Asymmetric effects of brand origin confusion
Evidence from the emerging market of China

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Abstract
Purpose – The purpose of this study investigates the asymmetric effects of brand origin confusion (BOC) on consumer preference and the purchase of local versus foreign brands in China. Drawing on the general country-of-origin (COO) literature and recent developments in brand-origin studies and the emerging market phenomenon globally, it proposes and test a model of the asymmetric effects of BOC on consumer preference and the purchase of local versus foreign brands in China. This study intends to help to explain from a new angle the decreasing competitiveness of foreign brands in emerging markets, such as China.

Design/methodology/approach – The study pretest on nationally distributed brands across seven product categories resulted in a final set of 67 brands: 35 foreign and 32 local. Four hundred respondents evaluated measures related to brand origin, brand awareness, brand value, brand preference, and brand purchases in the previous six months. Hierarchical regression analysis was used in data analysis.

Findings – The hypotheses on the asymmetric effects of BOC between local and foreign brands in China were mostly supported. Specifically, the results showed that local brands are likely to be in an advantageous position when there is a high level of BOC. However, as the brand knowledge of consumers increases, the effects of BOC decrease.

Originality/value – This study provides evidence of the asymmetric effects of BOC between local and foreign brands and the moderating role of brand knowledge for local brands in China. It fills a gap in the international branding and marketing communication literature, and offers meaningful managerial insights for both local and international companies to formulate effective branding and marketing communication strategies in China and possibly in other emerging markets.

Keywords Country of origin, Brand identity, Brand awareness, Brand loyalty, China

Paper type Research paper

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Introduction
Consumers confuse brand origin to various degrees (Samiee et al., 2005). In China, for example, consumers are often confused about the origins of brands in terms of local versus foreign brands. In our investigation among young adults in the present study, we found that among 67 brands, not one was identified correctly 100 percent of the time. For example, the percentage of brand origin misperception for Jasonwood, a local Chinese casual wear brand, reached an astonishing 75 percent (see Tables I and II). As young adults tend to be more brand knowledgeable than other age groups (O’Cass and Lim, 2002), the misperception of brand by other age groups is probably even higher.

Previous research on country-of-origin effects indicates that consumers in less developed economies prefer foreign brands from more developed countries or regions, because these brands are thought to represent high-quality and fashionable styles (Papadopoulos, 1993; Verlegh and Steenkamp, 1999). In China, the world’s largest emerging economy, foreign brands from more developed countries represent status, cosmopolitanism, and modernity (Zhou and Belk, 2004). The desirability of foreign brands in developing countries results primarily from symbolic motives, particularly status (Batra et al., 2000). The social distinction of foreign brands surpasses the utilitarian value of the products and proves a crucial determinant in the purchase decision making of consumers (Zhou and Hui, 2003). Because of the rapidly rising income and influence of materially oriented Western values and advertising, Chinese consumers are likely to prefer foreign brands that offer symbolic status and that enable them to achieve greater self-esteem (Kim et al., 2002; Wei and Pan, 1999).

At the same time, the market status of foreign brands is decreasing in China (Zhou and Hui, 2003). A speculative explanation put forward in previous research is that brand names or advertising elements with foreign characteristics, which have been used by local companies intentionally or unintentionally, confuse consumers about the brand origins and thus local brands benefit by being perceived to be foreign (Zhang, 2001; Zhou and Hui, 2003; Zhou et al., 2007). For example, among the listed brand names in Table I, Metersbonwe, Kobron, Jasonwood, and TCL look and sound like foreign names compared to typical Chinese names such as Liu Bi Zhi, Bainian Runfa, Li Ning, or Wahaha. Metersbonwe and Kobron have Chinese names, which are pronounced Mei Te Si Bang Wei and Gao Bang, respectively, but which do not carry any meaning in Chinese. They sound like foreign names being pronounced in Chinese.

| Gender | Male | 134 | 33.5 |
|        | Female | 266 | 66.5 |
| Sample characteristics |    |    |    |

| Student categories | Undergraduate | 357 | 89.2 |

| Age | 18-32 | 20.89 | 1.857 |
| Monthly spending (Renminbi) | 200-2000 | 652.76 | 247.710 |

Table I.
Sample characteristics

Table II.
Sample characteristics
Jasonwood and TCL, however, do not have a Chinese brand name at all. In terms of advertising, a study of printed advertisements for Chinese local brands in 130 nationally distributed consumer magazines showed that over 12 percent of the advertising models were non-Chinese (Zhou and Meng, 1998). These types of strategy or practice can potentially produce significant confusion among consumers about brand origin, leading them to perceive a local brand to be a foreign brand. As a result, consumer preference for and purchase of local brands with foreign-sounding names and/or the advertising elements of foreign brands may increase, resulting in the decreased market share of foreign brands. However, direct empirical evidence supporting this explanation is still lacking.

To address this research gap, this study examines the asymmetric effects of brand origin confusion (BOC) on consumer preference and the purchase of local versus foreign brands in China. Our premise was that if it was found that the effect of BOC about local brands on consumer preference or the purchase of local brands is positive, whereas the effect of BOC about foreign brands on consumer preference or the purchase of foreign brands is negative or insignificant, one could suggest that the “BOC strategy” adopted by local Chinese companies provides them with an advantage regarding consumer preference and the purchase of the brands of these companies, and thus the strategy is likely to be one of the reasons that the market share of local brands is increasing whereas the market share of foreign brands is decreasing.

We hope that our study will produce useful implications for practitioners in formulating branding and marketing communication strategies in China or other emerging markets. Whereas a local Chinese company may take advantage of the “BOC strategy,” a foreign or global company could try to minimize the confusion by promoting brand-country associations. This could, however, present a challenge for foreign companies that use a global brand communication strategy.

In the subsequent sections, we review the relevant literature and develop the research hypotheses. After presenting the research method, we report the data analysis and hypothesis testing results. We conclude our paper with a discussion of the implications and limitations of the research and directions for future research.

**Conceptual background**
Consumers use the country in which a product is manufactured as an extrinsic cue when making a purchasing decision. This is referred to as the country-of-origin (COO) effect (Bilkey and Nes, 1982; Cordell, 1992; Kwok et al., 2006; Papadopoulos, 1993). Previous studies have found that the “Made in...” label affects consumers in many ways, including product evaluation (Al-Sulaiti and Baker, 1998; Han and Terpstra, 1988; Haubl, 1996; Yasin et al., 2007), quality perception (Johansson and Thorelli, 1985; Papadopoulos, 1993), and purchase intention (Heslop and Papadopoulos, 1993; Hong and Wyer, 1989).

However, the continuing globalization of markets has led many companies to produce product components from multiple countries, so it is more and more difficult to identify the COO of a product by manufacturing location (Clarke et al., 2000). Increasingly, brand origin has a greater impact on consumer purchase intention than has manufacturing origin (Papadopoulos, 1993), especially in emerging economies, because of the positive symbolic meanings, such as modernity and high social status,
which are associated with foreign brands (Zhou and Belk, 2004). The focus of research has also shifted, from the place of manufacture to the origin of a brand (Papadopoulos, 1993; Thakor, 1996; Samiee et al., 2005).

Brand origin research investigates the effect that the COO of brands has on consumers (see Ahmed and d’Astous, 1995; Johansson et al., 1985; Kim and Chung, 1997; Thakor, 1996; Thakor and Lavack, 2003). Previous studies have found that brand origin, similar to COO in the past, affects consumers’ quality perceptions, brand-related attitudes, and purchase intentions, and results in brand origin stereotypes.

Brand origin can be classified into two categories: local and foreign. In this paper, foreign brands (yan pin pai in Chinese) refer to brands that originate in developed countries and regions outside mainland China including Hong Kong, Macau, and Taiwan, as these brands are perceived by Chinese consumers to be similar in terms of symbolizing status and modernity. Foreign branding is a commonly used brand origin cue. For example, as noted, although foreign letters or words are used in the brand names of Jasonwood and TCL, these are local brands.

Previous research has reported that consumers in developed economies prefer local brands and resist foreign brands (Albaum and Peterson, 1984; Netemeyer et al., 1991), whereas in most developing markets, consumers tend to show a greater preference for foreign brands, i.e. brands from developed countries and regions (Batra et al., 2000; Steenkamp et al., 2002; Wang et al., 2004), especially for luxury brands (Zhou and Belk, 2004). In the case of China, even rapid economic growth has done little to change this preference (Zhou and Hui, 2003).

Hence, local companies may take advantage of this situation and utilize foreign-sounding brand names and/or the advertising elements of foreign brands to confuse consumers about the brand origin. Only a few studies have been conducted in this area. In their study of brand origin recognition accuracy, for example, Samiee et al. (2005) found that brand origin recognition depends largely on associations of brand names with languages indicating country origins. We extend the previous research by investigating how BOC may affect brand preference and purchase in the context of local and foreign brand competition.

Theoretical model and research hypotheses
The conceptual model is presented in Figure 1. It highlights the antecedents of brand preference and the purchase of local or foreign brands. BOC, as one of the antecedents,
plays a key role in the model. Brand value is included to reflect the perceived advantage of “value for money.” Brand knowledge is considered to directly affect brand preference and purchase and to moderate the effects of BOC on the preference for local versus foreign brands.

Consumer confusion about brand origin
Following prior research, BOC in this study is defined as the extent to which Chinese consumers perceive local brands to be foreign brands and vice versa (Samiee et al., 2005; Thakor and Lavack, 2003). Two categories of factors may cause such confusion (Howard and Sheth, 1967; Engel et al., 1994). First, consumers’ cognition processes, such as their cognitive ability, attention paid to the brand and its origin, and memory, may influence the amount of confusion they experience. Second, a company may intentionally attempt to mislead consumers about the company’s brand origins, as the cases cited above (Jasonwood and TCL) illustrate.

Mediated by the brand origin effect, BOC may have a significant impact on consumers’ attitudes and buying behaviors. When consumers prefer local brands but perceive a local brand to be foreign, they are likely to have a less favorable attitude toward that brand and lower purchase intention; whereas if consumers perceive a foreign brand to be local, they may have more favorable attitudes toward it and be more likely to purchase that brand. This phenomenon often occurs in developed countries (Albaum and Peterson, 1984; Netemeyer et al., 1991). In contrast, when consumers prefer foreign brands but perceive a local brand to be foreign, they tend to have a more favorable attitude toward that brand, which results in higher purchase intention, and vice versa. This often happens in less developed countries or regions (Batra et al., 2000; Steenkamp et al., 2002; Wang et al., 2004; Zhou and Hui, 2003).

Mainland China is the largest emerging market in the world. We posit that Chinese consumers prefer foreign brands to local brands (brand origin effect) because of the brand origin stereotype that foreign brands from more developed countries and regions are of higher quality, have more advanced technology, and are more fashionable (Zhou and Belk, 2004). Therefore, consumers will likely develop a positive preference for, and buy more of, the local brand if it is perceived to be a foreign brand (i.e. consumers are confused about the brand origin of the local brand), while they will be likely to have a negative preference for, and buy less of, a foreign brand if it is perceived to be a local brand (i.e. consumers are confused about the brand origin of the foreign brand). Therefore, we propose the following hypotheses.

H1. In China, all else being equal, consumers’ confusion about the origin of local brands is related positively to their preference for local brands, and their confusion about the origin of foreign brands is related negatively to their preference for foreign brands.

H2. In China, all else being equal, consumers’ confusion about the origin of local brands is related positively to their purchase of local brands, and their confusion about the origin of foreign brands is related negatively to their purchase of foreign brands.
Moderating effect of brand knowledge

An individual forms an attitude toward a product or a brand generally on the basis of his or her cognitive understanding of that product or brand, which in turn can influence the actual purchase of that product or brand (Howard and Sheth, 1967; Engel et al., 1994). Attitudes toward a product or brand largely depend on its tangible or intangible characteristics, such as quality, price, function, service, image, and awareness (Howard and Sheth, 1967; Engel et al., 1994; Zhuang et al., 2006).

A brand consists of a name, term, and/or symbol that attempts to represent the unique benefits the company can provide to consumers in terms of attributes, value, and culture through the particular product or service (Kotler, 2000). Brand knowledge is composed of stored information about a brand in memory, to which various links and associations are related (Keller, 1993). It is represented as a memory structure consisting of beliefs and attitudes with different degrees of strength (Broniarczyk and Alba, 1994). We recognize that brand knowledge does not equal brand preference; rather, it serves as the basis for forming brand preference (Kotler, 2000). Generally, it is argued that the more knowledge that consumers have of a brand, the more likely it is that they will be able to distinguish it among other brands. Furthermore, all else being equal (e.g. brand value remains constant), more brand knowledge may lead to more favorable consumer attitudes toward the brand (Esch et al., 2006). Therefore, brand knowledge should play a moderating role in the relationship between BOC and brand preference.

H1 posits that Chinese consumers will have more favorable attitudes toward a local brand if it is perceived to be foreign, but brand knowledge might weaken this positive relationship. In other words, the relationship should be weaker in relation to local brands given greater consumer knowledge than for those given less consumer knowledge. Why? Following the logic of the relationship between brand knowledge and BOC argued above, the greater the knowledge of a local brand, the less likely that the brand origin will be misperceived. Therefore, if consumers really like the brand, their preference for the brand should be due more to the characteristics connected with the brand (e.g. quality, price, function, service, and image) than to the BOC effect mediated by brand origin effect (see the argument for H1 and H2). Put in another way, the BOC effect on consumers’ preference for local brands is weaker for the local brands that consumers have greater knowledge. Therefore, the positive relationship between consumers’ confusion about local brand origin and their preference for local brands is negatively moderated by knowledge of the local brand. Thus, we propose the following hypothesis.

H3. In China, all else being equal, consumers’ knowledge of local brands negatively moderates the relationship between consumers’ confusion about the origin of local brands and preference for local brands.

Furthermore, we argue that the moderating effect of brand knowledge of foreign brands cannot be deduced by following the same logic. On one hand, the brand origin effect in China is similar to that in other developing countries, i.e. consumers prefer foreign brands to local brands due to brand origin stereotyping (Batra et al., 2000; Steenkamp et al., 2002; Wang et al., 2004; Zhou and Hui, 2003). On the other hand, the higher the knowledge of foreign brands, the less likely consumers will be to misjudge the origin of the brand. Thus, when consumers with greater knowledge of a foreign
brand do not like that brand, it is unreasonable to say that their lower preference for it is due more to the characteristics of the brands than to the BOC effect. This goes against the assumed brand origin effect in China and Chinese consumers’ stereotyping of foreign brands.

Research method
Sample and data
The data were collected from 400 students from a university located in Hangzhou in southern China through a self-administered questionnaire. Four pairs of trained investigators each took responsibility for 100 respondents. Table III presents the sample characteristics.

On the basis of a pretest, seven products that students in universities often buy and use were selected (see Tables I and II). Following previous studies (Batra et al., 2000; Steenkamp et al., 2002), one of the researchers of this study visited supermarkets and department stores and recorded all of the available brands in these seven categories of products. Store managers were then asked to indicate the brands about which there was greater consumer knowledge. Altogether, the seven categories comprise 67 brands, with each category containing five to 14 brands.

Questionnaire and measures
The 67 brands were listed on the questionnaire and the respondents were asked to evaluate each brand from 1 (= very low) to 7 (= very high) in terms of brand knowledge, brand value, and the extent of their preference for the brand. They were then asked to indicate whether that brand is local or foreign. Finally, they were asked to recall which of the brands on the list they had purchased in the previous six months.

Before data analysis, the averages of brand knowledge, brand value, and brand preference for each of the 67 brands, as well as the misjudgment ratio and the total number of times consumers bought the listed brands were calculated. A total of 67 observations were obtained, and the data analysis of this study is based on the 67 observations.

BOC was measured with the brand origin misjudgment ratio. Brand value (BV), brand knowledge (BK), and brand preference (BP) were measured by the averages calculated for each of the 67 brands. Finally, the purchase of the brands (BUY) was measured as the number of respondents who had bought the listed brands in the previous six months. Although single-item measures were used for the variables, the reliability of the measures should not be of concern as the data analysis is at the brand level and each data point is derived from 400 independent respondents. Table IV presents the averages, standard deviations of all variables, and correlation coefficients.

Analysis and results
To test the hypotheses, hierarchical regression analysis was used, in which brand preference (BP) was the dependent variable and brand value (BV), brand knowledge (BK), BOC, and BOC * BK were the independent variables. Subsequently, purchase of listed brands (BUY) was employed as the dependent variable and brand preference (BP) and BOC were used as independent variables. Regression analysis was conducted on the local and foreign brand data separately. The results appear in Table V.
<table>
<thead>
<tr>
<th>Toothpaste</th>
<th>Shampoo</th>
<th>Casual wear</th>
<th>Sport shoes</th>
<th>Cell phone</th>
<th>Water</th>
<th>Beer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>%</td>
<td>Brand</td>
<td>%</td>
<td>Brand</td>
<td>%</td>
<td>Brand %</td>
</tr>
<tr>
<td>Zhong Hua</td>
<td>14.1</td>
<td>Haodi</td>
<td>36.1</td>
<td>Metersbonwe</td>
<td>32.8</td>
<td>Bird</td>
</tr>
<tr>
<td>Hei Ren a</td>
<td>32.2</td>
<td>S-dew a</td>
<td>51.2</td>
<td>Jeanswest a</td>
<td>36.5</td>
<td>Nike a</td>
</tr>
<tr>
<td>Huang Cen</td>
<td>43.3</td>
<td>Shou Wu</td>
<td>25.6</td>
<td>Kobron</td>
<td>43.6</td>
<td>Li-Ning</td>
</tr>
<tr>
<td>Crest a</td>
<td>83.3</td>
<td>Slek a</td>
<td>39.2</td>
<td>Fun a</td>
<td>27.5</td>
<td>Adidas a</td>
</tr>
<tr>
<td>Liangmianzhen</td>
<td>83.3</td>
<td>Bainian Runfa</td>
<td>33.8</td>
<td>Semir a</td>
<td>43.9</td>
<td>Warrior</td>
</tr>
<tr>
<td>Colgate a</td>
<td>75.5</td>
<td>Lux a</td>
<td>11.7</td>
<td>Baleno a</td>
<td>27.2</td>
<td>Reebok a</td>
</tr>
<tr>
<td>Hei Mei</td>
<td>35.3</td>
<td>Seagull</td>
<td>18.5</td>
<td>Tionlon</td>
<td>28.1</td>
<td>Protonic a</td>
</tr>
<tr>
<td>Signal a</td>
<td>18.2</td>
<td>Y.feí a</td>
<td>44.2</td>
<td>Giordano a</td>
<td>21.7</td>
<td>Converse a</td>
</tr>
<tr>
<td>Leng Suan Ling</td>
<td>93.3</td>
<td>Maxam</td>
<td>40.6</td>
<td>Jasonwood</td>
<td>75.5</td>
<td>Kangwei</td>
</tr>
<tr>
<td>Amway a</td>
<td>25.2</td>
<td>Head-shoulders a</td>
<td>8.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liu Bi Zhi</td>
<td>6.1</td>
<td>Rejoice a</td>
<td>9.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jie Yin</td>
<td>26.9</td>
<td>Hazeline a</td>
<td>20.2</td>
<td>Pantene a</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ascend a</td>
<td>21.7</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Note:** a foreign brands; the others are local brands
Table V shows that the $F$ values of the first six models are all statistically significant at $p < 0.05$. The adjusted $R$-square is very high (greater than 0.90), which indicates the independent variables explain more than 90 percent of the variance of the dependent variable. However, the explanatory power of these six models differs. Specifically, the BOC model results in a significantly larger adjusted $R$-square value than does the model without BOC, so BOC has a significant impact on consumer purchase preference for the local (PF_L) and foreign brands (PF_F). Furthermore, the regression coefficient of BOC in model PF_L2 is 0.164, which is significantly larger than 0 ($p < 0.05$), and the regression coefficient of BOC in model PF_F2 is $-0.119$, which is significantly smaller than 0 ($p < 0.05$), in line with the predictions of $H1$. Therefore, $H1$ is supported.

The $F$ values of the last four models are also significant ($p < 0.05$), with adjusted $R$-squares ranging from 0.389 to 0.594, which indicates that the independent variables have significant explanatory power. The adjusted $R$-square in the models with BOC is significantly greater than the adjusted $R$-square in models without BOC for local brands. In addition, in model BUY_L2, the regression coefficient of BOC for BUY is $-0.238$, which is significantly smaller than 0 ($p < 0.05$), whereas in model BUY_Os2, the regression coefficient is 0.329, which is not significantly greater than 0 ($p > 0.05$). Because these findings are not consistent with $H2$, $H2$ is not supported.

Of the first three models, model BPF_L3 with the moderation factor (BOC*BK) reveals a statistically larger adjusted $R$-square (BPF_L3, 0.931 > 0.921, $p < 0.05$). In addition, the regression coefficient of BOC*BK is significantly smaller than 0 ($-1.052$, $p < 0.05$). This is consistent with the prediction of $H3$, so $H3$ is supported. Brand knowledge appears to exert a negative moderating effect on the relationship between BOC and preference for local brands.

Although the moderating effect of brand knowledge for foreign brands cannot be inferred, it is tested for comparison. The result is shown in the model of preference for foreign brands with a moderator (BPF_F3). The regression coefficient of BOC*BK is indeed insignificant ($-0.225$, $p > 0.05$).

Finally, our other analysis results validate the conceptual model (Figure 1). Regardless of whether the brand is local or foreign, brand value and brand knowledge are associated positively with consumer preference for the brand, and consumer preference exerts a positive influence on brand purchases.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average</th>
<th>BOC</th>
<th>BV</th>
<th>BK</th>
<th>BPF</th>
<th>BUY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand origin confusion (BOC)</td>
<td>23.2582</td>
<td>17.31456**</td>
<td>4.5243</td>
<td>2.038 **</td>
<td>0.438 **</td>
<td>0.40440</td>
</tr>
<tr>
<td>Brand value (BV)</td>
<td>4.5243</td>
<td>$-0.438$ **</td>
<td>0.40440</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand knowledge (BK)</td>
<td>5.0818</td>
<td>$-0.392$ **</td>
<td>0.921 **</td>
<td>0.90650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand preference (BP)</td>
<td>4.4619</td>
<td>$-0.379$ **</td>
<td>0.943 **</td>
<td>0.943 **</td>
<td>0.70333</td>
<td></td>
</tr>
<tr>
<td>Brand purchase (BUY)</td>
<td>91.4328</td>
<td>$-0.303$ *</td>
<td>0.743 **</td>
<td>0.629 **</td>
<td>0.692 **</td>
<td>85.39999</td>
</tr>
</tbody>
</table>

Notes: * Diagonal data for average deviation; ** $p < 0.01$, * $p < 0.05$

Table IV. Averages, standard deviations, and correlations ($n = 67$)
<table>
<thead>
<tr>
<th>Model</th>
<th>BV</th>
<th>BK</th>
<th>BP</th>
<th>BOC</th>
<th>BOC × BK</th>
<th>F</th>
<th>Ad. $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local brand (n = 32)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF₁₁</td>
<td>0.425</td>
<td>0.544</td>
<td></td>
<td></td>
<td></td>
<td>152.752</td>
<td>0.902</td>
</tr>
<tr>
<td>PF₂₂</td>
<td>0.747</td>
<td>0.262</td>
<td>0.164</td>
<td></td>
<td></td>
<td>130.096</td>
<td>0.921</td>
</tr>
<tr>
<td>PF₃₃</td>
<td>0.667</td>
<td>0.522</td>
<td>1.210</td>
<td>−1.052</td>
<td></td>
<td>111.639</td>
<td>0.931</td>
</tr>
<tr>
<td><strong>Foreign brand (n = 35)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF₄₁</td>
<td>0.332</td>
<td>0.665</td>
<td></td>
<td></td>
<td></td>
<td>338.747</td>
<td>0.955</td>
</tr>
<tr>
<td>PF₅₂</td>
<td>0.665</td>
<td>0.256</td>
<td>−0.119</td>
<td></td>
<td></td>
<td>273.813</td>
<td>0.962</td>
</tr>
<tr>
<td>PF₆₃</td>
<td>0.688</td>
<td>0.321</td>
<td>0.178</td>
<td>−0.255</td>
<td></td>
<td>213.222</td>
<td>0.964</td>
</tr>
<tr>
<td><strong>Local brand (n = 32)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUY₇₁</td>
<td></td>
<td></td>
<td></td>
<td>0.750</td>
<td>*</td>
<td>41.262</td>
<td>0.550</td>
</tr>
<tr>
<td>BUY₈₂</td>
<td></td>
<td></td>
<td></td>
<td>0.725</td>
<td>*</td>
<td>25.180</td>
<td>0.594</td>
</tr>
<tr>
<td><strong>Foreign brand (n = 35)</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>BUY₉₃</td>
<td></td>
<td></td>
<td></td>
<td>0.639</td>
<td>*</td>
<td>21.391</td>
<td>0.389</td>
</tr>
<tr>
<td>BUY₁₀₂</td>
<td></td>
<td></td>
<td></td>
<td>0.860</td>
<td>*</td>
<td>13.173</td>
<td>0.432</td>
</tr>
</tbody>
</table>

**Notes:** *p < 0.05, **p < 0.10; ***p < 0.01. In the hierarchical regression analysis, the $R^2$ or $F$ value of the model improved significantly compared with that of the former at $p < 0.05$. The VIF statistics for the independent variables of models without BOC × BK are smaller than ten (the largest is 7.978), indicating that the multicollinearity in these models is within the tolerated limit (Hair et al., 1998).
**Discussion**

This study aims to investigate the asymmetric impact of BOC on consumer preference and the purchase of local versus foreign brands in China. Of the three hypotheses, $H_1$ and $H_3$ are supported.

**Direct impact of brand origin confusion**

Because $H_1$ is supported but $H_2$ is not, we might conclude that in China, the misperception that a local brand is a foreign brand will increase preference for it, even if consumers do not purchase more of that brand. In contrast, when a foreign brand is perceived to be a local brand, consumers’ attitudes toward it are less favorable, although this effect does not influence purchase intention.

The lack of support for $H_2$ may result from measurement problems with regard to purchases. Recall that the number of consumers who had purchased the listed brands in the previous six months was used to measure purchase (BUY). For example, among the 400 respondents, 152 bought Zhong Hua toothpaste, and 67 bought Nike shoes, so purchases of these brands equal 152 and 67, respectively. This measurement may have created two problems. First, the total number of purchases of a brand was not measured, for people might buy a brand more than once during the six months. Second, the causal relationship between BOC and purchase could be reversed; that is, if respondents made their purchase right before the survey, they may have known more about the brand because of the purchase. The greater the number of respondents who bought a brand (higher score in BUY for the brand), the fewer were confused about the brand origin (lower score in BOC for the brand). This is consistent with the finding upon testing $H_{2a}$.

If this explanation is correct, the results of this study may not be sufficient to reject $H_2$. Moreover, one should be cautious before assuming that, based on the findings upon testing $H_2$, BOC negatively affects the purchase of local brands in China. Therefore, the relationship between BOC and the purchase of local or foreign brands should be studied further in research that uses more precise measurement instruments.

**Moderating effect of brand knowledge**

Local brand knowledge exerted a negative moderating effect on the positive relationship between BOC and preference for local brands. To show the moderating effect of BOC more clearly, we classified the 67 brands into four groups according to their brand knowledge and BOC scores: H/H, the brands with high knowledge and high BOC; H/L, the brands with high knowledge and low BOC; L/H, the brands with low knowledge and high BOC; and L/L, the brands with low knowledge and low BOC. Of the 32 local brands, four were in the H/H group, seven in the H/L group, ten in the L/H group, and 11 in the L/L. After controlling for brand value (BV), we conducted multivariate analysis (MANOVA), the results of which are presented in Figure 2.

As shown in Figure 2, local brands with a low knowledge (i.e. the steeper line) suffer a stronger impact from BOC in terms of preference, whereas local brands with high knowledge levels (i.e. the flatter line) experience a much weaker influence of BOC on preference, although the two variables remain positively related. Therefore, the moderating effect of brand knowledge is observed, i.e. brand knowledge weakens the positive effect of BOC on the preference for local brands in China.
Country-of-origin effect versus brand origin confusion effect

As mentioned previously, because brand origin plays an increasingly greater role than does manufacturing origin in influencing consumers’ preference and purchase of products, more research attention has been paid to issues related to brand origin effect (e.g. Zhou and Hui, 2003; Samiee et al., 2005).

The hypotheses developed in the present study are based on brand origin effect. For example, the logic for H1 is based on the knowledge that, as in other developing countries, in China consumers generally prefer foreign brands from developed countries or regions to local brands because of the positive stereotyping of foreign brands (Batra et al., 2000; Steenkamp et al., 2002; Wang et al., 2004; Zhou and Belk, 2004). However, consumers tend to perceive local brands to be foreign brands or foreign brands to be local brands because of their confusion about the brand origins. As stated previously, this confusion arises from consumers’ cognition processes, local company’s “BOC strategies,” and/or foreign company’s brand localization strategies. Taken together, they comprise the BOC effect observed in this study – consumers show a greater preference for local brands misperceived to be foreign brands and lower preference for foreign brands misperceived to be local brands based on the brand origin effect in developing countries. Therefore, the results of the study suggest a possible implication of brand origin effect, i.e. local companies in developing countries may take advantage of the favorable BOC effect for their brands, while foreign companies should take into consideration the unfavorable BOC effect, which may discount to some extent the favorable COO effect for their brands, when localizing their brands.

Theoretical and managerial implications

First, regarding the question whether the brand origin confusion strategy adopted by local companies is one of the reasons for the decrease of the market status of foreign
brands in developing countries, this research finds confirmative evidence of the asymmetric effects of BOC between local and foreign brands in China, the largest emerging economy in the world. More specifically, the more that a local brand is perceived to be a foreign brand, the greater the consumer preference for that brand, whereas the more a foreign brand is perceived to be a local brand, the less preferred it is. The asymmetric effects of BOC imply that the “BOC strategy” adopted by local companies in developing countries could increase consumer preference for their brands, which in turn might increase the market share of local brands at the expense of the market share of foreign brands. This may be one of reasons that foreign brands are no longer as popular, especially in the developing market of China. It also offers a possible explanation for the phenomenon that the market status of foreign or foreign brands is decreasing in less developed countries and regions (Zhou and Hui, 2003) by connecting the phenomenon to the brand COO effect through the BOC effect. The results of the study, therefore, provide researchers with a new angle from which to view the COO effect, and provide practitioners with important managerial implications of the COO effect. Thus, the study helps to fill an important gap in the existing literature pertaining to brand origin.

Second, this study examines and finds evidence in support of the moderating role of brand knowledge on consumer preference for local Chinese brands. Namely, BOC for local brands about which there is a high degree of knowledge exerts a less positive influence on consumer preference. The result represents a new finding in the literature on brand origin.

Third, local companies in developing countries may employ the “BOC strategy”, e.g. naming or advertising their brands with the elements of foreign or foreign characteristics (Zhang, 2001; Zhou and Hui, 2003; Zhou et al., 2007). This strategy could, according the findings of this research, lead to greater consumer preference for the brands of these companies and thereafter reduce the brand COO effect unfavorable to them.

Nevertheless, the BOC effect for local companies in developing countries on promoting a brand or on reducing the brand COO effect should not be exaggerated, because consumers’ preference for a local brand also depends on the brand’s value and consumer knowledge of it (see Table V). In addition, based on the findings of this research on the moderating role of brand knowledge, the BOC effect on consumers’ preference for a local brand will be far less strong as consumers’ knowledge of the brand increases.

Because the BOC effect on consumers’ preference for foreign brands is less favorable, foreign brands should carefully consider brand localization in China or other developing countries. From a sales perspective, brand localization may not be a good strategy because of the BOC effect, which might reduce the brand COO effect favorable to foreign brands. Rather, these companies should emphasize their brand origin in their marketing to decrease consumers’ confusion about the origins of their brands. Brand localization may be pursued at that time when a developing country has reached a point that consumers have changed their opinion about local and foreign brands to favor local brands, or in countries in which the brand origin effect favors local brands due, for example, to the consumers’ strong ethnocentrism (Granzin and Painter, 2001; Netemeyer et al., 1991).
Limitations and further research directions
Several limitations of this study should be noted. First, the measurement of consumer brand purchase in the study needs improvement. As mentioned previously, the number of respondents who had bought the listed brands was used to measure consumer brand purchase; however, this might not be an accurate indicator of brand purchase behavior. A better measurement could lead to H2 being supported. Therefore, future studies should use more precise instruments to measure consumer brand purchase.

Second, the sample respondents were students in universities. Although they are actual purchase decision makers for the listed products, they might not be accurate representatives of ordinary consumers. This limits the generalizability of the research findings. Additional studies should use more a representative sample.

Third, and most important, researchers are encouraged to investigate further the questions that have been discussed in this research. For example, our interpretation of the causes for the rejection of H2 (the effect of BOC on the purchase of local or foreign brands), requires further testing with better instruments. In addition, according to our findings, consumers’ confusion about brand origin exerts a significant influence on their preference for local or foreign brands. Therefore, the following questions deserve further investigation: Does adopting the “BOC strategy” really improve the performance of the local companies in developing countries, or in China? Which types of local companies in developing countries or in China can use this strategy appropriately? How do foreign companies in developing countries or in China deal with this problem? What are the results of their efforts? Finally, does brand localization really offer benefits to foreign companies in the markets of developing countries or in Chinese markets given the BOC effect?

Last but not least, although generally it is true that brands or products that are perceived to be foreign are regarded more favorably by consumers from developing nations, this may not always be the case. For example, Iran is renowned for the quality of its carpets, and consumers within Iran may prefer the local carpets to those made elsewhere. In addition, brand extensions, “sub-categories,” and even “prototypical” branding may have different implications for the study and should be considered for future research.

References


Further reading


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