ABSTRACT

Purpose
This study is intended to verify empirically the direct and indirect effects and their interactions, of 1) the product-free State brand, 2) the product-bound COO (Country-of-Origin) brand, and 3) the Corporate/Line brand on the development of perceptions of, and preferences for, the Corporate/Line brand leading to enhanced purchase intent in the consumer market of China.

Approach and Methodology
The survey was conducted as a multi-nation comparative analysis in China through the use of the SEM methodology covering the nations of Japan, Korea, the USA, France, Germany and China as State brands and/or COO brands, and their respective “made-in” Corporate/Line brands in the three product categories of skincare cosmetics, passenger cars, and FPD (flat panel display) TVs.

Findings
The study found that the State brand and the COO brand had a significant effect on the development of perceptions of, and preferences for, the Corporate/Line brand, and a much more important and significant effect on perceptions of the Corporate/Line brand as it impacts the development of preferences leading to higher purchase intent.

Value
Given intensifying market competition between global and local brands in China recently, this study, which looks closely at the issue of the acceptance in China of Corporate/Line brands from various nations and China itself, should be of importance to both the academic and business communities.

Key Words
State brand, COO brand, Corporate/Line brand, China, France, Germany, Japan, Korea, the USA, State Effect, COO Effect, Brand Perception Effect.
A. INTRODUCTION

1. Framework of the Study

This study of “made-in” brand transfer to China is one of a series of research projects by one of the authors within the framework of studies on the transfer of marketing knowledge across nations (Hayashi and Ogawa 1998; Hayashi 1999).

His definition of a successful transfer of a brand across nations is that a well-accepted and well-established brand in the mother nation becomes a well-accepted and well-established brand in the host nation. In the process of transfer, however, the level of acceptance of the “made-in” brand will be influenced by the Socio-Spiritual Culture (SSC) of the host nation (Hayashi 2003).

The study is designed to identify how preferences for the Corporate/Line brand are influenced by SSC in China and learn the implications for effective marketing involving the transfer of “made-in” Corporate/Line brands to China’s market. In this study, SSC is substituted for operationalization purposes by the two constructs of the degree of preference for a nation (product-free State Effect) and for a country-of-origin (product-bound COO Effect).

This study covers several nations as State brands and COO brands, and looks at a number of global corporations and their line brands as Corporate/Line brands not only from Japan, but also from Korea, the USA, France and Germany.

If you like Japan, do you think you would also like Japanese cars and consequently prefer Toyota to Hyundai? If you like France, do you think you would also like cosmetics (generics) from France and purchase Lancôme in preference to Shiseido? If yes, this is a “secondary brand association” effect of the State brand and the COO brand.

Keller (2008, p.p. 281-282) asserts that “in general, this secondary knowledge (inclusive of associations, judgments, feelings and the like—the authors) is most likely to affect evaluations of a new product when consumers lack either motivation or ability to judge product-related concerns.”

If you like or dislike a nation, or a country-of-origin of a product category, this association will be transferred to your preference for the product brand from the nation.

We will analyze how preference for a nation such as Japan, the USA or France might affect one’s preference for the Corporate/Line brand from Japan, the USA or France.

Another aspect of the study was to determine how much consumers would prefer to buy a product brand from Japan, Korea, or the USA because of a liking for the brand itself, independent of the degree of preference for the nation.

We assumed that there were three (3) channels for developing a preference for a specific Corporate/Line brand. First, one’s preference for a specific nation itself. Second, one’s preference for the product category of the country-of-origin (COO), such as skincare cosmetics of COO France, automobiles of COO Japan, or FPDTVs of COO Korea. Third, one’s perceptual image of the Corporate/Line brand itself, such as Sony, Samsung, Ford, or Honda.

The three (3) product categories were intentionally selected as representative of typical high-tech and high-touch consumer product areas where Japan is strong. A large number of “made-in” Japan brands are globally accepted as leaders in the three categories and purchased in large numbers. The same product category markets in China are also very much influenced by global players and their product brands, including those corporations and product brands emanating from Japan, Korea, the USA, etc., while quite a few local players are rapidly enhancing their competitiveness.

We will investigate the subject in five (5) phases; Literature Review, Objectives, Methodology and Analysis, Findings and Discussions, and Conclusions, including marketing implications for branding strategies in particular for Japanese multinational corporations operating and planning to operate in China.

2. Value of the Study

There are numerous studies confirming that in the host nation either the State brand or the COO brand, or both, from the mother nation influence perceptions of, and preferences for, that nation’s products. Almost all the findings are related to generic products or product categories, such as cars, TVs, cosmetics, watches, etc. (Hong and Wyer 1989; Roth and Romeo 1992; Li and Wyer 1994; Zhang 1996; Klein, Ettensohn and Morris 1998).
However, there are relatively few studies looking at perceptions of, and preferences for, individual Corporate/Line brands, such as Toyota, BMW, Shiseido, Samsung, etc., with respect to the State brand effect and/or COO brand effect (Amine, Chao, and Arnold 2005).

As observed in all over the world, brand marketing has become increasingly important in influencing consumers’ perceptions and preferences leading to the purchase of a particular brand of product or service. Multi-national corporations with global brands, in particular, are locked in fierce competition, investing heavily in marketing as they vie for global leadership in specific product/service categories.

This holds true in China’s consumer market also. Toyota, Honda, Hyundai, and Ford are just some examples of global passenger car brands that are preferred and purchased in numbers in China. Sony, Panasonic and Samsung are other examples of very well-known brands of state-of-the-art electronic products. Chinese consumers respect them and long to own them.

Shiseido, Olay and Lancôme are yet another group of global brands in the cosmetics area. Chinese women aspire to own them and readily buy them up in premium department stores.

Our view, therefore, is that research on the State brand and the COO brand should also be related to perceptions of, and preferences for, individual product/service brands in order to be operationally meaningful to both the academic and business communities.

B. LITERATURE REVIEW

In this section we review some relevant articles to support the framework of our study while defining the key terminologies of the State brand, the COO brand and the Corporate/Line brand, with some academic input from literature.

1. State Brand

Any nation can be branded and quantitatively measured according to Keller (2008). In this context, the State brand is defined as the measurable image of, and the measurable preference for, a nation like Japan, Korea, or the USA that Chinese consumers tend to evoke in associations with various elements of geography, political influence, economic performance, technological strength, high-quality image, history, culture, visual symbols, etc., of a particular nation (Nagashima 1970; Erickson, Johan and Chao 1984; Han 1989; Johansson, Douglas and Nonaka 1985; Graby 1993).

The State brand is therefore defined as a specific product-category-free and aggregate image of, and preference for, a nation combining disparate elements in a quantitative assessment by Chinese consumers. State Japan, State China, and State USA are thus comparatively measured and preferences for one versus the others are established.

2. COO Brand

COO is defined as “information pertaining to where a product is made (Zhang 1996, p. 50).” However, in this paper, we expand the definition of COO to include various other measures of design, assembly, manufacture, etc., of a specific product category. The COO brand is therefore product/product category-specific. We follow the definition by Jaffe and Nebenzahl (2006, p. 29) that COO is “the country which a consumer associates with a certain product or brand as being its source, regardless of where the product is actually produced.”

The COO brand is also a measurable object for consumers in China, differentiated by, and subject to, favorable, unfavorable or neutral judgments and feelings. Passenger cars of COO Japan, COO Korea, and COO USA are some examples to be evaluated comparatively against each other as COO brands in the same product category.

3. Corporate/Line Brand

The Corporate/Line brand represents either a corporation and/or a product line from the corporation. Toyota is both a corporate brand and line brand with a wide range of product brands such as Corolla, Camry, Prius, etc. So are BMW, Panasonic, and Samsung, etc. Shiseido is also a corporate brand as well as a line brand while Aupres is a line brand available only in China (local brand) under the
corporate brand of Shiseido.

4. Interactions of the Three

The effect of the State brand as defined above (State Effect) is related to consumer judgments and feelings about product quality, reputation, stereotype, etc., and the match between the specific nation’s image and the product or service among consumers (Bilkey and Nes 1982; Klein, Ettenson and Morris 1998; Klein, Smith, and John 2002; Klein 2002). The State Effect is contingent on which nation it is measured in (Amine and Shin 2002). The State Effect is also changeable for a specific nation, subject to various levels of exposure to and experiences with the nation in question over a certain period of time, or time-dependent.

These days, governments of many nations are keen to create and promote a positive and favorable State brand image and preference, hoping to motivate consumers in the host nation to prefer and purchase products and services from the mother nation (Anholt 2000). We maintain that a positive evaluation of the State brand of a specific nation will lead to a positive and favorable effect on the development of preferences and purchase intent for products and services from that nation.

The effect of the COO brand (COO Effect) refers to a nation’s image match with a product or product category on multi-dimensional factors as attached by consumers to products and services from a specific nation (Nagashima 1970; Roth and Romeo 1992). Accordingly, a negative and unfavorable image of a nation and its image mismatch with a product or product category is assumed to have a negative impact on the COO brand, leading to negative preferences for products and services from that nation. What constitutes a favorable match is a subject of comparative perception analyses of various COOs of the same product or product category, such as COO Japan, COO China, and COO France in the cosmetics category.

In addition, distinctively from the State brand, a COO of a specific product or product category has three mechanisms to explain COO Effects (Verlegh and Steenkamp 1999): “Cognitive for a cue for product quality, Affective for symbolic and emotional value such as prestige or patriotism, and Normative for the consumer’s social or personal norms such as buying domestically made products or refusing to buy from a specific country the consumer disapproves.”

In sum, an enhanced or degraded State Effect of Japan or the USA in China, as an example, may either improve or worsen the skincare cosmetics images of COO Japan or COO USA, which may then influence the success or failure of Japanese or American cosmetics brands in China.

However, whether or not this summary statement holds true across State and COO brands has yet to be researched. Moreover, how effective the marketing efforts of Corporate/Line brands like Toyota, Samsung, etc., can be in fostering favorable consumer preferences for the brands independently from the effects of the State brand and the COO brand needs to be confirmed.

5. Animosity

We would also like to pay special attention to the construct of animosity to which Klein, Smith and John (2002) draw attention. Animosity is nation-specific and defined by Klein, Ettenson and Morris (1998, p.90) as “the remnants of antipathy related to previous or on-going military, political or economic events.” They argued that “consumers might avoid products from the offending nation not because of concern about the quality of goods, but because the exporting nation has engaged in military, political or economic acts that a consumer finds both grievous and difficult to forgive.”

In this context, then, Chinese consumers are reported to have animosity toward Japan because of Japan’s invasion of China during World War II. This animosity is often manifested as anti-Japanese sentiment and demonstrations that tend to escalate into “physical” actions, such as attacking and tearing down Japanese products and Japanese-affiliated retail stores.

The most recent data released by BBC World Service Poll accessed on September 19, 2008 (http://news.bbc.co.uk/2/hi/americas/7324337.stm) also covering “Views of Japan’s Influence” revealed that “Japan remains one of the most positively viewed countries worldwide.” On average this year (between November of 2007 and January of 2008), 54 percent gave Japan a positive rating out of 28,000 respondents from 27 countries. 24 countries gave Japan a positive rating with just two giving it a negative rating. The two are neighboring China and South Korea with a negative rating from 63 percent of the respondents in China and 58 percent in South Korea.
In short, Chinese consumers do not like Japan as a State brand, prompting negative attitudes toward products from Japan (COO brand) although they may believe that Japan produces high-quality products. In other words, animosity is regarded as a negative component underlying the State Effect and COO Effect of Japan.

In spite of this, what market data tell us is that Chinese consumers still buy Toyota, Honda, Shiseido, Sony, Panasonic etc., in relatively large numbers. These are all Japanese brands. Moreover, these brands are highly preferred, ranking among the top five or ten in their respective product category markets in China.

We need to examine this ambivalent phenomenon between the strongly negative perceptions and attitudes (preferences) and physical actions against Japan (State Japan) and things Japanese (COO Japan) and the positive perceptions and attitudes (preferences) and purchasing behavior with respect to a relatively large number of product brands from Japan (Corporate/Line brands). To our knowledge, China is the only nation, at least in Asia, where a significant level of ambivalence is found these days.

C. OBJECTIVES

The study was conducted as a multi-nation comparative analysis in China utilizing the SEM (Structural Equation Modeling) methodology. It covers multiple State brands and COO brands, and a number of Corporate/Line brands from several leading nations of the respective product categories, thus achieving the following three (3) objectives.

1. To identify the total effect of State brand preference on the development of the preference for the Corporate/Line brand. This effect is called State Effect.
   a) Total Effect= Direct Effect+ Indirect Effect
   b) State brand: Japan, China, the USA, etc., being free from product categories, and denoted as State Japan, State China, State USA, etc.
   c) Corporate/Line brand: Toyota, Samsung, Chery, Dabao, etc.

2. To identify the total effect of COO brand preference on the development of preference for the Corporate/Line brand. This effect is then called COO Effect.
   a) COO brand: Japan, China, Korea, Germany, etc., as countries of origin for skincare cosmetics, passenger cars, and FPD TVs, denoted as skincare cosmetics of COO Japan, passenger cars of COO Germany, FPD TVs of Korea, etc.

3. To disclose the indirect effect of the Corporate/Line brand through perception, independently from the total effects of the State brand and the COO brand, on the development of preference for the Corporate/Line brand. This effect is called Brand Perception Effect.

D. METHODOLOGY AND ANALYSES

1. Direct and Indirect Effect, and Total Effect
   Three (3) different types of brand effect were analyzed: State Effect, COO Effect, and Brand Perception Effect. When they affect the perception of, and preference for, the Corporate/Line brand, we call it a direct effect.

   If you like State Japan, you may like Toyota, and at the same time your liking for State Japan will have some favorable impact on your perception or image of Toyota. Both are the direct effect of State Japan. The favorable image of Toyota stemming from your liking for State Japan may also influence your preference for Toyota. This is the indirect effect of State Japan through the brand perception of Toyota. The sum of the two effects represents the total effect of State Japan (State Effect of Japan).

   Let us look at the example of France as a COO of cosmetics (cosmetics of COO France). When you like cosmetics of COO France, you may develop a favorable image of Lancôme. This is the direct effect of COO France. This favorable perceptual image may also have a positive effect on the preference for Lancôme. This is the indirect effect of COO France through influencing your
perception of Lancôme. The total effect of COO France is a summation of both direct effect and indirect effect (COO Effect of France).

Not everyone knows or pays attention to where Lancôme is from. Independently from the effect of State France and COO France, Lancôme itself should have acquired its own equity image as a result of marketing activities in China over the years. That image may have a very strong effect on preferences for Lancôme and purchase intent. This is called the indirect effect of Lancôme itself (Brand Perception Effect of Lancôme).

2. Conceptual Model
Exhibit 1 below shows the conceptual model used in this study. Along with this model, we collected data through consumer measurement in China.

Exhibit 1: Conceptual Model of SEM

Source: Hayashi (2003)

3. Measurement Design
The following were measured on a 5-point Likert scale. See the list of brands in Exhibit 2.

1) State brand preference and perception (Q1 and Q2)
Preference for State brands was rated between 5 (very preferable) and 1 (least preferable). Attribute ratings were also measured between 5 (very agreeable) and 1 (least agreeable).

2) COO brand preference and perception (Q3 and Q4)
Preference for COO brands of the three product categories of skincare cosmetics, passenger cars and FPD TVs was measured followed by attribute rating measurement of COO brands for each category.

3) Corporate/Line brand preference and perception (Q5 and Q6)
Preference for Corporate/Line brands in the three product categories was measured followed by attribute rating.
A list of eight (8) common attributes was developed for the State brand across the three product categories that should be applicable to every target nation in this study. They should reflect the nation’s competitive strengths and weaknesses in the global business setting, including technological strength, economic strength, producing high-quality/high-touch products, as well as cultural influence and friendliness to each other.

For the COO brand of each product category, seven (7) attributes were developed by one of the authors in consultations with industry experts.

One of the authors himself was engaged professionally until 2004 in pan-Asian marketing research and consulting for over 25 years with a number of multinational corporations, such as those having the Corporate/Line brands in this study. We are most thankful to those corporations for their valuable input. The attributes have helped us to discover 2-3 crucial dimensions of the perceptual space of consumers that trigger their preferences for each COO brand.

1) Skincare cosmetics of each COO were rated on seven (7) attributes of high-class/sophisticated, trustworthy, fits my skin, proud of using, etc., and purchase intent.
2) Passenger cars of each COO were measured on seven (7) attributes including high performance, durable, trustworthy, original, etc., and purchase intent.
3) FPD TVs of each COO were assessed on seven (7) attributes comprising original, trustworthy, reasonable price, high performance, etc., and purchase intent.

The Corporate/Line brand was rated on seven (7) brand personality attributes of sincere, sophisticated, dynamic, trustworthy, etc., and purchase intent.

**Exhibit 2: Measurement Design**

<table>
<thead>
<tr>
<th>Skincare Cosmetics</th>
<th>Passenger Cars</th>
<th>FPD TVs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State brand</strong></td>
<td>China, France, Germany, Japan, Korea, UK, USA.</td>
<td>China, France, Germany, Japan, Korea, UK, USA.</td>
</tr>
<tr>
<td><strong>COO brand</strong></td>
<td>Skincare cosmetics of China, France, Japan, Korea, USA.</td>
<td>Passenger cars of China, Germany, Japan, Korea, USA.</td>
</tr>
<tr>
<td>Corporate/Line brand (*)</td>
<td>Aupres, Avon, Dabao (大宝), Lancôme, Laneige, L’Oreal, Mininurse (小护士), Olay, Shiseido, SK-II.</td>
<td>BMW, Chery (奇瑞 QQ), Ford, Geely (吉利), GM, Honda, Hyundai, Mercedes-Benz, Nissan, Toyota, VW.</td>
</tr>
</tbody>
</table>

(*) Each respondent evaluated 5 brands as randomly selected from the list of all the brands.

The on-line consumer measurement was done between December 2006 and January 2007 in Beijing, Shanghai and Guangzhou. The number of respondents was 600 for each city (200 for each product category), 1,800 in total, all recruited from Searchina’s monitors in the three cities. Searchina is a research institute specializing in China. The respondents were regarded as high-motivation consumers in the respective categories. Demographic characteristics of the respondents are shown in Exhibit 3.

**Exhibit 3: Characteristics of Respondents**

<table>
<thead>
<tr>
<th>Skincare Cosmetics</th>
<th>Passenger Cars</th>
<th>FPD TVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females aged 18-48 years who purchase skincare cosmetics for their own use. 600 respondents in total with 200 in each city.</td>
<td>Males &amp; females aged 20-49 years who have an owner car (62%) or intend to buy one within the next 2 years (48%). 600 respondents in total with 200 in each city.</td>
<td>Males &amp; females aged 20-49 years who have a FPD TV at home. 600 respondents in total with 200 in each city.</td>
</tr>
</tbody>
</table>
4. Operational Model

To achieve the three (3) objectives, the three (3) phases of assessment were implemented through the operationalization of the conceptual model of Exhibit 1 in the manner illustrated in Exhibit 4.

1) Direct effect of State/COO brand preference on the development of Corporate/Line brand preference.

2) Indirect effect of State/COO brand preference as it influences the perception of the Corporate/Line brand that in turn affects the development of preferences for the Corporate/Line brand.

3) Indirect effect of Corporate/Line brand perception on brand preference that will influence the intention to purchase the brand itself.

Exhibit 4: Operational Model

5. Preliminary Analysis of Perceptual Dimensions

Before proceeding to the SEM analysis, we did an exploratory factor analysis of the Corporate/Line brand attributes in order to reduce the dimensionality of the brand perception.

As shown in Exhibit 5, the two (2) factors of F1 and F2 were identified as underlying the perceptual image of the Corporate/Line brand through the exploratory factor analysis for the three (3) product categories. F1 and F2 for each product category are labeled as shown in Exhibit 5. For instance, in the skincare category, F1 with a label of “Advanced/Intellectual” and F2 of “Sincere” would represent the perceptual space of the average consumer.
6. Four Hypotheses and Five Models

Four (4) hypotheses were developed and tested for the selection of the best model out of the five (5) models to achieve the research objectives.

**Hypothesis 1**
The levels of preference for the State brand and the COO brand, respectively, have direct effects on the level of preference for the Corporate/Line brand.

**Hypothesis 2**
The levels of preference for the State brand and the COO brand, respectively, have direct effects on the development of perceptions of the Corporate/Line brand.

**Hypothesis 3**
The level of Corporate/Line brand perception influences the development of preference for the Corporate/Line brand.

**Hypothesis 4**
The average brand perception score differs from brand to brand when brand perception is “freed” from the influence of preference for the State brand and the COO brand.

To verify the hypotheses, the five (5) models below with various combinations of the four hypotheses were developed as shown in Exhibit 6, and tested for the goodness of fit. The best model was singled out in Exhibit 7.

**Model 1**: The model that assumes the above Hypotheses 1-4 are all right. Both direct and indirect effects of the State brand, the COO brand and the Corporate/Line brand are assumed.
**Model II:** Hypotheses 1, 3 and 4 are right, but Hypothesis 2 is wrong. The State brand and the COO brand do not influence Corporate/Line brand perception.

**Model III:** Hypotheses 2, 3 and 4 are right, but Hypothesis 1 is wrong. The State brand and the COO brand do not have a direct effect on brand preference. They have only an indirect effect through brand perception.

**Model IV:** Hypotheses 1 and 2 are wrong, but Hypothesis 3 and 4 are right. Brand preference is influenced only by brand perception.

**Model V:** Hypotheses 1, 2 and 3 are right, but Hypothesis 4 is wrong. Corporate/Line brand preference is influenced by State brand preference and COO brand preference, but not by perceptions of the Corporate/Line brand. Corporate/Line brand perceptions are not differentiated across different Corporate/Line brands.

**Exhibit 6: Five Models for Testing Four Hypotheses**

<table>
<thead>
<tr>
<th>Hypothesis 1</th>
<th>Hypothesis 2</th>
<th>Hypothesis 3</th>
<th>Hypothesis 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model I</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Model II</td>
<td>○</td>
<td>×</td>
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<tr>
<td>Model III</td>
<td>×</td>
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<td>○</td>
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<tr>
<td>Model IV</td>
<td>×</td>
<td>×</td>
<td>○</td>
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<tr>
<td>Model V</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

The five models were evaluated against the three criteria of CFI (Comparative Fit Index), RMSEA (Root Mean Square Error of Approximation), and AIC (Akaike’s Information Criteria). Model 1 turned out to be the best one, as shown in Exhibit 7. Hence all the four hypotheses were supported. All the estimates reported in the next section are based on Model I.

**Exhibit 7: Summary of Model Fitting**

<table>
<thead>
<tr>
<th></th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
<th>Model IV</th>
<th>Model V</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SkinCare</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFI</td>
<td>0.964</td>
<td>0.949</td>
<td>0.961</td>
<td>0.945</td>
<td>0.916</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.045</td>
<td>0.052</td>
<td>0.046</td>
<td>0.054</td>
<td>0.063</td>
</tr>
<tr>
<td>AIC</td>
<td>85,339.7</td>
<td>85,574.6</td>
<td>85,376.2</td>
<td>85,646.7</td>
<td>86,110.7</td>
</tr>
<tr>
<td><strong>Car</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>CFI</td>
<td></td>
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<tr>
<td>RMSEA</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>AIC</td>
<td>85,413.1</td>
<td>85,574.6</td>
<td>85,376.2</td>
<td>85,646.7</td>
<td>86,110.7</td>
</tr>
<tr>
<td><strong>FPD TV</strong></td>
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<tr>
<td>CFI</td>
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<tr>
<td>RMSEA</td>
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</tr>
<tr>
<td>AIC</td>
<td>85,413.1</td>
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<td>85,376.2</td>
<td>85,646.7</td>
<td>86,110.7</td>
</tr>
</tbody>
</table>

Model 1 is identified as the best model based on the fitness criteria.

CFI: Comparative Fit Index
RMSEA: Root Mean Square Error of Approximation
AIC: Akaike's Information Criteria
7. Total Effect, Direct Effect and Indirect Effect

State Brand and COO Brand

The estimated results of total effect, direct effect and indirect effect of the State brand and the COO brand are presented in Exhibit 8. In every product category, the total effect of the State brand and the COO brand on the preference for the Corporate/Line brand was confirmed at the 5 percent significance level.

The total effect of the COO brand turned out to be more influential than that of the State brand across the three product categories.

In the skincare category, as an example, the total effect (0.07) of the State brand is the sum of direct effect (0.02) and indirect effect (0.06) through F1 and F2. The COO brand has a total effect of 0.21, the sum of direct effect (0.06) and indirect effect (0.15).

Exhibit 8: Total Effect, Direct Effect and Indirect Effect

Corporate/Line Brand and Brand Perception Effect

The dummy variable of the Corporate/Line brand was estimated to have an indirect effect on the development of preference through brand perception. See Exhibit 9.

For the sake of convenience, one brand is treated as the reference category. The brands treated as the reference categories are, respectively, Avon for the skincare cosmetics category, Chery for the passenger car category, and Changhong for the FPD TV category. The vertical line in black illustrates the 95% confidence interval.

We assume that the indirect effect of the dummy variable of the Corporate/Line brand is “Brand Perception Effect” after the total effects of the State brand and the COO brand on the preference for the Corporate/Line brand are extracted out.

Exhibit 9 explains that the Brand Perception Effect of the Corporate/Line brand varies among individual brands.
Exhibit 9: Brand Perception Effect

8. State Effect and COO Effect

“The State Effect” on the preference for the Corporate/Line brand was computed by multiplying the total effect of the State brand (constant) by the state preference score for each nation (average preference score of all the nations measured minus each nation’s score). The “State Effect” explains quantitatively how each State brand influences the development of preference for the Corporate/Line brand from the nation.

Likewise, the COO Effect of the COO brand was also computed and is called “COO Effect.” The scores of State Effect and COO Effect are presented in Exhibits 10-12.

Brand Perception Effects, as graphically presented in Exhibit 9 of the Corporate/Line brands, including Shiseido, BMW, Samsung, etc., are also numerically translated in Exhibits 10-12.
### Exhibit 10: State Effect, COO Effect and Brand Perception Effect ~Skincare Cosmetics~

<table>
<thead>
<tr>
<th>(1) State/COO Effect <del>Each Nation</del></th>
<th>(2) Brand Perception Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BP Effect (Indirect Effect)</td>
</tr>
<tr>
<td></td>
<td>F1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>*State to Brand Preference</td>
<td></td>
</tr>
<tr>
<td>Total: 0.07</td>
<td>-</td>
</tr>
<tr>
<td>Indirect:</td>
<td>+</td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
</tr>
<tr>
<td>China (CN)</td>
<td></td>
</tr>
<tr>
<td>State: 0.07</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.21</td>
<td>x</td>
</tr>
<tr>
<td>France (FR)</td>
<td></td>
</tr>
<tr>
<td>State: 0.07</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.21</td>
<td>x</td>
</tr>
<tr>
<td>Japan (JP)</td>
<td></td>
</tr>
<tr>
<td>State: 0.07</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.21</td>
<td>x</td>
</tr>
<tr>
<td>Korea (KR)</td>
<td></td>
</tr>
<tr>
<td>State: 0.07</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.21</td>
<td>x</td>
</tr>
<tr>
<td>USA (US)</td>
<td></td>
</tr>
<tr>
<td>State: 0.07</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.21</td>
<td>x</td>
</tr>
</tbody>
</table>

### Exhibit 11: State Effect, COO Effect and Brand Perception Effect ~Passenger Cars~

<table>
<thead>
<tr>
<th>(1) State/COO Effect <del>Each Nation</del></th>
<th>(2) Brand Perception Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BP Effect (Indirect Effect)</td>
</tr>
<tr>
<td></td>
<td>F1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>*State to Brand Preference</td>
<td></td>
</tr>
<tr>
<td>Total: 0.10</td>
<td>-</td>
</tr>
<tr>
<td>Indirect:</td>
<td>+</td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
</tr>
<tr>
<td>China (CN)</td>
<td></td>
</tr>
<tr>
<td>State: 0.10</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.36</td>
<td>x</td>
</tr>
<tr>
<td>Germany (GR)</td>
<td></td>
</tr>
<tr>
<td>State: 0.10</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.36</td>
<td>x</td>
</tr>
<tr>
<td>Japan (JP)</td>
<td></td>
</tr>
<tr>
<td>State: 0.10</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.36</td>
<td>x</td>
</tr>
<tr>
<td>Korea (KR)</td>
<td></td>
</tr>
<tr>
<td>State: 0.10</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.36</td>
<td>x</td>
</tr>
<tr>
<td>USA (US)</td>
<td></td>
</tr>
<tr>
<td>State: 0.10</td>
<td>x</td>
</tr>
<tr>
<td>COO: 0.36</td>
<td>x</td>
</tr>
</tbody>
</table>

(*): Reference Category

The factor analysis was done with the attributes of the State brand and the COO brand to identify a few perceptual dimensions. The factor (dimension) scores were related to the State brand preference and the COO brand preference, respectively. The factor scores were also aggregated to produce image profiles of each State brand and each COO brand.

The perceptual images of the State brand and the COO brand are not statistically linked to the preference of the Corporate/Line brand. However, they explain to some extent what underlies State preference and COO preference in the same way that the perception of the Corporate/Line brand does. Exhibits 13-15 present graphically the perceptual positioning of the State brand and the COO brand.

**Exhibit 13: State and COO Perception ~Skincare Cosmetics~**

**Factor Analysis (Varimax Rotation)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>D1</th>
<th>D2</th>
<th>D3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological Strength</td>
<td>0.78</td>
<td>0.11</td>
<td>0.15</td>
</tr>
<tr>
<td>Economic Strength</td>
<td>0.70</td>
<td>0.21</td>
<td>0.05</td>
</tr>
<tr>
<td>High-tech Products</td>
<td>0.62</td>
<td>0.41</td>
<td>0.03</td>
</tr>
<tr>
<td>High Quality/Trustworthy Products</td>
<td>0.58</td>
<td>0.42</td>
<td>0.03</td>
</tr>
<tr>
<td>Antonio for Environment Protection</td>
<td>0.46</td>
<td>0.37</td>
<td>0.17</td>
</tr>
<tr>
<td>Feel friendly toward the Country</td>
<td>0.16</td>
<td>0.65</td>
<td>0.24</td>
</tr>
<tr>
<td>Having Cultural Influence</td>
<td>0.36</td>
<td>0.58</td>
<td>0.15</td>
</tr>
<tr>
<td>Reasonably Priced Products</td>
<td>0.11</td>
<td>0.26</td>
<td>0.56</td>
</tr>
</tbody>
</table>

| % Contribution | 27.5 | 17.0 | 13.2 |
| % Cumulative contribution | 27.5 | 44.4 | 57.6 |

**Regression of Factor Scores**

- R-squared: 0.26
- Standardized Coefficient:
  - D1 (Hard Strength): 0.18
  - D2 (Soft Strength): 0.43
  - D3 (Reasonable Price): 0.03

**Exhibit 12: State Effect, COO Effect and Brand Perception Effect ~FPDTVs~**

<table>
<thead>
<tr>
<th>Nation</th>
<th>State Effect</th>
<th>COO Effect</th>
<th>Brand Perception Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>0.60</td>
<td>0.57</td>
<td>0.45</td>
</tr>
<tr>
<td>China</td>
<td>0.54</td>
<td>0.50</td>
<td>0.42</td>
</tr>
<tr>
<td>Korea</td>
<td>0.58</td>
<td>0.53</td>
<td>0.47</td>
</tr>
<tr>
<td>Japan</td>
<td>0.56</td>
<td>0.51</td>
<td>0.46</td>
</tr>
</tbody>
</table>

**Brand Perception Effect**

<table>
<thead>
<tr>
<th>BP Effect (Indirect Effect)</th>
<th>F1</th>
<th>F2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Changhong (CN)</td>
<td>0.00</td>
<td>(+0.00)</td>
</tr>
<tr>
<td>2) Hisense (CN)</td>
<td>-0.18</td>
<td>(-0.01 - 0.17)</td>
</tr>
<tr>
<td>3) Hitachi (JP)</td>
<td>-0.05</td>
<td>(-0.05 - 0.10)</td>
</tr>
<tr>
<td>4) LG (KR)</td>
<td>0.03</td>
<td>(0.06 - 0.03)</td>
</tr>
<tr>
<td>5) Panasonic (JP)</td>
<td>0.17</td>
<td>(0.10 - 0.07)</td>
</tr>
<tr>
<td>6) Samsung (KR)</td>
<td>0.31</td>
<td>(0.14 - 0.17)</td>
</tr>
<tr>
<td>7) Sharp (JP)</td>
<td>-0.13</td>
<td>(-0.01 - 0.14)</td>
</tr>
<tr>
<td>8) Skyworth (CN)</td>
<td>-0.04</td>
<td>(0.01 - 0.05)</td>
</tr>
<tr>
<td>9) Sony (JP)</td>
<td>0.32</td>
<td>(0.15 + 0.17)</td>
</tr>
</tbody>
</table>

(*) Reference Category
State Brand Image

In the skincare cosmetics area, the three (3) perceptual dimensions (factors) of the State brand image were discovered. Dimension 1 was labeled “Hard Strength,” explaining the nation’s strength in technology, economy, high-quality products, etc. Dimension 2 is “Soft Strength,” comprising friendliness and cultural influence. Dimension 3 is “Reasonable Price.”

To compare the relative importance of these perceptual dimensions on preferences, regression analyses were conducted. The results are shown in the left-bottom box in Exhibit 13. The standardized coefficients of Dimensions 1, 2, and 3 were, respectively, 0.18, 0.43, and 0.03, indicating that Dimension 2 is the most influential of the three.

The left-top panel of Exhibit 13 indicates average factor scores of the State brands. As is obvious from the figure, State Japan is rated lowest on Dimension 2, although it rates relatively high on Dimension 1 in the secondary group, together with State Germany, but much lower than State USA and State France.

In the passenger car area, the three (3) dimensions are very similar to those for the skincare cosmetics category: D1 representing Hard Strength; D2 representing Soft Strength; and D3 representing Reasonable Price. State Japan is positioned lowest on D2, which has the highest coefficient of 0.39, and falls into the second-tier group on D1 with a coefficient of 0.22. The position of State Japan is much lower than that of State USA or State Germany.

The FPD TV category comprises the three dimensions of perceptual space: D1 representing Hard Strength with a coefficient of 0.17; D2 representing friendliness with the highest coefficient score of 0.40; and D3 representing Cultural Influence with a coefficient of 0.18. Here again, State Japan is rated high on D1, next to Germany, but lowest on the most important D2 and average on D3.

In sum, State Japan lacks Soft Strength, an important influence on the minds of Chinese consumers that includes “friendliness toward and cultural influence of Japan,” although it is rated fairly high (but not highest) on Hard Strength, comprising technological power, economic power and high-quality products, which has less importance. State Japan is either psychologically remote or disliked by Chinese consumers.

COO Brand Image

Skincare cosmetics of COO Japan are very low and only slightly above COO China on D1, representing sophistication, high class and trustworthiness. This dimension has a coefficient of 0.42 and is very important for explaining the degree of preference for any COO.

D2 is for skin and personal character fitness, and COO Japan is positioned close to the average on this dimension, which has a coefficient of 0.33. COO France has the highest acceptance on D2.

COO Japan has no major perceptual or image strength with skincare cosmetics.

Passenger cars of COO Japan, together with COO Korea, are low on the most important dimension of D1, which has a coefficient of 0.50. This dimension covers durability, high performance and trustworthiness, on all of which passenger cars of COO Japan rate highly elsewhere in the world. Positioned highest on D1 are COO USA and COO Germany.

COO Japan rates average on both D2, with a coefficient of 0.16 covering reasonable price and familiarity, and D3, representing originality, which has a coefficient of 0.12.

Passenger cars of COO Japan have no strength in the perceptual space of Chinese consumers.

With FPD TVs, COO Japan is positioned exceptionally high on both D1, representing originality and trustworthiness, which has a coefficient of 0.34, and D3, covering high performance, which has a coefficient of 0.20. However, they are rated lowest on D2, representing familiarity and reasonable price, which has a coefficient of 0.24.

The relatively favorable position of COO Japan seems to explain the positive COO Effect on the preference for Sony, Panasonic, etc.

In sum, Chinese consumers seem to be unfavorable to, or antipathetic toward, skincare cosmetics
and passenger cars of COO Japan. However, they demonstrate fairly strong support for FPDTVs of COO Japan. The image of, and preferences for, the COO brand seems to be contingent on the product category, the nation, and the nationality of consumers.

E. FINDINGS AND DISCUSSIONS

1. Diagnostic Chart: Plotting Brand Perception Effects of Corporate/Line Brands in Spaces of State Effect and COO Effect

First, we explain in Exhibit 16 how the analytical results are presented in the graphics. Vertically, we show the Brand Perception Effect of each Corporate/Line brand and how much the perception affects the preference for the Corporate/Line brand. Horizontally, we show how the State Effect contributes to the development of the preference for the Corporate/Line brand. We put the average of the two effects right in the center of the graphics. On the horizontal plane, above zero represents a positive or stronger State Effect, while below zero represents a negative or weaker State Effect. On the vertical plane, above zero represents a positive or stronger Brand Perception Effect, while below zero represents a negative or weaker Brand Perception Effect.

The same goes for the COO Effect.

Second, the snake charts on the right indicate the perceptual images of the Corporate/Line brand. The level of perception is shown on the vertical axis, and each Corporate/Line brand is shown on the horizontal axis. In this graphic, on Dimension 2, Brand 4 is positioned highest and Brand 2 is second highest.

Exhibit 16: Effect and Perception

2. Skincare Cosmetics

Exhibit 17 presents State Effect, COO Effect, and Brand Perception Effect together with the perceptual map of the Corporate/Line brand.

State Effect

State Japan rates very low, and as such is expected to exert only a very weak positive or a strong negative State Effect on the Corporate/Line brands of Shiseido. State USA is rated very low next to State Japan, resulting in fairly strong negative State Effects on the Corporate/Line brands of Olay and Avon. State China is positive. State Korea is liked by Chinese women more than State Japan. State France is liked best. The strong affection for State Korea and State France has a very positive effect on Laneige from Korea, and Lancôme and L’Oreal from France.

Perceptions of State Japan are deficient in the element of “friendliness toward Japan” among
Chinese women. This appears to be significantly disadvantageous for the development of positive preference for State Japan, as analyzed in Exhibit 13, leading to the disadvantageous effect on Shiseido.

**COO Effect**

Meanwhile, skincare cosmetics of COO Japan are rated in the lowest group together with COO China and COO USA. This should also be disadvantageous to Shiseido from Japan and Olay from the USA. The reason for this can be explained by the fact that the COO Japan perception score is low, at -0.2, on Dimension 1 pertaining to high class/sophistication and trustworthiness, as shown in Exhibit 13.

All of this seems to support the notion expressed in the reviewed literature that Chinese animosity toward State Japan extends to various products from COO Japan. The same may be true of State USA and COO USA as well.

**Brand Perception Effect**

However, Shiseido as a Corporate/Line brand is highly positioned in the top group together with Olay, Aupres, Lancôme, and L’Oreal. The very high Brand Perception Effect of Shiseido is confirmed in Exhibit 17 independently from the State Effect and COO Effect, where Japan ranks lowest. The strong and positive brand perception effect of Shiseido contributes to the development of preference for Shiseido, leading to high purchase intent.

Aupres is also very much liked. The brand is perceived to be a Chinese brand. It was developed in China by Shiseido as a local prestige brand available only in China.

SK-II of P&G is misunderstood by Chinese women to be a Japanese brand. Olay from the USA rates highest on perception despite the USA’s low State Effect and lowest COO Effect.

In reality, the sales performances of premium cosmetic brands for Quarter III of 2007 show that Shiseido together with Aupres enjoyed a 12.9% share in value following CD at 18.36%. Shiseido was followed by Chanel (9.84%), and Lancôme (6.13%), respectively according to Baidu Data Research Center.

The strong in-market performance of Shiseido is better explained by the Brand Perception Effect than the weaker or negative State Effect and COO Effect.

The perceptual map in the exhibit suggests that the IMC (Integrated Marketing Communication) strategy of Shiseido and Aupres might produce a better Brand Perception Effect if the brands could improve their images in terms of “sincere and trustworthy” in the minds of Chinese women.

**Exhibit 17: Effect and Perception ~Skincare Cosmetics~**
3. Passenger Cars

The graphic presentations in Exhibit 18 show State effect, COO effect, Brand Perception Effect together with the perceptual map of the Corporate/Line brand.

State Effect

State Japan is positioned lowest on the State Effect axis, and tends to give only a weaker, if positive, or a negative effect on preferences for the Corporate/Line brands of Toyota, Honda, Nissan, etc. State Japan’s lowest evaluation on Dimension 2 in Exhibit 14, representing cultural influence and friendliness, should result in a low State Effect, although State Japan is rated fairly favorably on Dimension 1 pertaining to technological strength, economic influence, and high-quality products. State Japan is close to average on Dimension 3 for reasonable price. See Exhibit 14 for details.

State Japan is strongly disliked by Chinese consumers.
State Germany has the strongest state effect. State USA has a rather negative effect.

COO Effect

COO Japan also tends to have a weaker or a negative effect on preferences for the Corporate/Line brands of Toyota, Honda, etc., partly because of the low perception score on Dimension 1, the most important dimension, pertaining to durability, high performance and trustworthiness, as shown graphically in Exhibit 14. COO Japan lacks a positive image among Chinese consumers.

COO Germany enjoys the highest COO Effect, partly supported by the very favorable positioning on D1 relating to high performance and D3 relating to originality.

Brand Perception Effect

However, the Brand Perception Effect for the Japanese brands Toyota and Honda is rated second highest, with only the German brands of Mercedes and BMW scoring higher. This effect should exert a strong positive effect on enhancing preferences for these Corporate/Line brands from Japan.

Hyundai from Korea also exhibits a high Brand Perception Effect next to Toyota and Honda despite the low ratings of State Korea and COO Korea, similar to those of State Japan and COO Japan.

Unit share data in China for 2007 released by Automotive News in June of 2008 show that Japanese passenger cars had an aggregate share of 28% following Chinese cars with a 29% share, and followed by German cars on 18% and Korean cars on 7%. The share of Japanese cars has been increasing gradually and steadily. Toyota had a share of 7.2%, and Honda 6.7%, while Hyundai’s share was 5.4%. VW enjoys the highest unit share of 15.0% and GM the second highest with 8.4%.

The performance data of the car brands also seem to support the notion that what counts in consumers’ acceptance of the Corporate/Line brands is Brand Perception Effect much more than State Effect and COO effect.

Chinese consumers seem to purchase Chinese Corporate/Line brands of passenger cars because of their lower prices and also out of a sense of patriotism toward State China.

Exhibit 18: Effect and Perception ~Passenger Cars~
4. FPD TVs

The graphics in Exhibit 19 show State effect, COO effect, Brand Perception Effect together with the perceptual map of the Corporate/Line brand.

State Effect
State Japan tends to have the weakest or a strongly negative effect on the preferences for the Corporate/Line brands of Sony, Panasonic, etc. As observed in Exhibit 15, friendliness and reasonable price are absent from perceptions of State Japan and it is rated lowest on the most important D2. Although State Japan is slightly appreciated on Dimension 1 relating to technology strength, economic influence and high-quality products, D2 is much more important than D1 for Chinese consumers to enhance the preference for the State brand.
State Korea is rated about average while State China is highest.

COO Effect
COO Japan is positive and rated slightly above average, next to COO Korea, a small contrast to State Effect, where it rates lowest. COO Japan demonstrates a considerable strength of perception on D1 pertaining to originality and trustworthiness, and D3 pertaining to high performance as shown in Exhibit 15.

Brand Perception Effect
Among the Corporate/Line brands, Sony is rated highest on Brand Perception Effect followed by Samsung. Panasonic comes third. Hitachi and Sharp still have some way to go in promoting their Brand Perception Effects on both dimensions of Advanced and Sincere.
By improving their Sincere/Trustworthy image, Sony and Panasonic as well as Samsung could be enhancing their respective Brand Perception Effects, leading to the development of stronger preferences for the brands.
The unit share data for FPDTVs released by Display Search for the first half of 2007 show that Chinese Corporate/Line brands in aggregate enjoy a 60.25% share of the market, while Japanese brands have an aggregate share of 21.35% and Korean brands 12.1%.
Here again, the Brand Perception Effect seems to be exerting more influence on the in-market performance of the Corporate/Line brands.
Chinese consumers seem to prefer to purchase Chinese FPDTV brands because of their lower prices (60% of the price of Japanese brands) and out of a sense of patriotism toward State China as well.

Exhibit 19: Effect and Perception ~FPD TVs~

Sony enjoys the highest image closely followed by Samsung. Panasonic comes third.
5. Summary

The quite low State and COO Effects of Japan did not lead to a low Brand Perception Effect for Shiseido, Toyota, Sony, etc., across any of the three product categories. Furthermore, in the FPD TV market, the observed low State Effect of Japan did not negatively impact the COO Effect at all.

Another observation common to all three categories is the fact that a number of Corporate/Line brands from Japan have developed high Brand Perception Effects independently from State Effect and COO Effect. This may support the proposition that a stronger preference for the Corporate/Line brand could be developed by Japanese Corporate/Line brand companies in China, as in other nations around the globe through intensive and consistent brand marketing activities over time.

State USA and COO USA also suffer from lower Effects, but to a lesser degree than State Japan and COO Japan. The made-in-USA Corporate/Line brands of skincare cosmetics and passenger cars, including Olay, Ford, etc., enjoy considerably strong Brand Perception Effects. Their in-market performances are also strong.

6. Dislike for or Animosity of Chinese Consumers toward Japan

Animosity was not measured directly in this study. Instead, the degree of preference for State Japan and COO Japan was measured on a scale of 5 (very much preferable) down to 1 (not preferable at all). State Japan and COO Japan were rated as “not preferable” (but FPD TVs of COO Japan were preferable). We interpreted this as meaning that both State Japan and COO Japan were disliked. Dislike for Japan can be regarded as an expression of animosity toward Japan.

There seems to be strong and stable dislike for, or animosity toward, Japan as a kind of social precept in China. The dislike or animosity seems to have negatively affected the State Effect and COO Effect for Japan, in particular, in the two categories of skincare cosmetics and passenger cars. This has not extended to the COO Effect for FPD TVs from Japan.

Skincare cosmetics of Japan (COO Japan) were just a little more liked than COO USA and COO China, while COO France was most liked, followed by COO Korea.

With passenger cars, COO Japan was much less preferred than COO Germany and slightly less preferable than COO USA. COO Japan, COO China, and COO Korea are all rated low in the tertiary group, following COO USA.

In the area of FPD TVs, COO Japan was preferred next to COO Korea.

The implication is that Chinese consumers are less “animosity-ful” than expected toward COO Japan in the two product categories and are even supportive of COO Japan with FPD TVs.

Chinese consumers demonstrate a strong preference for State China seemingly out of their patriotism toward China as their mother nation, while they show moderate to highly negative preference for COO China in the three product categories. They are favorably disposed towards COO France with skincare cosmetics, COO Germany with passenger cars, and COO Japan and COO Korea with FPD TVs.

Furthermore, looking at the many Corporate/Line brands, Chinese consumers strongly prefer Shiseido to Laneige (Korea); Toyota and Honda to GM, Ford, VW, Hyundai, Geely and Chery; and Sony and Panasonic to Changhong, Skyworth and Hisense.

All this may suggest that Chinese dislike for, or animosity toward, State Japan and COO Japan could be overcome with effective brand marketing so that Chinese consumers come to prefer Shiseido, Sony, and Toyota and purchase them despite claiming to dislike or feel animosity toward State Japan and COO Japan when asked to respond.

F. CONCLUSIONS

1. Research Objectives Accomplished

The research objectives were achieved in three ways.

1) Significant State Effect was confirmed in the development of preferences for the Corporate/Line brand.

2) Stronger COO Effect than State Effect was identified in the development of preferences for the Corporate/Line brand.
3) Brand Perception Effect was found to be the most important for enhancing preference for the Corporate/Line brand leading to positive purchase intent.

State Effect, COO Effect and Brand Perception Effect were respectively contingent on nations, product categories, and perceptions of Corporate/Line brands. The level of perception of the Corporate/Line brand naturally varied across brands, and influenced most strongly the preference for the Corporate/Line brand.

2. Marketing Implications

We would like to make four marketing propositions.

First, Chinese dislike for, or animosity toward, Japan does not in reality work against brand marketing activities by Corporate/Line brands from Japan. Our tentative assertion is that the said Chinese animosity toward State Japan and COO Japan supposedly leading to low preferences for Japanese Corporate/Line brands of passenger cars, for instance, is not in fact strongly linked to Toyota and Honda, etc., investing in intensive brand-building marketing operations.

Our second proposition is that Chinese consumers do develop a favorable image of, and preference for, various product brands of Japanese origin and are willing to purchase them. Ultimately, they do not give priority to the nationality of the product brand over the marketing incentives of favorable brand image and worldwide reputation, very high product quality and performance, reasonable cost performance, satisfactory after-sale service, etc.

Our third proposition is that although Chinese consumers respond negatively or antipathetically to things overtly identified with Japan, in their hearts they like Corporate/Line brands of products and services emanating from Japan.

Our fourth proposition is that, in reality, many Japanese Corporate/Line brands of products in this study are assembled in China through joint ventures between Japanese and Chinese corporations. This may mitigate Chinese dislike for, or animosity toward, Corporate/Line brands from Japan to the extent that Chinese consumers perceive Shiseido, Toyota, Sony, etc., to be virtually “made-in-China” brands. Locally produced or assembled global brands may be a key to success in China.

We conclude, therefore, that the most important and effective strategy for Japanese Corporate/Line brands to build strong brand equity in China should be through brand marketing activities for each individual Corporate/Line brand.

In addition, the government of Japan should be fully aware of the strong impact of the current low status of State Japan and COO Japan in China, and endeavor to boost its status. If successful, this will naturally help enhance perceptions of Japanese Corporate/Line brands. When State Japan and COO Japan have a better image, those Corporate/Line brands are likely to see further improvement in their business performance.

3. Limitation and Further Research

Some limitations of this study should be mentioned. First, it covered only users (including users-to-be of passenger cars) of respective product categories who were also users of the internet. Therefore, the findings and the conclusions represent the attitudes and evaluations of limited segments of the Chinese population.

Second, measurement of the perceptions of Corporate/Line brands was conducted with only seven (7) personality attributes. This was not sufficient to develop a good number of multi-dimensional perceptual factors so that the determinants of the development of brand preference may not have been explained in a way that might have generated clearer brand marketing implications.

Third, for each Corporate/Line brand, country-of-origin was not measured nor confirmed, but assumed. We took it for granted that, since the respondents were users of each category or users-to-be in case of the passenger car area, they were aware of the COO of each Corporate/Line brand. Furthermore, SK-II of P&G was assumed to be from Japan, and Aupres was believed to be from China by the majority of Chinese consumers. The nationality of the Corporate/Line brand may have had some influence on the study leading to different findings. The nationality effect of the Corporate/Line brand would be a subject for a new research project.

Fourth, the individual product brand such as Corolla and Camry of Toyota, Civic and Accord of Honda, and Viera of Panasonic, was not measured due to non-academic reasons. Since consumers
tend to buy a specific product brand from among their own selection set of various combinations of corporate, line and product brands, perceptions of and preferences for the product brand should also have been surveyed to obtain more practical and effective brand marketing implications in China.

Last and most important, perceptions of and preferences for the State brand, the COO brand, and the Corporate/Line brand are not frozen, but are changeable over time and are sensitive to events and developments that influence Chinese consumers positively or negatively. Therefore, we cannot claim that the findings and conclusions of this study will remain valid indefinitely. The State, COO and Brand Perception Effects and their interactions should be periodically monitored. Significant findings should naturally be reflected in brand marketing strategies in time.

The framework of this study should also be applicable to a comparative study between Japan and Korea with appropriate modifications of the research design. Hayashi (2003, p.p.158-162) pointed out that Japan and Korea are said to be “closed” to each other in the area of brand transfer from one to the other. Use of this framework will facilitate identification of problems and opportunities for mutual brand transfer and offer some practically effective ideas for brand marketing on both sides, as well as contributing to the academic literature.
References


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