhancing the cost-benefit attribute, going along with the low labor cost from China (Najafi et al., 2013), showing that the COO exerts influence in this driver.
5.4 Competitive Advantage and the COO Effect

*JAC Motors*
When JAC Motors positioned the brand, the Company aimed for a distinguish position from its competitors, as Herrmann and Huber (2000) affirmed. This distinguish position was the cost-benefit approach, where JAC Motors achieved an exclusive position in the market. The cost-benefit position avoided one of the most common companies’ pitfall: invest in competitive advantage that can be easily copied by its competitors (Keller, Sternthal & Tybout, 2002).

The main points of superiority from JAC Motors were used to create its brand positioning, as stated by Keller et al. (2008), which are the standard equipment included in the cars offered for a lower price among the car category and the extended product warranty, resulting in a competitive advantage for JAC Motors. These points of superiority were created in due to the COO effects. The standard equipment for a lower price was created to highlight the effects of the COO. This low price perception is mainly caused due to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013), reflecting in the price perception of the products. The second point of superiority – the six years car warranty was created in order to oppose the negative effect of COO, as the stereotypes formed about products and countries might influence this perception of the consumer (Cateora & Graham, 2003). The causes of this negative effect from the COO came from the institution framework of China, which is connected to the lack of quality perceived by the products of the country, an outcome of the low ethical standards among business and the high level of corruption (Schawab, 2013).
The points of parity, cited by Keller et al. (2008) as a part of the competitive advantage, among JAC Motors and its competitors are mandatory by the automotive industry, which are a standard of quality and safety. When JAC Motors entered the Brazilian market, the products had to be adapted in order to be more similar with the competitors, because of the Brazilian consumer demand. The adaptation was mostly aesthetic in order to please the Brazilian audience. The COO does not exert influence in the points of parity between JAC Motors and its competitors in the Brazilian market. The quality and safety standards are characteristic required by the automotive industry in Brazil. Some competitors in this market also produce their cars in China – although not positioning themselves as Chinese products, and there is no differentiation among imported or national produced cars, since they have the same quality and safety standards.

Two negative points of JAC Motors were pointed when comparing the Company to its Brazilian competitors. The first point is related to the amount of investment in communication – JAC Motors does not invest as much in media as its competitors as it was on the beginning when the Company was launched; the second negative point regards to the infrastructure of the stores in the Brazilian market – while most competitors have bigger and internationalized stores, JAC Motors counts with smaller and less attractive stores. These two points of inferiority are linked with the low investment in the marketing area from the Chinese headquarter, which is connected to the low tertiary education in the country, leading to a disconnection between educational content and business needs (Rapoza, 2014).

**ZTE**

In order to identify the points of superiority and points of parity from the competitors, leading to the competitive advantage (Aaker, 1996), first ZTE identified the main competitors. Most of the competitors for the B2B market in Brazil are also Chinese companies, such as Huawei and Dlink, and there are other local competitors, which also manufacture their products in China. By that, COO effects do not play an important role to create a point of superiority for the brand (Parameswaran & Pisharodi, 1994), since the COO effects are applicable for all main competitors.

A fact that distinguishes the brand ZTE from the competitors in the Brazilian market is the networking that the Company built in the country. The relationship that ZTE has with the telecommunications carriers ensures that the brand occupy an exclusive position in the consumer’s mind, as Herrmann and Huber (2000) affirmed is an essential characteristic for the brand position. The close relationship with the carriers allows ZTE to gain competitive advantage in the market, while the competitors do not have the same level of networking. This point of superiority is not influenced by the COO effects.

The points of parity identified with the competitors are the key benefits that ZTE has, that are quality, price and deliverable time. These points of parity are mandatory for the segment, meaning that it is necessary to have those benefits in order to enter the market. Regarding the benefits of the brand, ZTE considers itself as an average brand, and offer as much as the competitors, being positioned in the same level of its competitors in the
consumers mind. The key benefits compulsory in this segment, as Parameswaran and Pisharodi (1994) affirmed, and go along with the product attributes from Chinese companies, which are cost-benefit related.

Being a Chinese company is a point of parity from ZTE and its competitors, not causing any main differentiation for the market. As this market is dominated by Chinese companies, the influence of country-of-origin might influence the telecommunications carries in many ways, since the COO could be considered more important than the brand name (Baack et al., 2013), as the market is used to have Chinese companies in the segment.

A negative point of having Chinese’s as main companies in this segment is the lack of advertisement, in consequence, lack of knowledge about the brands and products by the market – at the same time, this shows as a point of parity among ZTE and its competitors. This is a negative aspect for the audience, which has to put more effort when selling the products to the final user.

The causes of the points of parity in the market can be explained by having China as the country-of-origin of all main competitors. Furthermore, the causes from the COO effects in the points of parity from this segment corresponds to China’s labor market, where the country is perceived as a low labor market (Najafi et al., 2013) and the institution framework of China, which is connected to the lack of quality perceived by the products of the country, an outcome of the low ethical standards among business and the high level of corruption (Schawab, 2013); for this reason, all main competitors need to enhance the lower price and the quality perception of the products.

In the B2C market, the main competitors of ZTE are the well-known brands that offer communication devices. Although ZTE is not currently competing in this segment, the Company does not discard this segment when analyzing the market. ZTE did not indicate the points of superiority in the B2C market regarding the competitors. When the brand does not identify the points of superiority from the competitors, it is not possible to have an exclusive position in the consumer mind (Herrmann & Huber, 2000).

The points of parity of ZTE brand and its competitors (regarding the B2C market) are the technical benefits of the products – though these benefits are not perceived by the consumers before acquiring the product. This fact concerns the different evaluation of similar products by consumers, when the country-of-origin is considered (Schooler, 1965).

Negative points of ZTE regarding the competitors in the B2C market were discussed, as the low brand perception in the country, when comparing to its competitors. This point of inferiority is linked with the low investment in the marketing area from the Chinese headquarter, which is connected to the low tertiary education in the country, leading to a disconnection between educational content and business needs (Rapoza, 2014).
Comparison between JAC Motors and ZTE

It is possible to affirm that the COO affected partially the points of superiority and points of parity from the researched companies. While the COO played a role in the points of superiority from JAC Motors, it did not influence this point from ZTE. At the same time the COO affected the points of parity of ZTE, although there was no effect exerted in JAC Motors’. Where the COO presented effect, it was in due to the general attributes from China, regarding the perception of low quality and price (Schawab, 2013; Najafi et al., 2013).

When researching the competitive advantage driver, another element has shown to exert influence when building the brand positioning strategy from the Chinese companies: points of inferiority. This element suffer influence from the COO effect, although the companies researched did not deal with these effects. Even though, it was important for the companies to identify the points of inferiority, which lead them to understand their weakness when comparing them to their competitors.

| Table 7 Competitive Advantage and the Effect of COO Summarized (own illustration) |
|---------------------------------|----------------|----------------|----------------|----------------|
| **Competitive Advantage**       | **Company**   | **International Positioning Strategy** | **Causes of the COO Effect** | **Dealing with the COO Effect** |
| **Points of Superiority**       | JAC Motors   | Standard equipment of the car for a lower price among the car category | China`s labor market | Highlighted the COO effect in its strategy |
|                                 |              | Six years car warranty | Institution framework | Created to oppose the negative effect of the COO |
|                                 | ZTE          | Networking among ZTE and telecommunications carriers | The COO did not influenced this strategy | The COO did not influenced this strategy |
| **Points of Parity**            | JAC Motors   | Standard of quality and safety | The COO did not influenced this strategy | The COO did not influenced this strategy |
|                                 |              | Quality, price and deliverable time (B2B market) | China`s labor market | Highlighted the COO effect in its strategy |
|                                 | ZTE          | Institution framework | Created to oppose the negative effect of the COO |
| **Points of Inferiority**       | JAC Motors   | Low investments in marketing | China`s education | The Company does not deals with this point |
|                                 | ZTE          | Low investments in marketing | China`s education | The Company does not deals with this point |
point
5.5 Summarized Analysis

Based on the above analysis table, follow below a summarized table of the analysis.

Table 8 Summarized Analysis (own illustration)
5.6 Outcome of the Analysis

Based upon the above analysis, a model presenting the main outcome of the analysis and, in particular, the relationship between brand positioning and how the Chinese companies deal with the COO effects in this positioning are illustrated on the framework presented below. In comparison to the previous theoretical framework, adaptations have been made according to the purpose of this thesis, which are illustrated in red color in the model when concerning the COO effects; and also in blue as a new element in the competitive advantage driver. From a macro perspective, these adaptations lie in the creation of new connections between the examined domains, the editing of existing categories as well as the creation of a new domain. This model was built by highlighting the similarities among the two researched companies.

![Diagram of Brand Positioning](image)

Figure 5 Outcome of the Analysis - Adapted Theoretical Framework (own illustration)

Besides the analysis of the brand positioning of both companies and how they deal with the COO effect, this study also analyzed which factors lead to the COO effects.

The previous theoretical framework illustrated the country-of-origin affecting the four brand positioning drivers, not specifying in which element this effect was exerted, and
assuming that all four drivers would have the same and a direct influence from the COO
effect. A deep analysis of brand positioning of the companies was researched and this
study resulted in a different framework analysis about the companies’ brand positioning
and how it deals with the COO effect.

The brand positioning strategies of the companies were analyzed based of the four drivers
previously described. To understand the brand positioning strategy, the causes of the
COO effects and how the companies dealt with it, it is necessary to first analyze each one
of the four drivers separately.

The brand identity is divided in value proposition, points of leverage and core identity.
The core identity of both companies had a different strategy, as it did not represent a
similarity among ZTE and JAC Motors; the effects of the COO were not represented in
the presented model.

The points of leverage created by both companies were affected by the COO. The causes
that affected the COO are connected to the China´s labor market, institution framework
and China´s education. In order to deal with these causes, the companies used three
different strategies. When the cause was the China´s labor market, it was highlighted the
COO effect; while when the cause was the institution framework of China, the strategy
was created to oppose the COO effect. And the third strategy was created to fulfill the
lack of knowledge about the Brazilian market by the Chinese headquarter, which has as a
main cause China´s education.

The value proposition is also affected by the COO in both companies. The causes of the
COO effect that affected the value proposition were the China’s labor market and
institution framework. When the cause was affected by the China’s labor market, the
strategy was created to highlight the COO effect; while when the cause was affected by
the institution framework from China, the strategy was created to oppose the COO effect.

The target audience driver is divided in primary and secondary target. The secondary
target does not play an important role when considering the effect of the COO. However,
the primary target was affected by the COO. The cause of the COO effect was the
China’s labor market, which the companies dealt by highlighting the COO effect.

The actively communicated driver is divided in augment the image, reinforce the image
and diffuse the image. As the Chinese companies are in the process of the development of
their brands in the Brazilian market, they tend to reinforce the image as a communication
strategy. The reinforcement of the image is affected by the COO, and the main cause of
this effect is the China’s labor market. The companies dealt with this effect by
highlighting the COO.

The competitive advantage driver is divided into points of superiority and points of
parity. To complement this driver, during the research, another point to be considered,
enhanced by the Chinese companies was the points of inferiority. The points of
inferiority were identified as the negative points that the companies had when comparing
themselves with their competitors. The importance of the identification of the points of inferiority was crucial for the companies to understand their weaknesses in the market.

Although all the three points of the competitive advantage driver are not affected in a similar way by the COO, in a general manner, all the elements in this driver are indirectly affected. To delineate the competitive advantage of the brands, causes of the COO effect were taken in consideration, which are the China´s labor market, institution framework and China´s education.

Regarding the points of inferiority, while the companies were affected in a similar way by the COO, in both cases this effect was not dealt by the companies, which did not presented any strategy influenced by this COO effect.

After analyzing all four drivers, the outcome of the analysis leads to define the brand positioning of the companies as a cost-benefit positioning. The COO affected the brand positioning mainly in two different attributes: price and quality. When the low price, presented as a cause of the COO effect from China, was in evidence, this attribute was highlighted in the international brand positioning strategy. The lack of quality was another cause of the COO effect from China, and when this effect was perceived in some of the drivers, the international brand positioning strategy was used to oppose this COO effect.

Although the Chinese companies had to deal with a negative COO effect regarding the perception of lack of quality of products from the country, this effect is used in a positive way. When combining the perception of lack of quality among Chinese products and the low price perception, these companies use the brand strategy to oppose the negative effect, highlighting the low price, which leads to the cost-benefit strategy. This strategy is connected to products that are placed in the market with a low price and an average quality among the competitors in the market.

The Chinese companies position themselves in the market as a cost-benefit brand, since their consumers pursue this attributes, who are represented by a rational behavior – seeking for a cost-benefit relation when purchasing products. The low price and quality represent attributes from the country China, and for this reason, the consumers directly connect that products made in this country deliver similar attributes.

A fact to be aware in the communication strategies of Chinese companies is the reduction of communication efforts with the end-user (B2C market). By discontinuing the financial investments in the communication budget, the consumer perception regarding the brand is decreased, leading to a point of inferiority for the brand. The lack of importance given to the marketing area in the Chinese companies is connected to a cause of the COO effect – a disconnection between educational content and business needs.

A consequence of the lack of importance given to the marketing area is the weak brand positioning in the market. For this reason, Chinese companies end up positioning themselves considering the country attributes – the cost-benefit, where the image of the
country represents the brand. The cost-benefit strategy of Chinese companies is a response to the COO effects, which are caused by the general attributes of China.
6. CONCLUSION

In this chapter the final conclusions are drawn from the cases studied in this thesis. In this context, the research question is answered, implications for theory and practice are elaborated and starting points for further research proposed.

6.1 Conclusion

The aim of this study was to examine how the effects of COO influence brand positioning of Chinese firms when going international, and how they deal with these COO effects. In order to pursue this purpose, the research investigated the drivers that assist the development of the international brand positioning. In the course of this study, it was possible to identify through the four drivers of the brand positioning – the brand identity, the target audience, the brand communication and the competitive advantage, how the Chinese companies position their brands internationally. In this context, the causes of the COO effect were identified through the general country attributes from China, taking in consideration the institutional distance facts of the country, specially the institution framework, the education, and the labor market from China, which exerted influence in the international brand positioning of Chinese companies. After the identification of the COO causes, it was described how the Chinese companies dealt with these effects in its international brand positioning strategies and in which drivers of these brand positioning it would exert influence.

In order to answer the research questions below, the answers follow in sequence.

How do Chinese companies position their brands when going international?

What are the causes of the COO effect that affect Chinese companies brand position when going international?

How do Chinese companies deal with the COO effect when positioning their brands internationally?

With this study it was possible to describe the international brand positioning of Chinese companies. The companies position their brands as cost-benefit, which is possible to conclude when describing the four drivers from its brand positioning strategy. The cost-benefit strategy was a response from the companies to the COO effect, which exerted influence in all four drivers from the brand positioning of the Chinese companies. The causes of these effects were also identified in order to describe how the companies deal with the COO effect.

The first driver from the international positioning strategy, which corresponds to the brand identity, was identified with a cost-benefit strategy. This strategy is directly connected to the institution framework, labor market and education from China, which
are the causes of the effects of the country-origin exerting influence in its international brand positioning. In order to deal with these effects, the companies used the COO effects in the brand identity in its favor, either to highlight the effect or to oppose it.

The target audience identified from the Chinese companies seeks for a cost-benefit relation when acquiring products. The main causes of the COO effects in this driver correspond to China’s labor market. To deal with this effect, the companies highlighted the COO effect for its audience.

The third driver, that regards the communication of the brand, reinforced the brand image in the market. The cause of the COO effect in this driver was identified as the China’s labor market, and the companies dealt with this effect by highlighting the COO effect in its communication.

The competitive advantages of the companies were indirectly affected by the COO effects, since they did not present similarities in each driver, but are still affected by the COO effect. Although each element was affected differently in this driver, the COO influenced the construction of it. The causes of the COO effect in the competitive advantage were the labor market, institution framework and education from China. The companies dealt with these effects by highlighting and opposing the COO effect. It was also identified that the companies did not presented a strategy to the points of inferiority that is an element from the competitive advantage.

The framework brought in the literature review’ chapter of this study presented the four driver of the brand positioning. The effects of the country-of-origin were presented exerting the same influence in all four drivers, not specifying how it influenced the elements of each driver. After describing the international brand positioning strategy from Chinese companies, the framework was reviewed. It was identified that the COO exerted different influences in each element of the drivers. The elements that suffered influence of the country-of-origin were the points of leverage, value proposition, primary target and the reinforcement of the image. The driver competitive advantage was indirectly influenced by the COO effect.

Concluding the above findings, a revised framework presented the four drivers from the brand positioning strategy, pointing which elements of these drivers were affected by the COO and which strategy was used to deal with these effects. Besides, it was also concluded that the COO effects in the international brand positioning strategy were mainly caused by the general attributes from the country of origin.

**6.2 Implications**

The contributions of this thesis are related to the international brand strategy of Chinese companies and the COO effect, based on the two companies researched. The study identified that the companies adopt a cost-benefit strategy when positioning its brand internationally, which is directly connected to the COO effect. The causes of the COO effect in this strategy are descendent from the low labor cost and perception of low quality from China. To deal with the COO generated by the cited causes, the brand
positioning strategy highlights the effect when it is related to price and opposes the effect when it is related to quality. The COO effect not only influences the international brand positioning of the researched Chinese companies, but are also used to build the strategies in its positioning.

Moreover, this research contributes to the existing theory regarding the brand positioning, by bringing another element to the competitive advantage in the researched framework, which is the point of inferiority. This point has showed to be relevant when building a brand positioning strategy, since it might bring advantage for the competitors. It is important that a company takes in consideration the points of inferiority in order to deal with it when building its brand positioning strategy.

In addition, this thesis also contributes by revising an existing model of brand positioning when adding the COO effects in it. The outcome framework presents where the COO affects in the brand positioning strategy and also how these effects are dealt in the strategy.

These findings are not only relevant for scholars, but also for companies that need to better understand how the COO can affect the brand positioning strategy and how it can deal with it. Due to the fact this research approached two international well-known companies and, based on this data, the findings might assist other Chinese companies when internationalizing to emerging markets by taking in consideration the framework presented in this study.

The contributions mentioned above might influence researchers and managers in understanding the international brand positioning and the effects of the COO in Chinese companies when internationalizing to emerging markets.

As practical implications, recommendations to the researched companies are build in order to the better understanding of the COO effect and how to deal with these effects in the brand positioning in the Brazilian market. Both companies gave importance to the points of inferiority when pointing characteristics in the competitive advantage driver, although none of them had a strategy to deal with this point – while point of superiority and parity were dealt with strategies in its brand position. The first recommendation would be to the companies to understand the points of inferiority as an influence in the brand positioning, and create a strategy to deal with this point.

Furthermore, both companies did not relate the cost-benefit position as a COO effect from China. In order to have a stronger brand position in the Brazilian market, JAC Motors and ZTE should be aware of the COO effect in all drivers – affecting directly or indirectly the drivers – and build all strategies in order to highlight the COO effect when it is in favor of the desired positioning, or opposing when it is contrary to it.
6.3 Further Research
Since this study has researched the international brand positioning, the COO effect and its causes in a qualitative study considering two Chinese companies, further qualitative and quantitative studies would be fruitful to the validity of the presented findings. Additional qualitative studies would assist to the applicability of the presented model. The collection of specific data to this research was limited due to the restricted contact from Chinese companies that would be willing to share this type of information. Collecting data from a number of Chinese companies that are internationalizing their brands to emerging market would enable future studies proving the revised model. Quantitative studies regarding this subject would assist to understand the consumer perception of the COO effect, it causes and how it affects the brand positioning strategy. By this, the consumer perspective of the COO effects in the international brand positioning strategy would complement the company perspective presented. Furthermore, as this study is limited to Chinese companies internationalizing to the Brazilian market, it would be promising to include other BRIC markets in order to discover if this countries might have the same COO issues. In addition, based on the presented research and data other companies might apply this model to validate the presented framework.
7. REFERENCES


8. APPENDIX

A.1 Semi-Structured Interview Guide in English

Introduction

a. Could you please introduce yourself?
b. Name
c. Position in the company
d. Area of the company
e. How many years are you working in the company?

1. Brand Positioning and Effect of the COO: Subset of the brand identity/value proposition

1.1 What are the values of the Brand?
1.2 Does the brand in Brazil share the same values as the brand in the Chinese market?
1.2.1 If yes: are these values transmitted to the Brazilian consumers?
1.2.2 If not: why the values where adapted in the Brazilian market?
1.3 How do you want the brand to be seen by consumers?
1.4 Does the company shows to the consumers that it is a Chinese brand?
1.4.1 If yes, what are the effects in the brand identity?
1.4.2 If not, why?
1.5 Any attribute from China is used to build the brand identity? Ex: political, economic, culture, education, technical skills, people...
1.6 Core identity: What are the most valuables aspects of the brand in the Brazilian market? Does having the Chinese tradition behind the brand exert any influence when choosing these aspects?
1.7 Points of leverage: Does the brand has any sub brand, special service... that could represent the brand for some audience? Does that feature exits globally or was specially created for the Brazilian market? If the second, why? Does that feature has any connection with being a Chinese company?
1.8 Value proposition: What are the key benefits of the brand for the customers? Is there any special benefit to the customer? Does this benefit is offered also in other markets? If not, why? What was the main purpose for creating this benefit?

2. Brand Positioning and Effect of the COO: Target audience

2.1 What is the main target of the brand, considering Income, Interest and Access?
2.2 What is considered the secondary target of the brand, considering income, interest and access?
2.3 Why does the company have chosen this target?
2.4 Does the public know the country of origin of the brand?
2.5 Does being a Chinese company influenced when the company defined the target?
2.6 Does the company target similar audience in a global scale?
3. **Brand Positioning and Effect of the COO: Actively communicated**

3.1 In your opinion, how does the consumer perceive the brand?
3.2 Does this perception go along with the brand identity that the company defined for the brand?
3.3 When communicating the brand, does the company bring a new element from the brand image, reinforce the image that the brand already has or changing the image of the brand?
3.4 Or what other strategy is used when communicating the brand?
3.5 Why is the company taking this strategy for the brand?
3.6 Does the country of origin of the brand exert any influence in this strategy? How?

4. **Brand Positioning and Effect of the COO: Competitive advantage**

4.1 Who are your main competitors?
4.2 How do you see your brand positioned when comparing to the competitors?
4.3 What attributes and benefits you have in similarity with the competitors?
4.4 Why does this points of similarity with the competitors where created?
4.5 All competitors have it?
4.6 All products in this segment have it?
4.7 What are your strong differences with the competitor?
4.8 By being a Chinese company, does it brings any differentiation from the competitors? Which ones? (Positive or negative)
A.2 Semi-Structured Interview Guide in Portuguese

Introdução

a. Você pode se apresentar brevemente?
b. Nome
c. Posição na empresa
d. Área da empresa
e. Há quantos anos trabalha na empresa?

1. Posição da marca e o Efeito do COO: Subconjunto da identidade da marca/Proposição de valor

1.1 Quais os valores da marca?
1.2 A marca no Brasil divide os mesmos valores como a marca no mercado chinês?
1.2.1 Se sim: Estes valores são transmitidos aos consumidores brasileiros?
1.2.2 Se não: Por que estes valores foram adaptados ao mercado brasileiro?
1.3 Como a empresa quer ser vista pelos consumidores?
1.4 A empresa mostra aos consumidores que é uma marca chinesa?
1.4.1 Se sim, quais os efeitos na identidade da marca?
1.4.2 Se não, por quê?
1.5 Algum atributo da China é usado para construir a identidade da marca? Ex: Político, econômico, cultural, educacional, habilidades especiais?
1.6 Identidade Central da marca: Quais são os aspectos mais valiosos da marca no Mercado brasileiro? Tendo a cultura chinesa por traz, a marca exerce alguma influência qual escolhendo estes aspectos?
1.7 Pontos de alavancagem da marca: A marca tem alguma sub marca ou serviço especial, que possa representar a marca para o consumidor? Esta é uma característica global ou foi criado especialmente para o mercado brasileiro? Se criado para o mercado brasileiro, essa característica tem alguma conexão por ser uma empresa chinesa?
1.8 Proposição de valor da marca: O que são os benefícios chaves da marca para o consumidor? Tem algum benefício especial para o consumidor? Este benefício é oferecido em outros mercados? Se não, por quê? Qual é o principal objetivo ao criar este benefício?

2. Posição da marca e o Efeito do COO: Consumidor da marca

2.1 Quem é o consumidor primário da marca considerando renda, interesse e acesso?
2.2 Quem é o consumidor secundário da marca, considerando renda, interesse e acesso?
2.3 Por que a empresa escolheu este consumidor?
2.4 O consumidor sabe do país de origem do produto?
2.5 Sendo uma empresa chinesa, a empresa foi influenciada quando definiu o consumidor?
2.6 O consumidor da marca é similar mundialmente?
3. Posição da marca e o Efeito do COO: Comunicação da marca

3.1 Em sua opinião, como os consumidores brasileiros vêem/percebem a marca da empresa?
3.2 Essa percepção da marca vai de acordo com a identidade da marca definida pela empresa?
3.3 Quando a empresa comunica a marca, qual estratégia é utilizada? Traz um novo elemento para a imagem da marca? Reforça a imagem que a marca já possui? Muda a imagem da marca?
3.4 Por que essa estratégia é utilizada?
3.5 O país de origem da marca exerce alguma influência para essa estratégia? Como?

4. Posição da marca e o Efeito do COO: Vantagem competitiva

4.1 Quais são os principais competidores da empresa no mercado brasileiro?
4.2 Como a empresa percebe a empresa posicionada quando comparada com os competidores?
4.3 Quais atributos e benefícios a empresa têm em comum com os competidores?
4.4 Todos competidores possuem esse atributo/benefício?
4.5 Todos os produtos desse segmento possuem esses benefícios?
4.6 Quais são os principais diferenciais da marca da empresa?
4.7 Ser uma empresa chinesa traz alguma diferenciação para a empresa perante seus competidores? Pontos positivos? Pontos negativos? Quais?
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