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THE RELATIONSHIP BETWEEN BRAND ORIGIN AND BRAND EQUITY

Case Company: Huawei Technologies Co. Ltd

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Vaasa, Finland 10/05/2016

Zhihao Hu

TIIVISTELMÄ

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Tärkeänä elementtinä kansainvälistymisprosessissa brändi on oleellisen tärkeä kansainvälisillä markkinoilla toimivalle yritykselle. Brändi on myös tärkeä osa yrityksen aineetonta pääomaa ja sillä on suora vaikutus asiakkaan ostopäätökseen. Täten brändinhallintatiimin on ymmärrettävä miten eri kuluttajaryhmät reagoivat eri brändipääomiin, ja mitkä tekijät vaikuttavat ostopäätökseen.

Tämän tutkimuksen tarkoitus on tutkia ja vertailla kiinalaisten kuluttajien mielipiteitä brändin alkuperästä brändin arvoon verrattuna muihin kansallisuuksiin. Kansainvälisen kaupan toimijana Huaweiin brändinäkyvyys on kasvanut viimeisten vuosien aikana, joten Huawei Technologies Co. Ltd valittiin tutkimuksen kohteeksi.

Tässä tutkimuksessa valittiin kvantitatiivinen tutkimusmenetelmä deduktiivisen lähestymistavan vuoksi. Selittävä poikittaistutkimus toteutettiin strukturoidun nettikyselyn avulla. Data-analyysiprosessissa käytettiin kahden otoksen t-testiä ja korrelaatioanalyysiä.

Empiirisessä tutkimuksessa testataan neljää hypoteesia siitä, miten brändialkuperä korreloi brändipääoman kanssa. Vaikka vain yksi hypoteesi voidaan hyväksyä, tutkimus osoittaa, että brändimielikuva vaikuttaa bränditietoisuuteen, koettuun laatuun ja brändilojaaliuteen. Johtopäätöksissä ehdotetaan käytännön toimenpiteitä Huaweiin näkökulmasta.

ABSTRACT

| | |
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| Author | Zhihao Hu |
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As an important element in the internationalization process, brand is very essential for a firm operating in the international business. In addition, brand equity is an important intangible asset for a firm, which also affects the customer's purchase intention. Therefore, it is necessary for a brand management team to understand how different consumer segments react to the different brand equity and which factors influence their choices of purchase.

As an individual-level research study, the aim of this research was to investigate and compare the Chinese and non-Chinese consumers' opinions towards the impacts of brand origin on brand equity. As a representative firm in the international market, the visibility of Huawei brand has been increasing in the past few years. Thus, Huawei Technologies. Co. Ltd was chosen as the case company in this research.

In this study the quantitative research method was chosen as the research methodology, which is a deductive approach. An explanatory and cross-sectional study was conducted in this research through a structured and self-completed online survey. During the data analysis process, a two-sample t-test and correlation analysis method were utilized.

The empirical study tests four hypotheses on how brand origin is correlative to brand equity. Although only one hypothesis is accepted according to the data analysis process, some other new findings indicate that brand image has a significant relevance to brand awareness, perceived quality and brand loyalty. In addition, the practical implications are given to Huawei Technologies. Co. Ltd.

Keywords brand origin, consumer-based brand equity, Huawei

CONTENTS

| | |
|---|-----|
| ABSTRACT | |
| TIIVISTELMÄ | III |
| ABSTRACT | IV |
| 1 INTRODUCTION | 6 |
| 1.1 Background | 6 |
| 1.2 Research Problem and Objective | 7 |
| 1.3 Introduction of the Case Company: Huawei Technologies. Co. Ltd..... | 7 |
| 1.3.1 General Information | 8 |
| 1.3.2 Milestones | 10 |
| 1.3.3 Vision, Mission, Core Values and PLA model | 11 |
| 1.3.4 Huawei Phone | 12 |
| 2 LITERATURE REVIEW | 14 |
| 2.1 Brand..... | 14 |
| 2.2 Brand Origin | 16 |
| 2.3 Brand Equity | 17 |
| 2.3.1 Brand Awareness | 19 |
| 2.3.2 Brand Image | 21 |
| 2.3.3 Perceived Quality | 22 |
| 2.3.4 Brand Loyalty..... | 24 |
| 2.4 Hypotheses..... | 27 |
| 3 METHODOLOGY | 31 |
| 3.1 Research Design..... | 31 |
| 3.2 Time Horizon | 31 |
| 3.3 Research Strategy..... | 31 |
| 3.4 Data Collection | 32 |

| | |
|---|----|
| | 2 |
| 3.5 Sampling | 33 |
| 3.6 Correlation Analysis | 34 |
| 3.7 Reliability and Validity | 35 |
| 4 FINDINGS AND ANALYSIS | 37 |
| 4.1 Overall Images | 38 |
| 4.2 Brand Origin Effect on Chinese Phone Brands | 42 |
| 4.2.1 Importance of Brand Origin in Phone Business..... | 42 |
| 4.2.2 Consumer Evaluation of Huawei Phone and Apple Phone..... | 44 |
| 4.2.3 Future Market for Chinese Phone Brands | 46 |
| 4.3 Overall Analysis for Huawei and Hypotheses Test | 48 |
| 4.4 Enhancing CBBE of Chinese Phone Brands | 52 |
| 4.4.1 Factors for Improving the International Competitiveness | 52 |
| 4.4.2 Channels for Strong Brand Strategy | 53 |
| 5 DISCUSSION AND CONCLUSION | 55 |
| 5.1 Conclusion | 55 |
| 5.2 Suggestions for Huawei | 56 |
| 5.3 Contributions, Limitations and Future Research | 57 |
| 5.3.1 Contributions..... | 57 |
| 5.3.2 Limitations | 57 |
| 5.3.3 Future Research..... | 58 |
| REFERENCES..... | 59 |
| APPENDICES | |

LIST OF FIGURES

| | |
|--|----|
| Figure 1. The logo and slogan of Huawei (Huawei 2016)..... | 8 |
| Figure 2. Five years' financial report 2 (Huawei annual report 2015)..... | 9 |
| Figure 3. The revenue of Huawei and Ericsson from 1996 to 2013 (Huawei and Ericsson annual financial report). | 11 |
| Figure 4. Dimensions of brand. (Modified from Kapferer 2008). | 15 |
| Figure 5. Brand origin and related concepts (Thakor and Kohli 1996, 29). | 17 |
| Figure 6. Brand equity (Aaker 1991). | 18 |
| Figure 7. Brand equity (Keller, 2013)..... | 19 |
| Figure 8. CBBE Framework. | 19 |
| Figure 9. The awareness Pyramid (Aaker 1991, 62)..... | 20 |
| Figure 10. The value of brand image (Aaker 1991, 111)..... | 21 |
| Figure 11. Measuring brand image (Aaker 1991, 137)..... | 22 |
| Figure 12. The Value of Perceived Quality (Aaker 1991, 86). | 23 |
| Figure 13. The Loyalty Pyramid (Aaker 1991, 40)..... | 25 |
| Figure 14. The value of brand loyalty (Aaker 1991, 47). | 27 |
| Figure 15. Types of questionnaire (Saunders et al. 2012)..... | 33 |
| Figure 16. Sampling techniques (Saunders et al. 2012)..... | 34 |
| Figure 17. The age structure. | 37 |
| Figure 18. The mean and standard deviation of consumers' familiarity. | 39 |
| Figure 19. Consumers' impression of "Made in China" on Chinese phone brand. | 40 |
| Figure 20. Phone brands consumers have had in past ten years. | 42 |
| Figure 21. The importance of brand origin when purchasing a phone. | 43 |
| Figure 22. Possibility of consumers' further desire about Chinese phone brands. | 46 |
| Figure 23. Possibility of consumers purchasing a Chinese phone in the future. ... | 47 |
| Figure 24. Most important three factors to overcome negative brand origin effect. | 52 |
| Figure 25. Perceptions of consumers on receiving information about a phone. ... | 53 |

LIST OF TABLES

| | |
|---|----|
| Table 1. Five years' financial report 1 (Huawei annual report 2015)..... | 9 |
| Table 2. Data of top five smartphone in 2015, unit in millions (International Data Corporation 2016). | 13 |
| Table 3. Qualitative vs. Quantitative research (Malhotra 2010, 171). | 32 |
| Table 4. T-test result on the brand awareness between the Chinese and the non-Chinese customers. | 40 |
| Table 5. T-test result on "Made in China" impression between the Chinese and the non-Chinese. | 41 |
| Table 6. T-test result on the importance of brand origin between the Chinese and the non-Chinese..... | 43 |
| Table 7. Consumers' perception with Huawei phone. | 44 |
| Table 8. Consumers' perception with Apple phone..... | 45 |
| Table 9. Spearman Correlation analysis matrix for Huawei. | 49 |
| Table 10. Spearman Correlation matrix for testing hypothesis and comparing Huawei and Apple..... | 50 |

LIST OF APPENDICES

| | |
|--|----|
| APPENDIX 1. Quantitative survey on consumer perceptions towards Chinese phone brands | 62 |
|--|----|

1 INTRODUCTION

This research is dedicated to finding out the relationship between brand origin and brand equity from the perspective of a Chinese phone brand Huawei. Comparing the consumer-level opinions of the Chinese consumers and the non-Chinese consumers, the results will show the consumers' different attitudes towards brand origin and brand equity. In this section the background of the study will be introduced along with the research problem and objective.

1.1 Background

As an important element in the internationalization process, brand is very essential for a firm operating overseas. On the other hand, an international brand also affects the domestic market's reputation. What's more, brand equity is important for a firm as a type of an intangible asset, which also affects the customer's intention of purchase. Thus, in order to manage a brand in the international market, brand managers need to understand how consumers react to the different brand equity and which factors influence their choices of purchase. (Jurse & Jager 2014)

Due to the "Made in China" label history, Chinese brand origin became a negative icon for the products of Chinese firms, which has also affected the purchase decision making of customers towards Chinese brand. The Chinese laptop producer Lenovo acquired IBM's PC branch in the year 2005; this showed a clear hint that brand origin and brand equity were linked intensively; and some are in danger of forcing companies from the developing countries to carry out plenty of mergers and acquisitions with global powerful firms from the developed countries. (Steenkamp 2015)

Furthermore, as the gap between the developed countries and the developing countries is decreasing, according to "The World in 2050" report, in terms of GDP per capita in purchasing power parity terms, the gap between the peak and the bottom is expected to narrow strongly by 2050. (PWC 2015)

For instance, the rate of China's level compared to U.S.A.'s might increase from 23% to 42% by 2050. Thus, there would be a possibility that the ethics differences would narrow due to the reducing gap of wealth between the developing countries and the developed countries. Therefore, it is necessary for the brand management team to understand the differences for making decisions of branding development for integrating international markets. (PWC 2015, 22)

By comparing the differences of consumers' attitudes towards brand origin and brand equity between the Chinese consumers and the non-Chinese consumers, some implications and suggestions will be offered to brand managers in an international context. In addition, in the previous literature, global powerful telecommunication brands like Telefonaktiebolaget L. M. Ericsson, Cisco Systems, Inc. and Alcatel-Lucent S.A. have been the main stream as the research target group. However, in this research, Huawei Technologies. Co. Ltd, as a classical representative in the biggest emerging market in the world, was chosen as the case company for conducting this research.

1.2 Research Problem and Objective

The research problem in this study is: "What is the relationship between brand origin and brand equity?" In order to solve this problem, the research objective is to find out the differences of customers' perceptions towards brand origin and brand equity as well as between the differences of the relationship between them within the Chinese and the non-Chinese consumers.

The research will empirically compare the intensions of two groups of consumers toward the impact of brand origin on brand equity. In such a way, the relative implications will assist the brand manager to do the strategic planning for international branding moves.

1.3 Introduction of the Case Company: Huawei Technologies. Co. Ltd

In this chapter, basic information such as the brand strategy and marketing communication of Huawei will be introduced based on their overseas business.

1.3.1 General Information

Huawei Technologies Co. Ltd. (see Figure 1), a Chinese telecommunication equipment and service company founded by the CEO Ren Zhengfei in 1987, has become the largest telecommunication equipment manufacturer in the world overtaking Ericsson in 2012.



-----Building a better connected world

Figure 1. The logo and slogan of Huawei (Huawei 2016).

“Huawei” is the English name of the company, which is a translation of its Chinese name “华为”. It contains two characters: “Hua” and “Wei”. More specific, “Hua” means “China” or “Chinese” and “Wei” means “Achievement”. Together the name means “China’s achievement”.

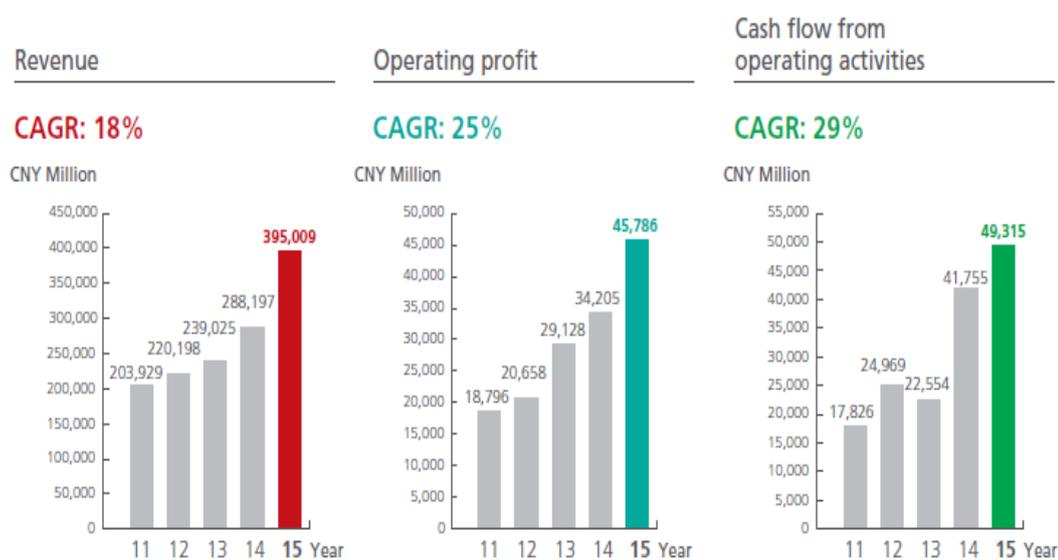
By the end of 2015, the company’s total revenue was about 60.8 billion USD and the net profit was about 5.7 billion USD. Compared to 2014, its revenue has increased by about 37%. (Huawei 2016) These figures are shown in Table 1 and Figure 2.

According to the International Data Corporation (2016), Huawei ranked in the third place in the list of top five smartphone vendors in 2015, and became the fourth mobile phone vendor in history with a shipment over 100 million in one year.

Table 1. Five years' financial report 1 (Huawei annual report 2015).

| | 2015 | | 2014 | 2013 | 2012 | 2011 |
|-------------------------------------|----------------|-------------|---------|---------|---------|---------|
| | (USD Million)* | CNY Million | | | | |
| Revenue | 60,839 | 395,009 | 288,197 | 239,025 | 220,198 | 203,929 |
| Operating profit | 7,052 | 45,786 | 34,205 | 29,128 | 20,658 | 18,796 |
| Operating margin | 11.6% | 11.6% | 11.9% | 12.2% | 9.4% | 9.2% |
| Net profit | 5,685 | 36,910 | 27,866 | 21,003 | 15,624 | 11,655 |
| Cash flow from operating activities | 7,595 | 49,315 | 41,755 | 22,554 | 24,969 | 17,826 |
| Cash and short-term investments | 19,284 | 125,208 | 106,036 | 81,944 | 71,649 | 62,342 |
| Working capital | 13,711 | 89,019 | 78,566 | 75,180 | 63,837 | 56,996 |
| Total assets | 57,319 | 372,155 | 309,773 | 244,091 | 223,348 | 193,849 |
| Total borrowings | 4,464 | 28,986 | 28,108 | 23,033 | 20,754 | 20,327 |
| Owner's equity | 18,339 | 119,069 | 99,985 | 86,266 | 75,024 | 66,228 |
| Liability ratio | 68.0% | 68.0% | 67.7% | 64.7% | 66.4% | 65.8% |

*Note: Translated into United States dollar (*USD*) using the closing rate as at December 31, 2015 of USD1.00 = CNY6.4927.

**Figure 2.** Five years' financial report 2 (Huawei annual report 2015).

1.3.2 Milestones

In 1987 Huawei was established as a Private Branch Exchange (telephone exchange or switching system) sales agent for a company from Hong Kong. In 1990, with about 500 employees in its research and development department, Huawei began its own PBX business for small hotels and firms. In 1992, the C&C08 program controlled telephone switch was launched and it is the most powerful switch so far in China. In 1995, the sales of Huawei reached 1.5 billion RMB, and it mainly came from the rural market of China. (Huawei 2016)

In 2000, a research and development department was founded in Stockholm, Sweden. The sales for the international market reached 100 million USD. In 2002, the sales for the international market reached 552 million USD. In 2004, a joint venture was established with Siemens, and a breakthrough in Europe was achieved by cooperating with a Dutch operator, Telfort. In 2005, the international sales overtook the domestic sales. At the same time Huawei was selected as the supplier for Vodafone and British Telecom. In 2006 Huawei established a research and development centre with Motorola in Shanghai. (Huawei 2016)

In 2007 Huawei became a supplier and partner with all the top operators in Europe. In 2008, Huawei was rewarded as one of the most influential companies in the world and it expanded its business to North America. In 2009 Huawei launched the first end-to-end 100G solution from routers to transmission system in the world. In 2011 the sales of smart phones of Huawei reached 20 million all over the world. In 2012 a new research and development department was founded in Finland, and more investments have been input in Europe. (Huawei 2016)

In 2013 Huawei remained the leader in commercial LTE development, while the customer-based value and quality strategy were emphasized more by a historic breakthrough in the smartphone business. Huawei was ranked among the top three in the world, and the brand awareness increased by 110%. In the same year Huawei became the largest telecommunication equipment manufacturer in the world. (Huawei 2016) Figure 3 shows the revenue of Huawei and Ericsson in the

global market from 1996 to 2013.

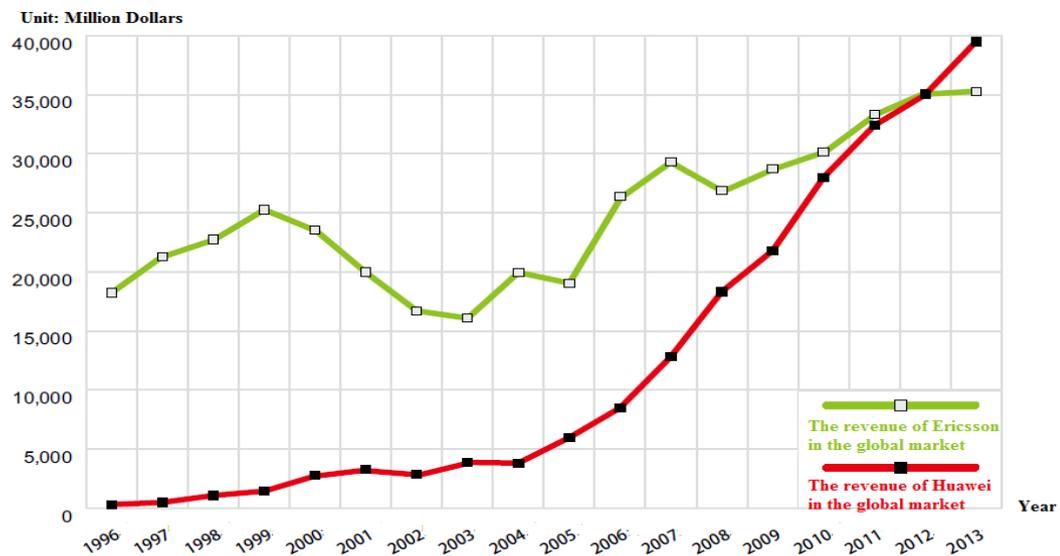


Figure 3. The revenue of Huawei and Ericsson from 1996 to 2013 (Huawei and Ericsson annual financial report).

Figure 3 shows how the total revenue of Huawei and Ericsson changed from 1996 to 2013, and also how did Huawei become the largest telecommunication equipment manufacturer in 2013.

1.3.3 Vision, Mission, Core Values and PLA model

The vision of Huawei is to enrich life and improve efficiency through a better connected world. The mission of Huawei is to continuously innovate for customers, advance technology leadership and cooperate for win-win outcomes. The core values of Huawei are customer first, dedication, continuous improvement, openness and initiative, integrity and teamwork. (Huawei 2016)

The PLA model is the mechanism strategy used by Huawei in order to catch up the strong brands such as Ericsson, Cisco and Alcatel, even Samsung and Apple. Periphery strategy (P) means when selecting the customers, Huawei mainly focuses on low-end customers. Meanwhile, Huawei will sort the limited resources to one aspect in order to exceed the competitors on the configuration. Dualistic learning (L) contains two approaches, which are exploration learning and

exploitation learning. For exploration learning, Huawei has founded many research departments. On the other hand, lots of development departments have also established in order to fulfil the mission of exploitation learning. The outcomes from the research departments will be applied rapidly in development departments. On the contrary, the difficulties that the development departments encounter will offer realistic and efficient market information to the research departments. Corporate aspiration (A) is the motivation mechanism applied inside Huawei. This corporation aspiration could create an atmosphere with two main characters, namely those of challenging target and struggling spirit. A “wolf culture” can also be created in this atmosphere. Wolf culture means team work, and the employees should have three main features of a wolf: sensitive smell, indomitable and selfless invasion, and team spirit. (Huawei 2016)

1.3.4 Huawei Phone

The handset department of Huawei was founded in 2003. After two years, Huawei launched its first 3G mobile phone, U626, and was rewarded “the best 3G smart phone” by Charlton Media Group. In 2009 Huawei presented its first Android smartphone and announced cooperation with T-Mobile. In 2010 the sales of Huawei’s mobile broadband product reached 100 million units, and occupied 50% of the global market share. In 2011 Huawei launched its cloud service, and introduced the world’s first cloud-enabled smartphone, Huawei Vision. In 2012 Huawei became the third largest phone manufacturer in the world, along with a series of top technology smartphones, such as: Huawei Ascend D1, the world’s fastest quad-core smartphone and Huawei Ascend P1, the world’s slimmest smartphone (6.68mm). In 2013 Huawei’s sub-brand, Honor, was established. At the same time, Huawei launched the new thinnest smartphone, Ascend P6 (6.18mm). In the same year, the Huawei phone department announced a new brand concept: “make it possible” with the world’s only and first LTE cat4 smartphone, Ascend P2. In 2014 Huawei was rewarded as one of the top 100 global innovators by Thomson Reuters, being the only Chinese company. In 2016 Huawei just launched the newest smartphone model in April, P9, a joint design

with Leica Camera AG. With a digital single lens reflex technology “smart eyes”, it only sells for 400 euro. (Huawei 2016)

Table 2. Data of top five smartphone in 2015, unit in millions (International Data Corporation 2016).

| Vendor | 2015 Shipment Volumes | 2015 Market Share |
|---------------|------------------------------|--------------------------|
| Samsung | 324.8 | 22.7% |
| Apple | 231.5 | 16.2% |
| Huawei | 106.6 | 7.4% |
| Lenovo | 74.0 | 5.2% |
| Xiaomi | 70.8 | 4.9% |
| Others | 625.2 | 43.6% |
| Total | 1432.9 | 100.00% |

Table 2 shows that Huawei ranked in the third place of the total shipment volumes and market share among the top five smart phone vendors in 2015.

2 LITERATURE REVIEW

The aim of the literature review is to describe the main theoretical approaches briefly based on the existing academic sources and introduce the basic concepts associated with brand, as well as compare and analyse different aspects of brand based on the research topic. In the following, the definition of brand will be presented. Then the concepts of brand origin and brand equity will be followed. At last, some hypotheses will be proposed.

2.1 Brand

During the last few decades, with a dramatic increase in the number of commodities and internationalization, globalization and modernization, the style of purchasing has changed a lot. People prefer to make short term purchase decisions in both the psychological perspective and the physical perspective. More specifically, consumers like to spend less time thinking and less time searching for what they need. Therefore, a strong brand for consumers will definitely reduce all kinds of risks they would like to avoid, such as functional risk, financial risk, social risk, internal and external risk, as well as time risk. (Keller 2013, 34-35)

There are different definitions of brand according to different scholars. According to Keller (2013, 30), brand is not a new word and it came from the Old Norse (an old Germanic language in use from 9th to 13th centuries) word “brandr”, which is a verb “to burn”. In the ancient times, people used tools to mark their “assets”, which means domestic animals, in order to make them differ from others. The old definition of brand still works if we just consider the traditional meaning of brand, which means the symbol, the mark or the name.

However, with the progress of times brand needs a more direct and accurate concept. The modern definition of brand that is given by American Marketing Association is “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.” (AMA 2012)

The definition from AMA could be viewed as the inward expression while definition from Kapferer (2008) could be viewed as the outward expression. According to Kapferer (2008, 183), there are six dimensions of brand: physique, culture, self-image, relationship, personality and reflection, which are shown in Figure 4. In addition, those six elements are divided into two aspects: constructed source and constructed receiver. For the constructed source, a strong brand can be regarded as a person with a physique and a personality, which represents what the brand can offer to customers. Customers then will act as the constructed receiver to receive those offers from the brand with reflection and a self-image perspective.

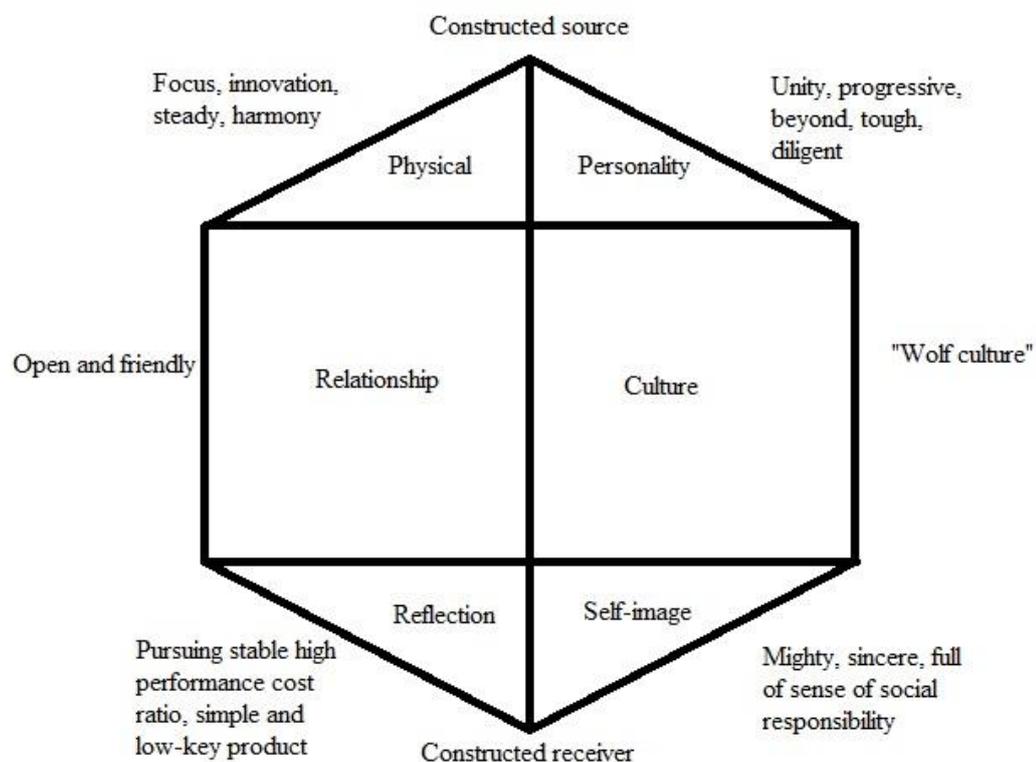


Figure 4. Dimensions of brand. (Modified from Kapferer 2008).

The six dimensions will be explained more specifically by using Huawei as the case company. Physique can be viewed as the main features and also the fundamental of the brand. It means how the brand can be recognized and remembered by the customer. At the same time, it provides the function on how this brand can be distinguished from another brand (Kapferer 2008, 182). The

physique of Huawei represents focus, innovation, steadiness and harmony (Huawei 2016). Personality can be viewed as the characteristics of the brand. It means what will happen when the brand becomes a real person (Kapferer 2008, 183). For example, Michael Jordan represents the brand Jordan. The personality of Huawei represents unity, progressiveness, beyond, toughness and diligence (Huawei 2016). Culture can be viewed as value and basic principle of the brand. It means the country of origin of the brand and the bridge between the brand and the customers (Kapferer 2008, 184). For example, IKEA represents Swedish values, Carlsberg represents Danish values and Nokia represents Finnish values. The culture of Huawei is a so called wolf culture, which will be introduced in the third section (Huawei 2016). Relationship can be viewed as the communication and hand shaking between brand and customers. It means how the brand express the relationship it represents (Kapferer 2008, 185). The relationship between Huawei and its customers is open and friendly (Huawei 2016). Reflection can be viewed as the respond of customers to the physique and personality of the brand. It means when customers talk about a certain brand, a clear image will appear in their mind (Kapferer 2008, 186). The reflections of the customers to Huawei are pursuing stable high performance cost ratio, simple and low-key product (Huawei 2016). Self- image is the mirror the customers look into when they are using a certain kind of a product. It means what kind of value or image the brand will bring to a person (Kapferer 2008, 187). The self-image of Huawei is made up of I am mighty, I am sincere and I am full of sense of social responsibility. (Huawei 2016)

It will certainly help the brand and the company to find their advantages and disadvantages by research and analyse the six dimensions of brand. It also could help the brand managers to reduce all kinds of risks and build the brand loyalty.

2.2 Brand Origin

Brand origin (BO) is the nationality of the brand and it is the “place, region or country where a brand is perceived to belong by its target customers” (Thakor & Kohli, 1996, 27). According to Thakor and Kohli (1996), BO is one element of the brand personality, which means a brand can be described based on its

nationality, for instance, Nikon as Japanese camera, Mercedes-Benz as German car and McDonald's as American fast food. The relationship is illustrated in Figure 5:

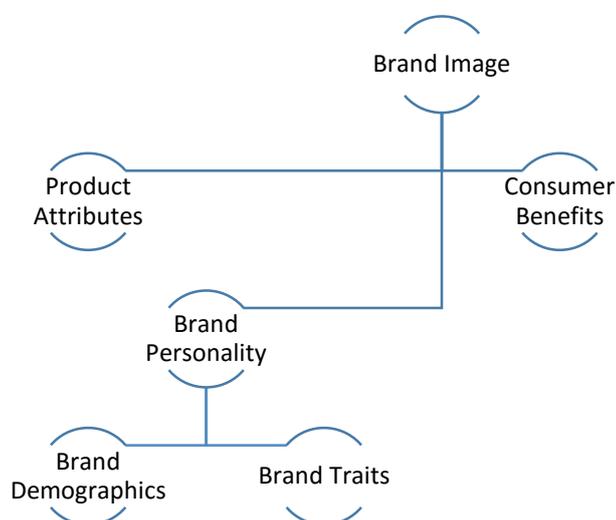


Figure 5. Brand origin and related concepts (Thakor and Kohli 1996, 29).

BO is different from country of origin (COO) since BO focuses on the brand, whereas COO focuses on products. Another difference is that BO is the perceived origin by customers, rather than the exact origin where the brand is from. However, COO means the country where the product was produced.

2.3 Brand Equity

The word brand equity (BE) has been developed since the 1980s. BE is an intangible asset to the brand. From the customers' perspective, a strong brand with a positive BE will not only increase brand awareness but also enhance brand loyalty. On the other hand, a firm would benefit through the marketing aspects, financial aspects and competition aspects as well. According to Atilgan, Akinci, Aksoy & Kaynak (2009), BE can be viewed from two aspects, which are customer-based brand equity (CBBE) and firm-based brand equity (FBBE). Considering the focus of this thesis, only the CBBE will be studied. Moreover, customers are always the core of a successful brand and marketing. A strong brand should always focus on these kinds of questions: What are the needs and the wants of customers? What can we offer to please the customers?

There are many different definitions of BE issued by different researchers or organizations, for instance, BE can be defined as serious advantages or benefits brought by customers to enhance the competition despite the name of the brand. (Lassar et al., 1995) Keegan, Moriarty & Duncan (1995. 323) defined BE as “a kind of value, which is developed through the communication between the customer and the brand over time.” According to Feldwick (1996), BE is to describe the feelings and beliefs related to the brand. In this thesis, only two main definitions will be examined and summarized from Aaker (1991) and Keller (2013).

According to Aaker (1991, 15), the definition of BE is “a set of brand assets and liabilities linked to a brand, its name and symbol, which add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers.” By this definition BE can be divided into four aspects, which are brand awareness, brand association, perceived quality and brand loyalty. Those elements are illustrated in Figure 6:

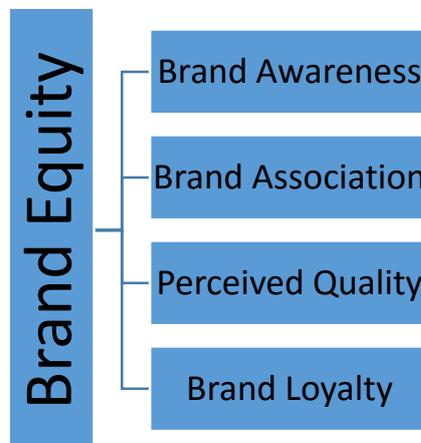


Figure 6. Brand equity (Aaker 1991).

Keller (2013, 69) stated another BE definition: “The differential effect of brand knowledge has on consumer response to the marketing of that brand.” This definition can also be divided into two aspects, which are brand awareness and brand image. (Figure 7) Compared with the definition of Aaker (1991), it focuses more on the experiences, which means the brand knowledge. The core basis of

CBBE is “the power of a brand lies in what resides in the minds and hearts of customers.” (Keller 2013, 69)

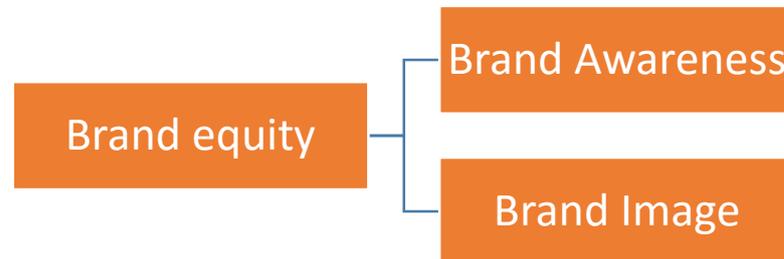


Figure 7. Brand equity (Keller, 2013).

In conclusion, it is obvious that those two conceptualizations are overlapping (Atilgan et al. 2009). However, brand association has been united with brand image by Keller (2013) while there is no brand loyalty aspect. Therefore, a more completed concept (Figure 8) is concluded in order to capture the CBBE concepts defined by both Aaker (1991) and Keller (2013) and it can offer a clearer image for the reader to understand the key elements of CBBE.

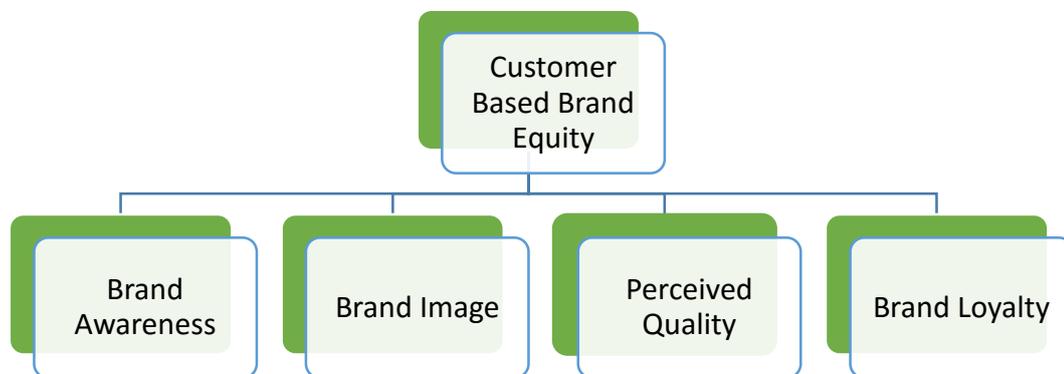


Figure 8. CBBE Framework.

Therefore, the CBBE adopted in this research will include brand awareness, brand image, perceived quality and brand loyalty.

2.3.1 Brand Awareness

Brand awareness can be viewed as the basic element of CBBE since it is defined as: “The ability of a potential buyer to recognize or recall that a brand is a member

of a certain product category.” (Aaker 1991, 61) Brand awareness is also a crucial factor in the customers’ purchase making process. According to Aaker (1991), brand awareness consists of two aspects: brand recognition and brand recall, shown in Figure 9:

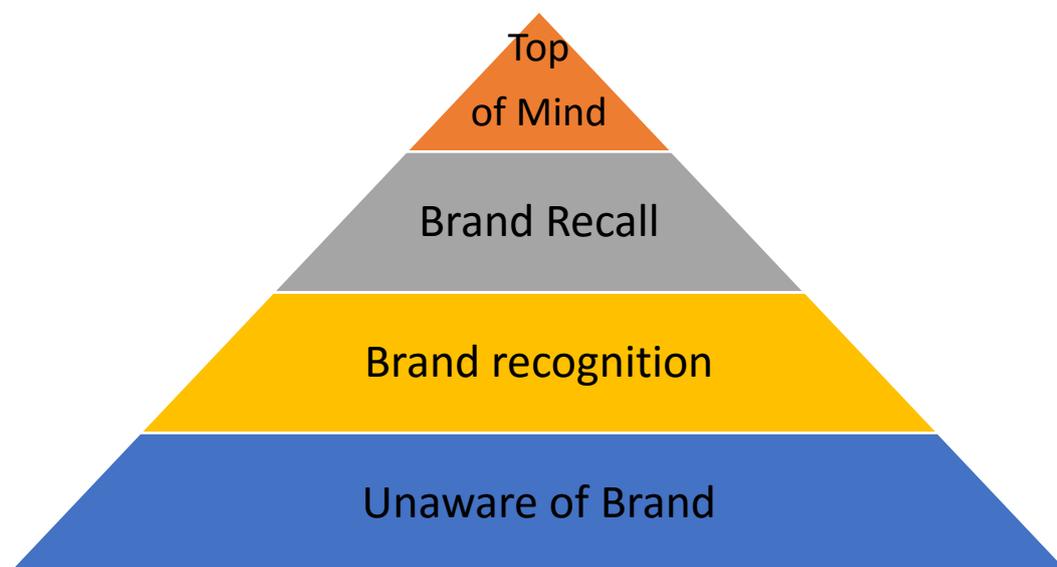


Figure 9. The awareness Pyramid (Aaker 1991, 62).

Brand recognition is the lowest level of brand awareness with aided recall and it is very crucial when a customer is just at the point of purchase (Aaker 1991). However, brand recall is mainly based on customer experiences on a set of products, which means it is unaided brand awareness when a customer chosen certain category and made a list of potential purchasing brands such as a consideration set. It is obvious that brand recall is a higher level of brand awareness compared with brand recognition.

Brand awareness has both advantages and disadvantages. Keller (2013) stated that there are three advantages with a highly established level of brand awareness: namely learning advantage, consideration advantage and choice advantage. More specifically, the brand will gain more priority from the customer when they make purchase decisions with a registered brand in their mind. Then the customers will continue to learn the knowledge from the particular brand and the more information gained, the higher rank the brand will be in the customers’

consideration set since people just simply like familiarity. On the other hand, disadvantages also exist because brand awareness cannot make any efforts in creating sales. Lev (1990) did a research based on one advertisement of Nissan and he found that the advertisement itself lacks a reason-to-buy factor resulting in disappointing sales. However, on the opposite side, the sales of rocks and trees increased 300% percent with a scene of nature. According to Aaker (1991), various ways can be used in order to build brand awareness such as: choosing a different and memorable brand name, introducing a special slogan or jingle, advertising and so on. However, the most important thing is to connect the brand with the category.

2.3.2 Brand Image

According to Aaker (1991, 109), brand image is a set of associations and defined as: “anything ‘linked’ in the memory to a brand.” Brand association is the foundation of brand loyalty and purchase intension. In addition, it can generate value to firms as shown in Figure 10.



Figure 10. The value of brand image (Aaker 1991, 111).

Aaker (1991) stated several approaches to measure brand image, which are shown in Figure 11:



Figure 11. Measuring brand image (Aaker 1991, 137).

Since sometimes people do not want to answer the questions that they may feel is embarrassing or private. Therefore, indirect approaches were given as shown in Figure 8. For example, when given a list of brand names, respondents could be asked to give three words to describe each of the brands. In this way, free association will be applied. Also, in-depth look at the user experiences could also be adopted through an interview with customers to discuss the feelings relate to user experiences, rather than just asking “why” question. (Aaker 1991, 137-141)

2.3.3 Perceived Quality

In the long run, the most essential element that will affect the capability of a company is the quality of their product and service. The definition of perceived quality is “the customer’s perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative of a product or

service with respect to its intended purpose, relative to alternatives.” (Aaker 1991, 85) Therefore, perceived quality is an intangible concept in the customer’s mind and it differs from person to person. It is usually judged by the features of the product such as performance and reliability. Figure 12 shows how perceived quality generates value.

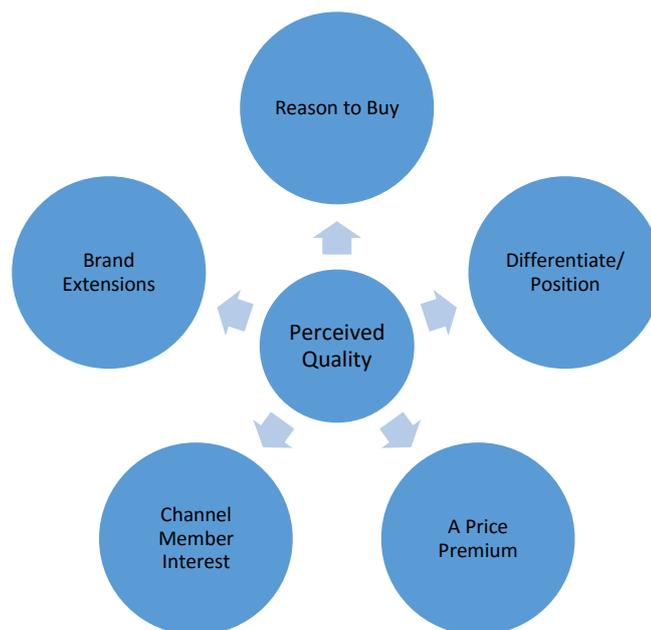


Figure 12. The Value of Perceived Quality (Aaker 1991, 86).

At first, perceived quality can provide a purchase intension which means the “reason to buy”. Through this advantage, the marketing process can be more efficient and effective. Secondly, perceived quality can differentiate the brand from other brands, which will also provide the brand a unique association. Thirdly, perceived quality can offer a price premium for the brand, which means a high perceived quality brand can make more profits with the price premium. A price premium can also lead to a “breathing room” that can give the firm some time to react to the threat of competitors. “It deserved what you paid!” can be viewed as an easy way to understand the price premium. Besides, a price premium can be a quality cue to the customers in order to enhance the perceived quality. Fourthly, perceived quality can increase the interest of retailers and distributors, which means they can also increase the distribution in return. Retailers and distributors always want a product with high perceived quality to help them achieve more

profits with a relatively higher price. Fifthly, perceived quality can be an essential factor when considering the brand extension. (Aaker 1991, 86-93)

The dimensions of quality have to be examined in order to find what will affect perceived quality. Dimensions of quality can be divided into product quality and service quality according to Aaker (1991).

In order to increase the level of perceived quality of customers, the ability to deliver it is very important. (Aaker 1991) There are six approaches to develop the ability, including commitment to quality, a quality culture, customer input, measurement/goals/standards, allow employee initiative, and customer expectations. A firm has to actualize what they committed to customers instead of lip service. In reflection, a quality culture needs to be established in order to win the battle between cost and quality. At the same time, there needs to be a rewarding mechanism consisted of a set of measureable, understandable and standardized goals. Furthermore, appropriate authorities need to be released to employees to gain the efficiency and effectiveness during the business operation process. A firm always needs to focus on their customers since they will decide the perceived quality. (Aaker 1991, 94-96)

However, to just actualize the high quality is not enough. The founded high quality has to match the perceived quality. Signals have to be given to customers to do so. Signals can come from the product perspective, for example, declaring the durability of the product will allow the customers believe that the company is quite confident with its product and increases the brand loyalty in such way. On the other hand, from the service perspective, a clean and tidy appearance of service personnel will indicate the professional skill capability in the customers' minds. (Aaker 1991)

2.3.4 Brand Loyalty

Brand loyalty is the heart of brand equity. It is “the indicator of brand equity which is demonstrably linked to future profits, since brand loyalty directly translates into future sales.” (Aaker 1991, 39) Brand loyalty represents how the

customers will act if the brand changes in price or characteristics. According to Aaker (1991), there are different levels of customers' brand loyalty of a certain brand as shown in Figure 13.

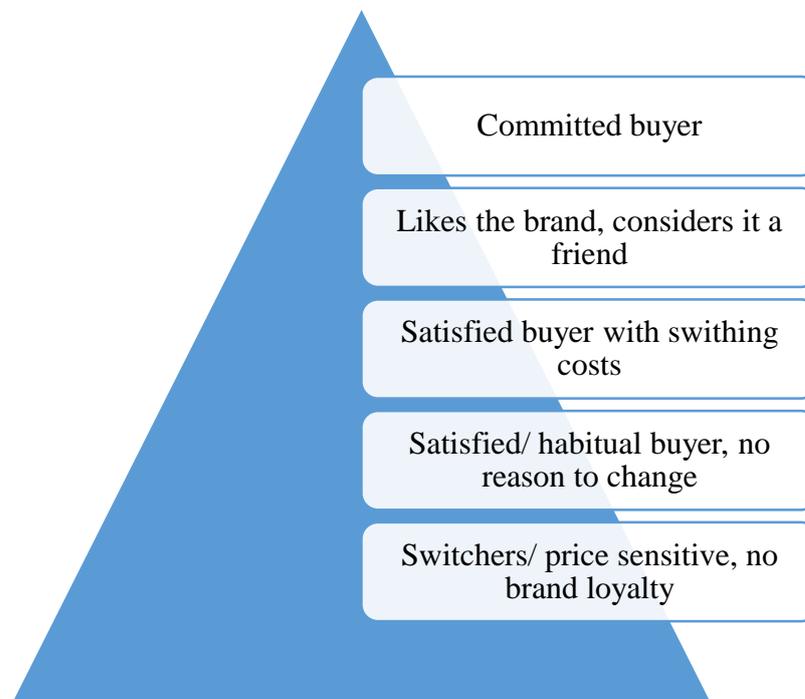


Figure 13. The Loyalty Pyramid (Aaker 1991, 40).

As stated by Aaker (1991), the first level is a “switcher or price buyer” level, which means there is no brand loyalty in such customers. They do not care about the brand at all and the brand will not influence their purchase intension. The buying decision will be made solely based on the price. The second level is a “habitual buyer” level, which means the customers experienced a satisfactory using experience and there is obviously no reason to switch to another brand. The third level is a “satisfied buyer with switch costs” level, which means the customers are satisfied with this brand and if considering a switch, there will be unforeseen risks or costs such as time, money and performance. The forth level is “friends” level, which means the customers treat the brand like a close friend. In this level, customers really like the brand and they think this specific brand will represent him/her with an emotion or feeling of attachment. The fifth level is a “committed buyer” level, which means customers know this brand very well and

they are very proud of using it. Moreover, the value that will be brought by customers is not how often they purchase, but how often they introduce the product to others such as friends, families and colleagues. The fifth level could be the ultimate level for a brand to reach, since in this level the brand indeed represents a symbol, “a charismatic brand”. For example, the Dr Martens shoes represent the hard rock ideology.

Aaker (1991) stated that brand loyalty will not exist without a using experience, which means it is somehow based on the other three dimensions of brand equity. For example, a customer may be loyal to a brand with low perceived quality such as McDonald’s or a customer may dislike a brand with high perceived quality such as a Japanese car.

There are two general ways to measure brand loyalty: behaviour measurement and construct measurement consisting of switching cost, satisfaction, liking and commitment. Three aspects will be considered for the behaviour measurement, which are repurchase rates, percent of purchases and number of brands purchased. There are also two ways to do the switching cost measurement, which are switching cost for an investment in a product or a system and the risk of change. The key to measure the satisfaction is to measure the dissatisfaction in order to set barriers for competitors. Premium price can be applied to measure the liking, in other words, how much more a customer is willing to pay for the brand he or she likes. A general question: “Will you introduce this brand to your friends, family or colleagues?” can measure the commitment to a brand. (Aaker 1991, 43-46)

The value of brand loyalty can be viewed in Figure 14.



Figure 14. The value of brand loyalty (Aaker 1991, 47).

It is much easier to hold the loyal customers than to catch new customers, which means a brand needs to distinguish the dissatisfaction as much as possible to set a barrier to competitors. Trade leverage is very essential when a brand needs an extension and it can also provide a regular space for its product in the market. A strong brand loyalty will hold a set of committed customers and with their “efforts”, more and more customers will be attracted by introducing the brand to more potential customers. A strong brand loyalty will also provide “breathing room” when its competitors introduce a more competitive product.

2.4 Hypotheses

In this sub-chapter, some previous researches will be illustrated, which will also be viewed as the fundamentals along with the literature review to generate hypotheses.

Hamzaoui-Essoussi, Merunka & Bartikowski (2011) discussed about the relationship between the country images and the brand equity from different perspectives. According to what they have found, only brand origin will affect brand image and brand quality, whereas brand manufacturer will not. In addition,

in terms of the more classical brand, the impacts of brand origin on brand equity becomes bigger than other cases.

Diamantopoulos, Schlegelmilch & Palihawadana (2011) studied how country image and brand image affect the purchase intention of consumers. Country of origin image does have an impact on purchase intention but only through the brand image. In addition, country of origin has a significant influence on brand perception.

Keller & Moorthi (2003) studied some classical cases of brand development in the developing countries which shows that a disadvantage of those brands is the low brand value of global power brands in the developing countries. In order to deal with this shortcoming, it is suggested that two limitations should be avoided when expanding the brand in the emerging markets, including value dysfunctionality and inability of communicating with important customers.

Insch & McBride (2004) studied how the impact of country of origin implies consumer perceptions of product quality in three different ways: design, assembly and parts manufacture between Mexico and the U.S. The country of parts played the most import role of the effects when compared to the other elements. Additionally, the authors found that the country of origin affects differently between the U.S. and Mexico.

Fetscherin & Toncar (2010) researched the effects of the country of brand and the country of manufacture for cars. They found that the country of manufacture has a greater effect than the country of brand of a car in the consumers' purchase intentions. In addition, in particular this phenomenon shows more obviously when comparing Chinese car made in the U.S. and the U.S. car made in China.

Roth, Diamantopoulos & Montesinos (2008) examined how the value was added to a brand by the country of origin through customers. The result shows that country image will affect the brand equity and simultaneously there are positive impacts of brand equity on product preferences.

Narteh, Odoom & Buame (2012) investigated the purchase intention factors related to automobile industry in Ghana. According to what they found, multiple elements of a car brand will contribute to the purchase decision made.

Maruyama & Wu (2014) examined the choice of customers for a retailer based on its country of origin and found that the customers' perceived importance of supporting domestic retailers as having a negative effect on the choice of foreign retailers.

Ar & Kara (2014) explored the image of country of production based of Turkish people towards the "Made in China" label. The research found that country of production has a significant negative effect on the perceived quality, image and trust of a brand if the products were made in China.

Andéhn, Nordin & Nilsson (2015) provided a deep understanding on the country of origin effects. It means the image of a country is closely related to the evaluation of a brand.

Balmer & Chen (2015) studied the general aspects of Chinese brands, such as development and strategy. They explained why people are paying more attention to Chinese brands and also explained the management and strategy of Chinese brands.

Therefore, based on the literature review and these previous researches, some hypotheses are presented in order to examine the research question.

Hypothesis 1: Brand origin has a conspicuous relevance to brand awareness for Chinese phone brands.

This hypothesis will assist in finding whether brand origin has an effect on brand awareness for Chinese phone brands.

Hypothesis 2: Brand origin has a conspicuous relevance to brand image for Chinese phone brands.

The second hypothesis will focus on whether brand origin has an effect on brand image for Chinese phone brands.

Hypothesis 3: Brand origin has a conspicuous relevance to perceived quality for Chinese phone brands.

The third hypothesis will dedicate to find whether brand origin has an effect on perceived quality for Chinese phone brands.

Hypothesis 4: Brand origin has a conspicuous relevance to brand loyalty for Chinese phone brands.

The last hypothesis will investigate whether brand origin has an effect on brand loyalty for Chinese phone brands.

In addition, these four hypotheses will be tested in the empirical findings part to examine whether they are accepted or not.

3 METHODOLOGY

In this section the main methodology of this research will be discussed in detail. The following aspects will be illustrated: research design, research strategy, time horizon, data collection, sampling, correlation analysis, and reliability and validity based on Saunders, Lewis & Thornhill (2012).

3.1 Research Design

According to Saunders et al. (2012, 171-172), the essence of research is to fulfil an exploratory, descriptive or explanatory purpose or a combination of them. Exploratory study means to use open-ended questions and interviews in order to gain an in-depth understanding of the research topic. Descriptive study is usually used before or after the exploratory and explanatory study in order to get a precise outline of a study. Explanatory study focuses on the causality between variables.

Therefore, the explanatory approach was chosen as the method of this study in order to find the relationship between brand origin and brand equity.

3.2 Time Horizon

A time horizon consists of two aspects: cross-sectional and longitudinal. A cross-sectional study is defined as: “The study of a particular phenomenon at a particular time and it often employ the survey strategy.” (Saunders et al. 2012, 190) A longitudinal study needs the observation process repeated time after time, sometimes even lasts for few years. Therefore, cross-sectional study time horizon was chosen also due to the reason of limited time.

3.3 Research Strategy

The research strategy is a plan of how to achieve the goal of answering the research question. According to the research “onion” issued by Saunders et al. (2012), seven different strategies are introduced, which are experiment, survey, archival research, case study, ethnography, action research, grounded theory, and narrative inquiry. The first four are belonging to quantitative method while the

last four are qualitative research methods. The main differences between qualitative and quantitative research are shown in Table 3.

Table 3. Qualitative vs. Quantitative research (Malhotra 2010, 171).

| | Qualitative | Quantitative |
|-----------------|---|---|
| Objective | To gain a qualitative understanding of the underlying reasons and motivations | To quantify the data and generalize the results from the sample to the population of interest |
| Sample | Small number of non-representative cases | Large number of representative cases |
| Data Collection | Unstructured | Structured |
| Data Analysis | Non-statistical | Statistical |
| Outcome | Develop an initial understanding | Recommend a final course of action |

A structured survey was chosen to be the study strategy in this study as it is “a popular and common strategy in business and management research and is most frequently used to answer ‘what’, ‘who’, ‘where’, ‘how much’ and ‘how many’ questions” (Saunders et al. 2012, 176) in order to explain customers’ perceptions on the Chinese phone brand Huawei and the relationship between brand origin and brand equity. As shown in Table 2, a quantitative survey means structured data collection, which is easy to control during the research process meanwhile the data analysis is statistical, and the outcome is to give a suggestive explanation.

3.4 Data Collection

Saunders et al. (2012) stated that how to design the questionnaire is mainly depend on the way to release it, the way to collect the data, and population that the study investigates. The various types of questionnaire are shown in Figure 15.

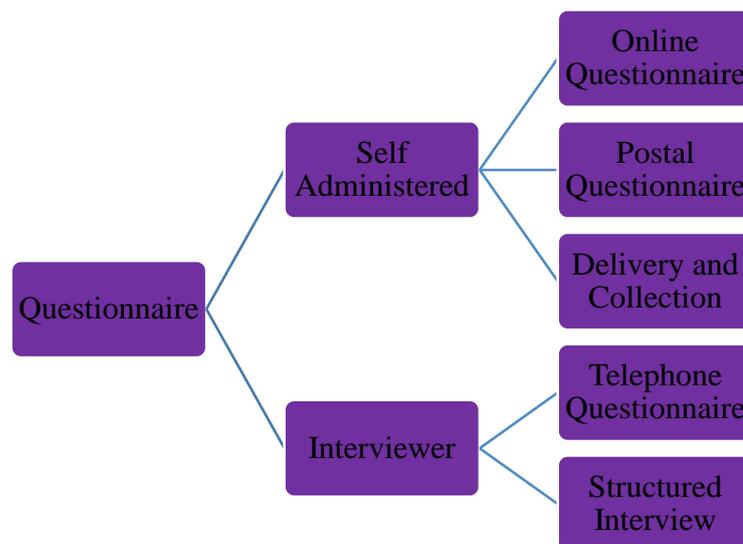


Figure 15. Types of questionnaire (Saunders et al. 2012).

Primary data is collected through a self-administered questionnaire. In this research the questionnaire was delivered through the internet by posting a link of it to various platforms such as: QQ, Weibo, email, and Facebook groups. The sample is divided into two groups, Chinese and non-Chinese in order to investigate different cultural backgrounds toward the same brand origin. The questionnaire was designed to investigate the following aspects:

- 1) Overall images of consumers on Chinese phone brands.
- 2) Brand origin effects on Chinese phone brands.
- 3) Enhancing CBBE of Chinese phone brands, especially Huawei.

Secondary data is employed in this study from the official website of Huawei and also from other articles in order to write the background, theoretical and the introduction of the case company.

3.5 Sampling

Data collection from the entire population is not possible most of the time due to restricting of time and energy input in a research. Therefore, a sampling method is

very essential to apply to study the subgroup objectives, which will represent the full set of population.

According to Saunders et al. (2012), there are two types of sampling, including probability and non-probability sampling as shown in Figure 16. Probability sampling is defined as the choice of the samples from the population is known such as certain users of the product whereas the non-probability sampling is based on a random sample. The non-probability technique is selected in this study with volunteer sampling.

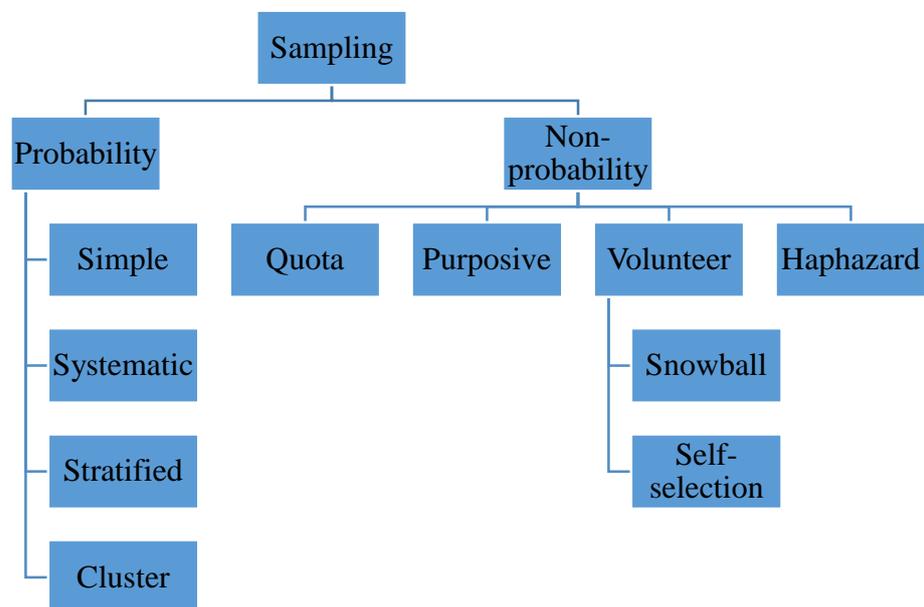


Figure 16. Sampling techniques (Saunders et al. 2012).

3.6 Correlation Analysis

The correlation analysis method was chosen because it is the method for a statistical evaluation and also quite useful to test whether there is a relationship between the variables.

There are two analysis methods including Spearman's rank correlation coefficient and Person's product moment correlation coefficient. The former analysis method is for categorical variables, and the latter one is for the numerical variables. (Saunders et al. 2012)

Before conducting the correlation analysis, it should be known whether the analysed data is normally distributed or not. In this study, Kolmogorov-Smirnov test is used to test variables for implementing the data distribution analysis. It is known which variables are normally distributed or non-normally distributed by comparing p-value with 0.05. If p-value is bigger than 0.05, then the tested variables are normally distributed; otherwise, the variables are non-normally distributed. (Saunders et al. 2012)

After the data distribution analysis, for the correlation analysis, the Person analysis method should be conducted for the normally distributed variables, and the Spearman analysis should be conducted for the non-normally distributed variables. As a result of the correlation analysis, the correlation relationships can be interpreted by comparing p-value with 0.05: if the p-value is bigger than 0.05, then the tested variables are not correlated; otherwise, the variables are correlated. Furthermore, the logic is: “the bigger the p-value, the stronger the correlated relationship”. (Saunders et al. 2012)

For numerical variables, in order to test whether two categories are different; there are the independent t-test and the dependent t-test and the paired t-test. (Saunders et al. 2012) In addition, dependent t-test is also known as two-sample T-test, which is usually used for testing changes between two categories.

3.7 Reliability and Validity

Reliability means consistency, which indicates if the research will reach the same outcome by different researchers, under different situations or at different time. Different approaches are introduced by Saunders et al. (2012) to assess reliability: test re-test, internal consistency and alternative form. The test re-test approach cannot be applied since the questionnaire needs to be filled in by respondents twice, which means it is impossible for this research due to the imitated time and energy. The alternative form also cannot be applied on account of the same reason since there need to be another questionnaire as the backup plan. The internal

consistency will be applied through correlation analysis such as the two-sample t-test.

Validity means accuracy, which guarantees the research has examined what it ought to study such as the research question or topic. There are also some approaches issued by Saunders et al. (2012) to assess validity based on different aspects of it: content validity, predictive validity and construct validity.

Content validity is applied through a pilot test, which means a pre-examination of the questionnaire content to test the existence necessity of each question. Therefore, a total set of ten people was chosen in order to do so. Some questions were deleted or modified based on the results of the pilot test. Predictive validity is applied through the statistical analysis such as the correlation analysis adopted in this research. Construct validity is applied through various questions such as the fourth, sixth and eleventh question etc. to allow the respondents to answer a scalable question in a range from 1 to 3 or 1 to 5.

There are different ethical issues during the different stages of a research. When choosing the topic it should be objective and integrate. When designing the questionnaire, some sensitive words need to be avoided and it should be anonymous. In this research, the participants can voluntarily participate in the self-administered questionnaire, and they were informed to participate at any time.

When collecting data, a random snowball sampling method is used to avoid collecting data from a purposeful target group, which also can be viewed as a guarantee to reliability and validity. When analysing and reporting data, maintaining objectivity is very essential. Each aspect of the collected data needs to be analysed and reported in order to present statistical accuracy. All in all, keeping objectivity is the most important factor in conducting a business research that based on a survey.

4 FINDINGS AND ANALYSIS

In this chapter the findings from the questionnaire will be illustrated and examined. A total of 143 respondents have answered the questions regarding the consumers' perspective toward Chinese phone brands and particularly the Huawei phone brand. Among the respondents 49% are male and 51% are female. Figure 17 shows the age structure of the respondents.

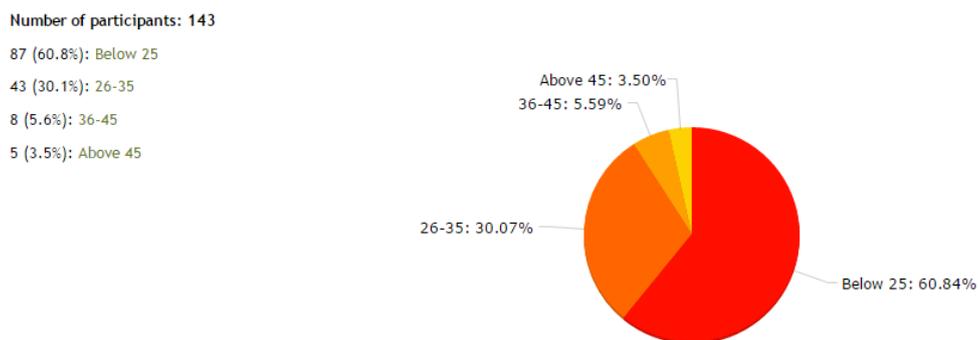


Figure 17. The age structure.

The main aim of the research is to firstly investigate the overall images of consumers on the Chinese phone brands through analysing brand awareness. The influence of “made in China”, will also be observed, especially on the Chinese phone brands. Moreover, opinions from the consumers' perspective to overcome the possible negative effects of brand origin were gathered in order to give advice to Huawei to fulfil a further understanding of the market and improve the level of perceived quality, brand loyalty and brand awareness. Those strategies and advice were collected in three aspects:

Firstly, overall images of consumers on the Chinese phone brands were asked from the respondents:

- What is the level of awareness for consumers toward Chinese phone brands?
- What is the proportion of Chinese phone using experience when compared with other brand origin phone brands for consumers?
- What is the consumers' impression of “made in China” on Chinese phone brands?

Secondly, brand origin effects on the Chinese phone brands were asked based on the following questions:

- How important is brand origin in a phone purchase?
- How will consumers rate different aspects of a Huawei phone when compared with an Apple phone?

Lastly, enhancing CBBE of the Chinese phone brands, especially Huawei:

- What are the most important factors to help Chinese phone brands to overcome the possible negative brand origin effects?
- Is there a possible niche market for the Chinese phone brands in the international market?
- Through which way do consumers prefer to receive the information about a phone in order to improve BE?

4.1 Overall Images

In this sub-chapter the overall images of consumers on the Chinese phone brands will be presented. The fourth question “Which Chinese phone brand(s) below are you familiar with?” required the respondents to choose an answer on a scale from 1-3 (1 is not at all, 3 is very). The data (Figure 18) points out the general awareness level from both the Chinese and the non-Chinese consumers’ perspective.

This data also indicated the level of brand recognition, which will affect the purchase decision at the point of purchasing. (Aaker 1991) Brand image will be examined through the fifth and sixth question “What is your impression of ‘Made in China’ on Chinese phone brand?” and “What phone brands you have had in the past ten years?” The data (Figure 19 and Figure 20) indicated the beliefs and attitudes of consumers from the Chinese and the non-Chinese perspective.

A total of five Chinese phone brands were examined by the respondents with a scale of 1-3 (1 is not at all, 3 is very). All the respondents had to answer this

question based on their existing knowledge without any aids. The data set is shown in Figure 18:



Figure 18. The mean and standard deviation of consumers' familiarity.

Three brands scored more than 2. Huawei got the highest score, 2.37, meanwhile HTC and Lenovo ranked the second and third with 2.31 and 2.01 respectively. If looking at the standard deviation of these three brands, Huawei and HTC got similar scores with 0.68 and 0.71. Lenovo got 0.78, which means the answers for Lenovo are quite dispersive, while the answers for Huawei and HTC are quite concentrated. Therefore, the consumers' awareness for Chinese phone brands is a little higher than moderate. When concerning that only Huawei, Lenovo and HTC have gone international, the brand awareness of consumers may have reach a brand recall level.

When considering whether there is a difference between the Chinese and the non-Chinese in brand awareness, the respondents were divided in to two groups, and a two sample t-test was applied. As shown in Table 4 only the P value of Xiaomi is under 0.05, which means there is a significant difference of brand awareness between the Chinese and the non-Chinese respondents about Xiaomi. At the same time, there is no difference of brand awareness between the Chinese and the non-Chinese respondents about Lenovo, ZTE, HTC, and Huawei.

Table 4. T-test result on the brand awareness between the Chinese and the non-Chinese customers.

| Brand | Chinese 35 | Non-Chinese 108 | Pr > t |
|--------|------------|-----------------|---------|
| ZTE | 2.085 | 2.203 | 0.6643 |
| Lenovo | 3.228 | 2.963 | 0.3821 |
| Xiaomi | 3.34 | 1.602 | <.0001 |
| HTC | 3.657 | 3.537 | 0.670 |
| Huawei | 3.800 | 3.676 | 0.6401 |

Two questions are designed in order to examine the brand image of the Chinese phone brands. The first one asks consumers about their impression of “Made in China” on Chinese phone brands and the second one asks what phone brands they have had in past ten years. A scale of five was given to examine the impression (1 is definitely negative and 5 is definitely positive), and ten options were provided for consumers to choose from. The data set is shown in Figure 19:

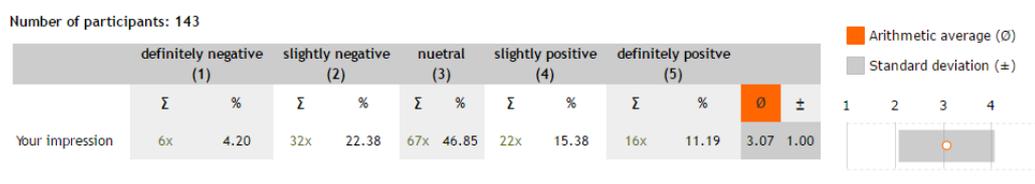


Figure 19. Consumers’ impression of “Made in China” on Chinese phone brand.

In Figure 19, about 47% of the respondents think that “Made in China” has a neutral impact for Chinese phone brand, meanwhile about 27% of the respondents hold the view of negative impact. At the same time, about 27% of the respondents think this label will be positive for a Chinese phone brand. This indicates that the image of the Chinese phone brands has significantly improved and sometimes “Made in China” even benefits Chinese phone brands.

When considering whether there is a difference between the Chinese and the non-Chinese respondents on the impression about “Made in China”, a two sample t-test was applied. The data set is shown in Table 5:

Table 5. T-test result on “Made in China” impression between the Chinese and the non-Chinese.

| Nation | N | Mean | Std Dev | Std Err | Min | Max |
|------------------------------|------------------|---------------|----------------|--------------------|------------|------------|
| Chinese | 35 | 3.2571 | 0.8168 | 0.1381 | 2.00 | 5.00 |
| non-Chinese | 108 | 3.0000 | 1.0412 | 0.1002 | 1.00 | 5.00 |
| Diff (1-2) | | 0.2571 | 0.9918 | 0.1929 | | |
| Equality of Variances | | | | | | |
| Method | Num DF | Den DF | F Value | Pr > F | | |
| Folded F | 107 | 34 | 1.62 | 0.1067 | | |
| Method | Variances | DF | t Value | Pr > t | | |
| Pooled | Equal | 141 | 1.33 | 0.1847 | | |
| Satterthwaite | Unequal | 72.817 | 1.51 | 0.1360 | | |

As a result of the two-sample T-test, in the first step for testing the equality of variances, the p-value is bigger than 0.05 as shown in Table 3. Thus, null hypothesis “Variances are equal” is accepted, which indicates that means of the brand equity’s changes are equally spread out. In addition, the T-test result is read from the first line of Pooled method.

In the Pooled method, the p-value is 0.1847. It is bigger than 0.05, which means that null hypothesis “Means of the two samples are the same” is accepted. Thus, the means of the two samples are the same. It stands for that the means of the Chinese and the Non-Chinese towards the “Made in China” are the same. Thus, there is no different view towards “made in China” brand image from people who come from the country of brand origin.

When asking what phone brands customers have had in past ten years, the data set is shown in Figure 20:

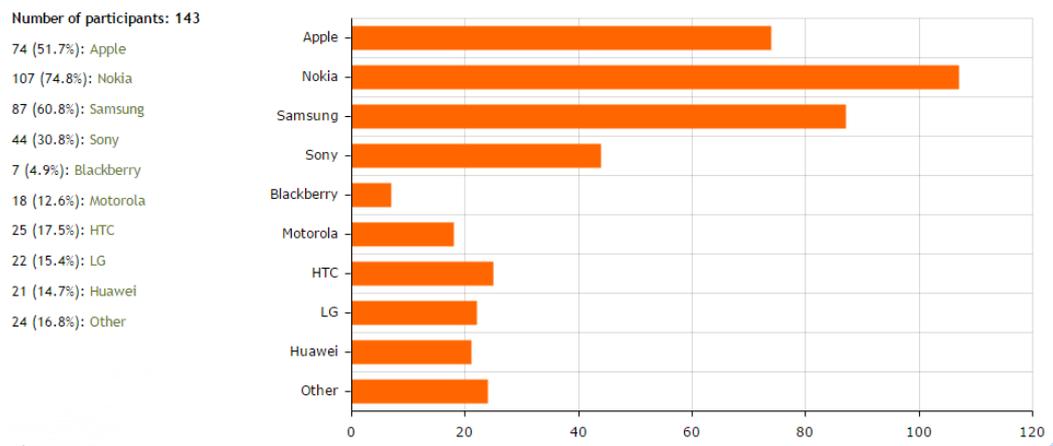


Figure 20. Phone brands consumers have had in past ten years.

The data shows that the first three ranked brand are Nokia, Samsung and Apple, whereas Huawei ranked in an extremely low position. This may indicate that brand origin may have a negative effect on brand image. However, it can still be assumed that this situation is caused by the length of time that input into phone business. Huawei just started its phone business in 2003 compared with other phone vendors such as Samsung in 1991.

4.2 Brand Origin Effect on Chinese Phone Brands

This section will presents the brand origin effect on the Chinese phone brands. As the general brand awareness and brand image have been examined, it is also very important to study the perceptions of consumers on whether brand origin will affect the purchase decision and brand origin will affect the perceived quality. Also, the future market will be examined.

4.2.1 Importance of Brand Origin in Phone Business

The importance of brand origin may differ from each category, and in this research the focus is on the phone business. Question “Do you think brand origin is important when you purchase a phone?” was asked and the respondents could rate a scale of five options (1 is not at all, 5 is extremely). The data set is shown in Figure 21:

Number of participants: 143

32 (22.4%): Not at all

38 (26.6%): Slightly

37 (25.9%): Moderately

27 (18.9%): Very

9 (6.3%): Extremely

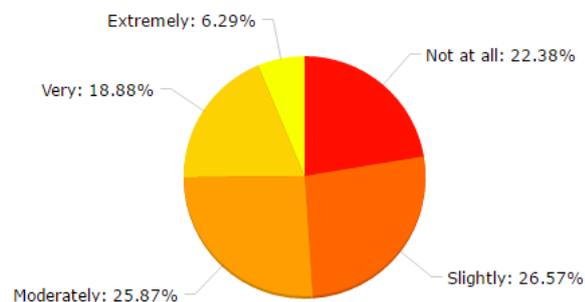


Figure 21. The importance of brand origin when purchasing a phone.

As shown above, a total of 75% of the respondents think brand origin will not affect their purchase decision; meanwhile 25% of the respondents think brand origin will play an important role in the purchase process. Thus, the majority of customers regard the brand origin as a not important factor influencing their purchase intention.

When considering whether there is a difference between the Chinese and the non-Chinese respondents on the importance of brand origin when purchasing a phone, a two sample t-test was applied. The data set is shown in Table 6.

Table 6. T-test result on the importance of brand origin between the Chinese and the non-Chinese.

| nation | N | Mean | Std Dev | Std Err | Min | Max |
|-----------------------|-----------|--------|---------|---------|------|------|
| Chinese | 35 | 2.942 | 1.349 | 0.228 | 1.00 | 5.00 |
| Non-Chinese | 108 | 2.509 | 1.147 | 0.110 | 1.00 | 5.00 |
| Diff (1-2) | | 0.433 | 1.199 | 0.233 | | |
| Equality of Variances | | | | | | |
| Method | Num DF | Den DF | F Value | Pr > F | | |
| Folded F | 34 | 107 | 1.38 | 0.2169 | | |
| Method | Variances | DF | t Value | Pr > t | | |
| Pooled | Equal | 141 | 1.86 | 0.0652 | | |
| Satterthwaite | Unequal | 50.934 | 1.71 | 0.0931 | | |

As a result of the two-sample T-test, in the first step for testing the equality of variances, the p-value is bigger than 0.05 as shown in Table 5. Thus, null

hypothesis “Variances are equal” is accepted, which indicate that the means of the brand equity’s changes are equally spread out. In addition, the T-test result is read from the first line Pooled method.

In the Pooled method, the p-value is 0.0652. It is bigger than 0.05, which means that null hypothesis “Means of the two samples are same” is accepted. Thus, the means of the two samples are the same. It stands for that the means of the Chinese and the Non-Chinese towards the brand origin on phone purchase are the same. Thus, the nationality does not affect the impacts of brand origin on purchase intention.

4.2.2 Consumer Evaluation of Huawei Phone and Apple Phone

It is also very crucial to understand whether the brand origin will affect perceived quality. This measurement will be examined by rating different aspects of Huawei phone and Apple phone with a five scales options (1 is lowest, 5 is highest). The data set is shown in Table 7 and 8:

Table 7. Consumers’ perception with Huawei phone.



Among those data shown in Table 6 and 7, each aspects of Huawei is lower than that of Apple. Especially some score even extremely sizeable gaps such as price, reputation, service and innovation.



Table 8. Consumers' perception with Apple phone.

However, the largest gap between Huawei and Apple is price, which means price would be a competitive advantage for Huawei in the international market. Nevertheless, only with competitive price is far from being enough to survive in the international competition, and sometimes people may reflect low price as equalling to low quality.

The data may indicate that brand origin will have an effect on perceived quality, and the Chinese phone brands are experiencing low perceived quality due to low reputation, not fast service and lack of innovation. Therefore, it is essential for the Chinese phone brands to enhance their customers' perceived quality. Some comments from the respondents also illustrate this reality:

“A lot of people, including me, see the Chinese phone as a cheap quality phone because it is low priced. You will get what you pay for. And I think most of the phone's design is a bit clumsy and not so "clean" like Apple and Samsung.”
(Swedish, male, below 25)

“The integration need to be easier, UI design is also very important, also the feedback need to be faster.” (Swedish, female, below 25)

“Android system is sensitive for virus. iPhone is clean because of application checking by Apple, it is the ONLY choice for me. If Huawei can make similar system, all the applications are checked before can be loaded, I would go with

Huawei!!! I feel some Finnish design, like accurate camera, high memory capacity and double sim, can be found in Huawei. Price is great, if only I could trust the operating system, I would definitely get Huawei!!!” (Finnish, male, above 45)

As can be seen from the results of the open question, the low price with good quality is the main label for the Chinese brand phone “Huawei”. Thus, the cost-effectiveness become the main brand perception for the Chinese brand. Compared to Huawei, the perceived quality of Apple, such as trust in the systems and UI design is higher, is the main brand perception and the competitive advantage.

4.2.3 Future Market for Chinese Phone Brands

As the CBBE of Chinese phone brand has been examined, it is also very essential to figure out the future market. This aspect will be assessed by investigating whether the respondents want to get more information about the Chinese phones and even purchase a Chinese phone. The data set is shown in Figure 22 and 23:

Number of participants: 143

22 (15.4%): Not at all

50 (35.0%): Maybe

71 (49.7%): Definitely will

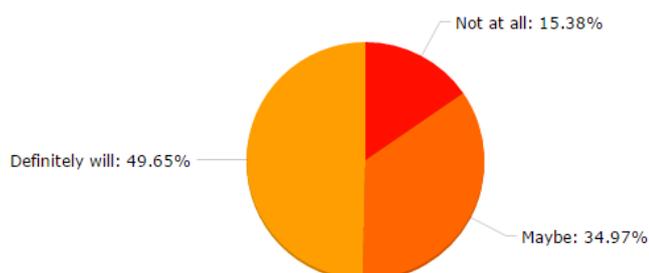


Figure 22. Possibility of consumers’ further desire about Chinese phone brands.

As the data presented in Figure 22, about 50% of the respondents who give the answer that they will definitely want to get more information about Chinese phone brands and their products. Only about 15% of respondents refused to get more information.

Number of participants: 143

8 (5.6%): Not at all

16 (11.2%): Probably will not

40 (28.0%): May or may not

47 (32.9%): Probably will

32 (22.4%): Definitely will

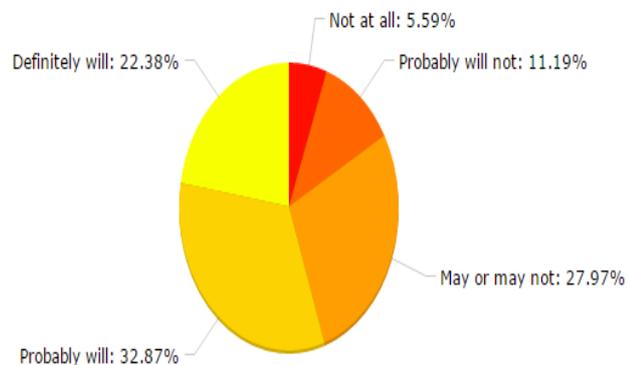


Figure 23. Possibility of consumers purchasing a Chinese phone in the future.

The results show that about 55% of the respondents declared they will purchase a Chinese phone in the future. This result is surprising since the brand origin can create a negative effect on perceived quality. It can only be assumed that this possibility is based on more knowledge and satisfied user experiences. Some comments from the respondents also show a niche market in the future:

“My expectations towards Chinese phone brands have changed during few years. They seem more reliable nowadays.” (Finnish, male, below25)

“I think Chinese phone brands have a bright future ahead of them. I think the main reasons why people may not buy Chinese phones are: concerns for quality and concerns regarding how the phones were made (materials origins and possible children labour). But those are improving each time I hear about Chinese brands.” (French, female, below 25)

“I buy lots of Chinese stuff nowadays because the prices are reasonable and quality is high or very high. I think China has a very interesting future ahead regarding the phone industry. I bet they will rule the market in the coming decades, quality and innovations are going up.” (Finnish, male, 26-35)

As can be seen from the results of the open question regarding the future market, the customer expectations towards the Chinese phone brands have become better and better, which might be a result of the decreasing negative effect of brand origin.

In addition, based on this standpoint and the commenting results, there are certain things which need to be improved by the Chinese phone brands, including improving perceived quality, enhancing corporate social responsibility initiatives (such as a transplant materials origins and forbidding using children labour) improving firm reputation, and increasing the extent of innovations.

4.3 Overall Analysis for Huawei and Hypotheses Test

In this sub-chapter the hypotheses issued in literature review will be tested. In addition, it is also necessary to get an in-depth understanding of Huawei from a correlation perspective. Therefore, a Spearman correlation analysis method was applied in order to test the data distribution. The data set is shown in Table 9.

According to the Table 9, the correlation coefficient of BO image and BO importance is -0.226^* , which means correlation between the BO image and the BO importance is significant at the 0.05 level. Thus, the BO image is negatively correlated with the BO importance. It indicates that the better the “Made in China” impression, the lower importance of BO.

In addition, the overall brand evaluation of Huawei is strongly positively correlated with the BO image and the brand familiarity, which correlation coefficient are 0.325 at the 0.001 level and 0.226 at the 0.05 level.

Thus, the better the BO image, the better the brand evaluation; and the higher the brand familiarity, the better the brand evaluation. At the same time, it is very important to examine the results between Huawei and Apple. Hence, a Spearman correlation analysis for general variables was applied in order to compare each factor related to Huawei and Apple.

Table 9. Spearman Correlation analysis matrix for Huawei.

| 13 | 12 | 11 | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | Variables |
|--------|--------|--------|--------|--------|--------|-------|-------|--------|-------|------|-------|--------|------------------|
| | | | | | | | | | | | | 1 | 1. Nation |
| | | | | | | | | | | | 1 | 0.103 | 2. Gender |
| | | | | | | | | | | 1 | .093 | -.127 | 3. Age |
| | | | | | | | | | 1 | .006 | -.001 | -.034 | 4. Familiarity |
| | | | | | | | | 1 | .200 | .127 | -.007 | -.131 | 5. BO image |
| | | | | | | | 1 | -.226* | .024 | .082 | .002 | -.149 | 6. BO importance |
| | | | | | | 1 | -.133 | .097 | .131 | -.08 | -.096 | 0.0361 | 7. Price |
| | | | | | 1 | .219* | .116 | .278* | .303* | .067 | .038 | -0.118 | 8. Reputation |
| | | | | 1 | .454** | .117 | .199* | .280* | .240* | .023 | -.007 | -0.115 | 9. Service |
| | | | 1 | .514** | .406** | .197* | .107 | .302* | .209* | -.05 | -.091 | -.234* | 10. Innovation |
| | | | .404** | .432** | .522** | .117 | .076 | .329** | .148 | .083 | -.155 | -.109 | 11. Trust |
| | | | .746** | .497** | .499** | .148 | .073 | .366** | .187 | .003 | -.105 | -.171* | 12. Safety |
| 1 | .737** | .701** | .474** | .399** | .495* | .077 | .036 | .359** | .231 | .036 | -.036 | -.169* | 13. Reliability |
| .688** | .636** | .637** | .467** | .352** | .561** | .188* | .097 | .325** | .226* | .108 | .066 | -.187* | 14. Overall |

Note: **=Correlation is significant at the 0.001 level; *=Correlation is significant at the 0.05 level; minus value means negatively correlated with each other

Table 10. Spearman Correlation matrix for testing hypothesis and comparing Huawei and Apple.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---------------------|---------|---------|--------|--------|--------|--------|-------|
| Nation | 1 | | | | | | |
| Overall Familiarity | -0.202* | 1 | | | | | |
| BO image | -0.131 | 0.322** | 1 | | | | |
| BO importance | -0.149 | 0.005 | -.226* | 1 | | | |
| Overall Huawei | -.187* | 0.271* | .325** | 0.097 | 1 | | |
| Overall Apple | -0.270* | 0.117 | -0.101 | 0.310* | 0.260* | 1 | |
| Desire Know | -0.019 | -0.014 | -0.120 | 0.195* | 0.051 | .333** | 1 |
| Purchase Intention | -0.153 | 0.201* | .4423* | -.045 | 0.236* | -.108 | -.030 |

Note: **=Correlation is significant at the 0.001 level; *=Correlation is significant at the 0.05 level; minus value means negatively correlated with each other

Hypotheses are tested in Table 10. Specifically, hypothesis one is tested by the correlation coefficient between BO importance and overall familiarity, which is 0.005. It means no correlation and leads to a rejection of hypothesis one. Hypothesis two is tested by the correlation coefficient between BO importance and BO image, which is -0.226*. It means BO image is negatively related to BO importance. It indicates that a better BO image would result in a lower importance of BO, which leads to an acceptance of hypothesis two. Hypothesis three is tested by the correlation coefficient between BO importance and overall Huawei, which is 0.097. It means no correlation and leads to a rejection of hypothesis three.

Hypothesis four is tested by the correlation coefficient between BO importance and purchase intension, which is -0.045. It means no correlation and leads to a rejection of hypothesis four.

However, the correlation coefficient between BO image and overall familiarity is 0.322**. The correlation coefficient between BO image and overall Huawei is 0.325**. The correlation coefficient between BO image and purchase intension is 0.4423*. These numbers show that BO image has a significant relevance to the rest dimensions of brand equity. Thus, it may indicate that a better BO image will result in a higher level of brand awareness, a better level of perceived quality and a better level of brand loyalty.

According to Table 10, it is obvious that the correlation coefficient between brand origin image and overall familiarity is 0.322**, which means a strong correlation. It also means higher familiarity leads to a better brand origin image. Meanwhile, the correlation coefficient between nationality and overall familiarity is -0.202*, in which means the nationality is negatively related to familiarity. It indicates that the Chinese are more familiar with the Chinese brands, and the familiarity of the non-Chinese people with the Chinese brands is lower.

Furthermore, the correlation coefficient between the purchase intension and “Made in China” is 0.4423**, which means “Made in China” image is strongly correlated with purchase intention of Chinese phones. It indicates that a more positive image of “Made in China” would lead to a stronger purchase intention. In addition, the correlation coefficients for “Made in China” and Huawei, and “Made in China” and Apple are 0.325** and -0.101 respectively, which means the “Made in China” image is strongly correlated with overall brand perception of Huawei but not correlated with Apple. It indicates that the more positive image of “made in China” would lead to a stronger brand perception of the Chinese brand Huawei but not the American brand Apple.

4.4 Enhancing CBBE of Chinese Phone Brands

As stated in the previous analysis the Chinese phone brands experience a negative effect of perceived quality from brand origin; meanwhile the other dimensions of brand equity also need to be enhanced. Therefore, in this section factors for improving the international competitiveness and channels for effective branding for the Chinese phone brands will be examined in order to offer some effective advice.

4.4.1 Factors for Improving the International Competitiveness

A total of eight options were provided for the purpose of finding the most important three factors from the consumers' perspective to overcome a negative brand origin effect. The data set is shown in Figure 24:

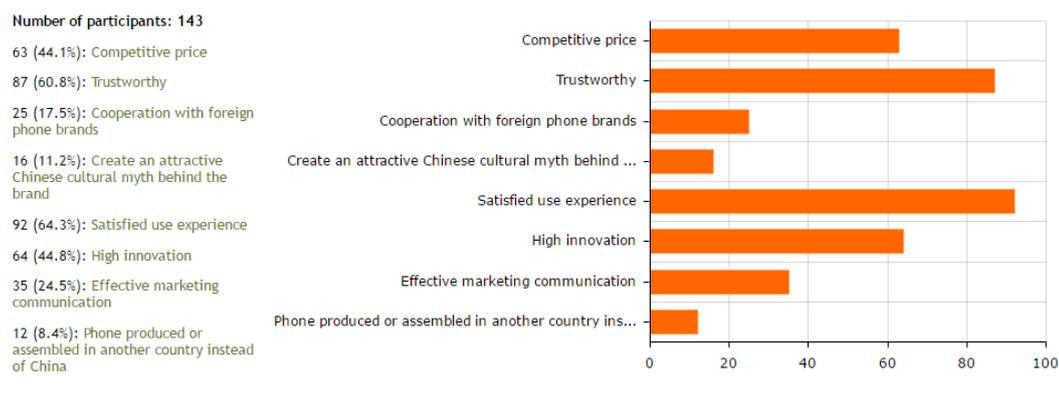


Figure 24. Most important three factors to overcome negative brand origin effect.

The data indicates that the most important three factors are: satisfied user experience (64%), trustworthy (61%), competitive price (44%) and high innovation (45%). People just focus more on the high innovation of electronic products since high level of innovation will simply provide satisfied user experience. A competitive price, as presented before, will always be an advantage. Finally, trustworthiness should draw more attention due to a negative perceived quality. Some comments from the respondents also reflect those factors:

“Originality is very important if they are to capture the market for such Chinese Phone brands.” (Ugandans, female, 26-35)

“More innovation and design creative ability.” (Chinese, male, below 25)

“Think more about some unique functions.” (Chinese, female, 26-35)

The results from the comments comply with the results from the survey, which indicates that the innovation and unique user experience would play an important role in the future extension of Chinese brands in order to moderate the negative effect of brand origin.

4.4.2 Channels for Strong Brand Strategy

Commercial publicity could assist in improving the CBBE level of consumers for the Chinese phone brands. The key of the problem is to find the right channel to communicate with consumers. Therefore, the respondents were asked to choose three main channels from their perspective by which they would like to receive the information about a phone. The data set is shown in Figure 25:

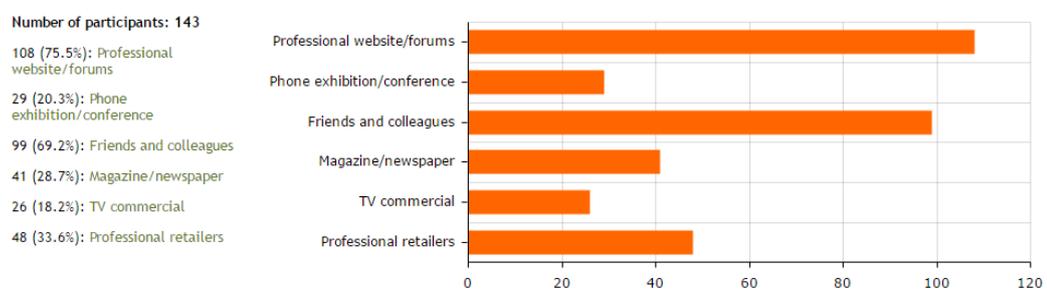


Figure 25. Perceptions of consumers on receiving information about a phone.

Figure 25 shows that the first priority channel should be professional website/forums (76%) followed by friends and colleagues (69%) and professional retailers (34%). People are more likely to seek professional information from a website, forum, or a retailer since these channels represent the authoritative knowledge about a brand. However, this kind of information is invisible. The “power of mouth” should not be underestimated because people like to receive

information from others who are quite familiar with them, and even be convinced by well-known people. Some comments from the respondents also show the same phenomenon:

“I Believe Chinese phones should advertise more.” (Ghanaian, male, 26-35)

“Hello I am embarrassed to admit that I know nothing about Chinese phones. I think the only thing is more information. Maybe the Youtube commercials. I bought my phone Apple 6 because all my friends have Apple and I want to try it before a Samsung. I think I buy phones that friends recommend me.” (Swedish, female, 26-35)

5 DISCUSSION AND CONCLUSION

In this section conclusions will be made based on the literature review and the empirical findings. The suggestions for Huawei, research limitations and suggestions for future study will be presented as well.

5.1 Conclusion

Jin, Chansarkar & Kondap (2004) stated that brand origin has an impact on customer based brand equity, even bigger than the country of origin. Therefore, the aim and question was proposed to investigate the relationship between brand origin and brand equity on the Chinese phone brands as the relationship has not been examined.

The research question was analysed by the four hypotheses presented. Thus, a questionnaire was created based on theoretical study in order to gather data to test the hypotheses. The involved parties (sample) of the research were Chinese and non- Chinese mobile phone users. The sampling size of the research was 143 respondents. The following conclusions are related to each hypothesis respectively.

Hypothesis 1 is rejected since the data analysis results do not show that brand origin has conspicuous relevance to brand awareness from the perspective of Chinese phone brands.

Hypothesis 2 is accepted since the data analysis results show that brand origin has conspicuous relevance to the brand image from the perspective of Chinese phone brands.

Hypothesis 3 is rejected since the data analysis results do not show that brand origin has conspicuous relevance to the perceived quality from the perspective of Chinese phone brands.

Hypothesis 4 is also rejected since the data analysis results do not show that brand origin has conspicuous relevance to the brand loyalty from the perspective of Chinese phone brands.

Although only hypothesis 2 is accepted according to the data analysis process, some other new findings indicate that brand image has a significant relevance to brand awareness, perceived quality and brand loyalty.

5.2 Suggestions for Huawei

The suggestions for Huawei will be mainly based on the four dimensions of CBBE. Firstly, concerning brand awareness, the level of improving the brand awareness should be at least on a recall level. This means Huawei needs to be ranked at least among the top three phone brands in consumers' minds. The data shows a positive image of the brand awareness towards Huawei. Nevertheless, it can be assumed that the brand awareness level will still stay in the brand recognition level. Therefore, as stated in the empirical findings section, Huawei needs to adopt more commercial publicity through the most preferred channels.

Secondly, concerning brand image, Huawei needs to take more corporate social responsibilities in order to create a better brand image in the customers' minds.

Thirdly, concerning perceived quality, it is obvious that the evaluations from customers on each aspect of Huawei phone were lower than those for an Apple phone. Thus, to overcome the influence brought by brand origin, Huawei needs to concentrate more on innovation, service and trustworthiness. In addition, Huawei should focus more on the competition with Samsung in order to become the No. 1 smart phone vendor of the Android system. What is more, the competitive price cannot be an advantage all the time since it may lead consumers to think of poor quality. Huawei cannot compete with its competitors by holding the low price and focusing on the low-end market all the time.

Finally, concerning brand loyalty, it is mainly depend on the user experiences. A suggestion for Huawei is to hold as many exhibitions as they can in order to increase the level of satisfied user experience.

Furthermore, for the entire industry of Chinese phone brands, a cooperative innovation project could be implemented. A cooperative innovation project can be explained as cooperation carried out by two or more companies in order to conduct more research studies on innovation and high technology content, which are the defective area of the Chinese phone brands that could enhance the CBBE.

5.3 Contributions, Limitations and Future Research

In this part the contributions and limitations of the research will be presented. At the same time some possible future research areas will also be provided.

5.3.1 Contributions

This research examined the relationship between brand origin and brand equity from a Chinese and non-Chinese perspective, and it can be viewed as an assistant theoretical method for future study. In addition, it also provided Huawei with some suggestions for enhancing their customer based brand equity, and even some strategies worthy of learning for other Chinese phone brands going global.

5.3.2 Limitations

This research was prepared and organized carefully, but still some limitations exist. For instance, from the data collection perspective, only a questionnaire was designed to collect the data. Therefore, the insightful ideas of participants cannot be understood as there was no face to face interaction to obtain deeper and more specific views about the impacts of brand origin on brand equity.

At the same time the data is quite concentrated since there were 84 respondents from Finland and Sweden. This situation limited the data in a small range, which means the non-Chinese perspective represents the Nordic perspective, and leads to a low generalization level. In addition, questionnaires have been filled online so

the data from non-internet users or from people rarely using the internet could not be collected.

5.3.3 Future Research

Due to the time and budget limitations, this research only focused on the relationship between brand origin and brand equity of Chinese phone brands. Thus, the future studies should expand to a larger set of brand categories and the sample should not be so concentrated. In addition, the research method should combine both a quantitative and a qualitative approach. Furthermore, it would also be very interesting to investigate the relationship between brand origin and firm based brand equity (FBBE).

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APPENDIX 1. Quantitative survey on consumer perceptions towards Chinese phone brands

1. Nationality
2. Gender (1= female, 2= male)
3. Age (1= below 25, 2= 26-35, 3= 36-45, 4=above 45)
4. Which Chinese phone brand(s) below are you familiar with? (1= not at all, 2= slightly, 3= very)
 1. ZTE
 2. Lenovo
 3. Xiaomi
 4. HTC
 5. Huawei
5. What's your impression of "Made in China" on Chinese phone brand? (1= definitely negative, 2= slightly negative, 3= neutral, 4= slightly positive, 5= definitely positive)
6. What phone brands you have had in the past ten years? (Multi choices).
 1. Apple
 2. Nokia
 3. Samsung
 4. Sony
 5. Blackberry
 6. Motorola
 7. HTC
 8. LG
 9. Huawei
 10. Others:

*Brand origin: Brand origin is the nationality of the brand and it is the "place, region or country where a brand is **perceived** to belong by its target customers" (Thakor and Kohli, 1996, p. 27).*

7. Do you think brand origin is important when you purchase a phone? (1= not at all, 2= slightly, 3= moderately, 4= very, 5= extremely)
8. Please rate your perception with the following aspects when considering Huawei phone. (1= lowest, 5= highest)
 - a. price b. reputation c. service d. innovation e. trust f. safety g. reliability h. overall value
9. Please rate your perception with the following aspects when considering Apple phone. (1= lowest, 5= highest)
 - a. price b. reputation c. service d. innovation e. trust f. safety g. reliability h. overall value
10. Which factors do you think are the most important to help Chinese phone brands overcome a possible negative brand origin effects? (Choose three from the list)
 - a. competitive price b. trustworthy c. cooperation with foreign phone brands d. create an attractive Chinese cultural myth behind the brand e. satisfied user experience f. high innovation h. effective marketing communication i. phone produced or assembled in another country instead of China
11. In general, are you interested in knowing more about Chinese phone brands and their products? (1= not at all, 2= Maybe 3= definitely will)
12. Is there any possibility that you will buy a Chinese phone in the future? (1= not at all, 2= slightly, 3= moderately, 4= very, 5= completely)
13. Through which channel do you prefer to receive the information about a phone? (choose three from the list)
 - a. Professional website/forums b. phone exhibition/conference c. friends and colleagues d. magazine/newspaper e. TV commercial f. professional retailers
14. Provide any comments on Chinese phone brands and their future in international competition.