
“Master Thesis for the Attainment of the Academic Degree of Master of Science”

Prof. Dr. Doris Fischer

Nadine Shane

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Abstract

The global luxury goods market is mostly populated by Western luxury brands that have always benefitted from their long, traditional heritages. More recently, in the midst of its economic development, China has managed to provide a small but growing number of newcomer luxury brands, as well. Until now, those brands only compete within the boundaries of the Chinese local market. Regarding their expertise in exquisite craftsmanship, and their deep roots in China’s ancient history of luxury appreciation, those newcomers have the potential to compete globally. One specific phenomenon, which has attracted the interest among marketing researchers, is likely to jeopardize those brands’ intentions of future global expansion – the country-of-origin effect. Country-of-origin can be described as a concept which is closely related to country image and has the ability to crucially impact specific products, product groups, brands, and industries by influencing the attitudes of individual customers and organizations. This thesis aims to examine the potential threat, posed by the country-of-origin effect, to Chinese luxury brands entering Western markets, more specifically the German luxury goods market. A field experimental survey was conducted to test German consumers’ biases towards Chinese-originated luxury goods. Results highlight the relevance of country-of-origin in consumers’ perceptions and purchasing behavior. Although the study is not without limitations, several implications for the management of Chinese luxury brands can be deduced from the survey’s findings. In addition, the results provide several ideas for future research.

234 words

Keywords: Country-of-origin, consumer perceptions, China, luxury, stereotypes, experimental design;
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1 Introduction

The luxury goods industry, which is populated by only several hundred brands at the most, can be characterized as a small but nevertheless contributing sector, both in terms of influence and sales. Its brands, that offer the newest designs, highest quality, and cutting-edge merchandizing and packaging, define tomorrow’s looks and lead the way for the entire fashion and apparel industry.¹

According to Bain & Company’s annual “Luxury Goods Worldwide Market Study”, the overall global luxury market in 2015 exceeded €1 trillion, representing a growth of 5% over 2014 at constant exchange rates.² The segment of so called personal luxury goods,³ which comprises accessories, apparel, jewelry, and beauty, rose to more than €250 billion in 2015 and represents a global growth of 13% over 2014 at constant exchange rates.⁴

Accounting for the largest group of global purchases, Chinese consumers play a significant role in the overall growth of luxury revenues with spending rates of 31%, followed by Americans with rates of 24% and Europeans with rates of 18%. Although Chinese consumers tend to mostly spend their money on luxury goods abroad, Mainland China has become the third-largest market in terms of global luxury value, tailing the US and Japan.⁵

China’s economic transition, starting in 1978, marked the beginning of a rapid increase in wealth and has advanced the development of China’s consumer market. Although luxury goods have entered the Chinese market alongside the Open-Door Policy, it was not before 2005 that a great number of Western luxury brands have started to increase their presence in order to take advantage of the emerging affluent class.⁶ Although recent growth rates are declining, China is still bearing the title of being a strategic leader in the consumption of luxury goods, which makes it an inevitable destination for Western luxury brands.⁷

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¹ Okonowo (2007), p. XV.
² Bain & Company’s “Global Luxury Market Study” divides the overall luxury market into 10 segments, of which cars, hospitality and fine art were the main drivers of 2015’s total growth at constant exchange rates. D’Arprizio, Levato, Zito and de Montgolfier (2015), p. 5.
³ This segment is regarded as the “core of the core” of luxury and shall be the focus of this thesis. D’Arprizio, Levato, Zito and de Montgolfier (2015), p. 5.
⁶ The expansion of Western luxury brands can be linked to the financial crisis. While brands suffered a slowdown in other markets, they could achieve significant results in China and therefore continued to further set up new stores. Rovai (2016), p. 3.
Although a saturation of demand for international luxury brands cannot be expected in the nearer future, China is nevertheless trying to shake off its reputation of merely attracting foreign luxury goods, rather than producing them, by entering a new creative phase. Hence, with their willingness to assume a substantial role in the luxury industry, uprising Chinese newcomer brands have gained a foothold in the domestic market. Chinese consumers’ high request for luxury goods had a catalyst effect on international brands’ sales growth and although Chinese consumers still opt for those international, in particular European, luxury houses, an arising positive influence of “Chineseness” can be observed. A growing but limited number of home-grown luxury and fashion brands has entered the Chinese market and is shaping the future of its local luxury industry.8

For most of China’s history, the Middle Kingdom has been an economic powerhouse, which gave way to a number of exquisite crafts, such as silk, jade, tailoring, porcelain, and tea, and it excelled in those dimensions. Nowadays, mainly Western brands define the meaning of luxury and although few Chinese luxury brands managed to revive Chinese craftsmanship, local brands still struggle to challenge the likes of Chanel, Hermès, Zegna, or Gucci in China, and even more so abroad. Nevertheless, Chinese consumers show growing interest and appreciation for their cultural heritage, which has motivated a growing number of customers to move away from Westernization and return to Chinese traditions and values. In line with this trend, several Chinese-based luxury brands have emerged.9

Even-though only a handful Chinese luxury brands have positioned themselves globally, further expansion strategies carried out by newcomers need to be considered possible in the future, especially given China’s tradition of craftsmanship and growing financial and managerial capabilities.10 The question will be whether non-Chinese consumers will welcome Chinese originated luxury brands or not. Features of high worth to the Chinese might not be as appealing to international customers, not to mention those in the Western hemisphere. So, while delicate materials such as jade or bamboo have a decisive meaning in the Chinese culture, this does not necessarily have to apply to other cultures and markets.11

How brands will enter Western markets, and to what extend they will alter their products to meet the demands of non-Chinese customers can be directly influenced by each and every brand’s management. One specific factor that brands will have no control over, but which is likely to have a negative impact on a successful market entry into Western markets, is the so-called country-of-origin effect.

Over the last decades a large number of studies has been carried out in the marketing literature on how the country associated with the origin of a product, effects consumers’ product evaluation and purchasing intention when being exposed to the information of where the product is originated from.\textsuperscript{12} Here, a brand’s country-of-origin can either positively or negatively influence consumers’ buying decision process, depending on their perception of the product’s origin. Therefore, the country-of-origin can function as an enhancer for the positioning strategy and offer a competitive advantage or, on the flip-side, become a harm to a brand.\textsuperscript{13}

The question arising from these findings is, how the country-of-origin effect could eventually influence a potential market entry by Chinese-originated luxury brands into Western markets. Ever-since China’s economic transition and Open-Doors Policy turned the country rapidly into a global manufacturing hub, it got hardly rid of its image of solely producing cheap and poor-quality goods. Although China is trying to emerge from this country-related effect by targeting sustainable growth rates and fostering innovativeness, the “Made in China” concept could still harm the reputation of its brands, even if Chinese companies offer high quality and prestigious designs.\textsuperscript{14}

Since Chinese luxury brands are newcomers in the high-end sector and have not even been founded in large numbers yet, studies have not dealt with the potential effect of country-of-origin on such brands yet. Hence, this thesis aims to test if customers are swayed by China’s stereotype of poor quality, counterfeited design, and mass production, and therefore, show diminished motivation in (future-)purchases. Here, the German luxury goods market shall function as a representative example for this study, as the European country has evolved as a crucial luxury goods consumer.\textsuperscript{15}

In an attempt to answer the research question, if the country-of-origin effect will have a negative impact on Chinese luxury brands when entering the German market, this thesis will base its argumentation on general background information and on data which was acquired from an empirical study. The first major section shall illustrate China’s emerging luxury industry. With its growing creative capabilities, the country has evolved to a serious provider of fashion and especially luxury brands, which are able to compete with Western luxury houses. As China’s appreciation of luxury goods dates back to ancient times and serves as a source of inspiration for today’s designers, the history of luxury goods shall be further displayed, as well as the development of the contemporary luxury goods industry. The second

\textsuperscript{12} Aiello et al. (2008), p. 68.
\textsuperscript{13} Christea, Capatina and Stoinescu (2015), p. 423.
\textsuperscript{14} Rovai (2016), p. 135.
\textsuperscript{15} Meurer (2012), p 322.
major section will provide an overview of Germany’s luxury goods market, as this study treats it as a potential target market for Chinese luxury brands in the future. The third major section will not only define the country-of-origin effect and its potential impacts on global companies but will also provide a literature review of the most contributing works of research to exemplify how much attention the country-of-origin effect has attracted within international marketing research. Finally, the conducted empirical study shall be described and analyzed in the fourth major section. To answer the research question, a number of hypotheses and sub-hypotheses were coded and in the course of a survey confirmed or rejected. Besides discussing the survey’s outcomes, this section will further illustrate the managerial implications, display limitations the study suffered from, and suggest potential future research.

2 China’s Luxury Industry on the Rise

As China’s luxury market is ranking first place in terms of its contribution to luxury market spending, it is one of the most favored destinations of Western luxury companies, which are still expanding their presence in China. Whether it be the global financial crisis in 2008 or the current slowdown in worldwide luxury spending, China has always remained attractive for Western luxury groups in their attempt to compensate for the sales declines in their home markets. The fact that China is expected to become the second-largest market for luxury goods by 2018 displays once more its importance to Western luxury houses.16

China’s huge demand for luxury goods has turned the country into a “gold mine” for Western companies, but luxury brands originated in China are struggling to keep up with the international conglomerates. Besides fierce competition, the number of Chinese newcomers offering fashionable luxury goods, such as ready-to-wear, accessories, leather goods, or jewelry, is slowly growing. As recently as 2010, it did not seem as if there would be any chance of an emergence of Chinese luxury brands, not to mention brands that could become recognized by the international fashion market.17

So far, Chinese newcomers are represented in the Chinese market thanks to changing customer profiles. Chinese customers are increasingly returning to their own cultural heritage and identity, which Chinese brands are more likely to understand and include into their brand profiles, as opposed to foreign luxury brands, which have often faced difficulties in fully understanding Chinese culture. Hence, with their attempt to revive lost traditions and culture, Chinese-based brands are gradually enjoying popularity.18

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Besides the strong lead that Western luxury brands are taking in attracting Chinese consumers, the local market has nevertheless the potential to provide newcomer brands and designers to challenge foreign luxury companies. Therefore, the following two sections aim to illustrate these opportunities for China to eventually become equally renowned by looking back to the country’s long heritage of exclusive craftsmanship, as well as its slowly but continuously developing high fashion scene these days.

### 2.1 China’s History of Luxury Goods

The concept of luxury appreciation and consumption is not new to the Chinese. The history of China’s “leisure class” can be traced back to the times of the scholar-bureaucrat class of the Spring and Autumn period and the Warring States period in the East Zhou dynasty (770-221 B.C.). This elite, which endured for the next 2,000 years until the fall of China’s dynasty system, was not exclusionist, as the national examination system by that time allowed anyone talented enough to become a bureaucrat and hence, change their social status and help the emperor to manage the country. This educational system was a driving factor in forming a wealthy society with a leisure class, accumulating tremendous fortune and including the consumption of luxury goods into their daily lives.\(^1\)

The traditional Chinese society at that time was hierarchically structured according to the doctrine of Confucianism, and scholar-bureaucrats found themselves on top of this social ranking. Availability of refined high-quality goods was a necessity to please the elite class and also as a common habit of gift trading between royal courts. With their understanding of fine arts and craftsmanship, this elite fostered the production of china- and lacquered ware, gold and jade, silk, furniture and decoration, to name but a few.\(^2\)

Besides the elite class of scholar-bureaucrats, China’s long and rich history of luxury goods can be especially traced back to the Chinese emperors. The appreciation and production of luxury goods was considered crucial for their everyday lifestyle, in which the emperor’s clothes were made of refined silk, embroidered with pearls and gems, such as jade, lapis lazuli, and turquoise.\(^3\)

Exquisite apparel, ornaments, refined teas, and other luxury goods created in China did not only serve the emperor’s pleasure but furthermore, became desired trading goods. The demand for Chinese luxury goods extended from Central Asia and the Indian Ocean to the former Roman Empire and stimulated the trade for such goods, which spread along the Silk

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Road.\textsuperscript{22} During the 11th and 12th centuries, China, being an advanced kingdom, was considered a superior civilization and until the 18th century China’s development was not inferior to Europe at all. China’s refined manufacturing urged the British Empire to send envoys to the Chinese emperor in an attempt to persuade him to open up a British embassy in Beijing. Endeavors to trade British for Chinese goods were refused by the Emperor, which implied China’s supremacy in trade and manufacturing. The fact that the British Empire, amongst other nations, was not only attracted to basic products, such as textiles, but also to handcrafted non-mass-consumption goods such as refined ceramics and silk, jewelry, scented teas, and perfumed balsams, further displays the important role of Chinese luxury goods from a cultural and economic perspective.\textsuperscript{23}

Under the foreign rule of the Manchu Qing Dynasty (1644-1911), elites were required to adapt the Manchu clothing style. The new and exclusive style included silk shoes with leather details, as well as the wearing of the “Qipao”, a close-fitting silk gown for women, and the “Changshan”, a robe with a long jacket and a mandarin collar for men. By the end of the Qing dynasty in 1912, elements of dynastic times were included into the new style of the Chinese clothing. The “Qipao” was transformed into an even tighter dress and the “Changshan” became a suit and trousers ensemble. Manufacturing standards of these clothes for the elites remained high, as exclusive patterns and refined silk were still dominant features.

Mao Zedong’s (1893-1976) communist ideal of China marked the preliminary end of this appreciation of China’s fine arts and craftsmanship. Any form of exclusiveness was banned and traditional Chinese culture, which once fostered a luxurious lifestyle, came to an end, as any artifacts of former materialistic habits had to give way to modesty under Mao’s new ideology. The cultural heritages of imperial China were especially dismantled during the Cultural Revolution (1966-1976), in which not only Chinese values and philosophy, but also relics of arts and architecture were condemned for the sake of Marxist socialist ideals. Besides the material losses, Communist China also exterminated everyone who favored any form of private property and capitalism. The former elites, which fully understood the concept of luxury goods, could not withstand the demonization by the communists and thus, their long period of prosperity perished.\textsuperscript{24}

After the Cultural Revolution, China underwent radical social and economic changes, known as the Economic Reform, starting in 1978 under Deng Xiaoping. The industrialization and restructuring of China’s economy have once again shifted the country’s view towards

\textsuperscript{22} Gordon (2009), p. vii.
\textsuperscript{23} Rovai (2016), p. 15-16.
\textsuperscript{24} Cho (2012), p. 257.
consumerism and wealth. Becoming rich no longer has been considered a felony, and with China’s new consumer market, consumer goods became available at an exponential growth. The Open-Door policy introduced in 1979 and expanded by 1992, fostered international trade, and hence, foreign products have entered the Chinese market at fast pace.25

In the midst of its economic transition, China became one of the world’s largest exporters of textiles and apparel. Generally speaking, in this sector modern technology can be comparatively easily adopted at relatively low investment costs, a characteristic feature that developing countries benefit from.26 With strong job creation opportunities, especially for the female workforce, China’s clothing sector lured foreign companies, which were attracted by low wages. Mass production and cheap costs of production became significant features of the Chinese apparel industry, and China’s former exquisite craftsmanship went to waste.27

Mass production and counterfeiting shaped China’s global image of being a producer of low-quality goods, which lasts until today. As China has been keen to compete on cost saving in order to attract Foreign Direct Investments (FDI), quality and craftsmanship suffered not only in the apparel sector. More recently, China’s government has started to put huge efforts into the country’s future growth model. With its new-normal initiative, China is eager to pursue sustainable economic growth by shifting from export to domestic consumption, as well as to generate more output from innovativeness and technological advancements.28

China can look back to a glorious history of craftsmanship and fine arts, despite the rejection of luxury goods during the Maoist period and the fact that China’s modern economy relies on mass production. With China’s growing economy and a continuously crowing consumer market, Chinese are not only experiencing a new way of lifestyle but furthermore, are becoming more conscious about their own cultural heritage. Chinese luxury customers are gradually appreciating Chinese newcomer brands as much as Western ones.29

2.2 The Emergence of Chinese-Originated Luxury Brands

Today’s enormous demand for luxury goods in China not only can be traced back to its tradition of fine arts and craftsmanship but also to Chinese pursuit for of a modern lifestyle, as represented by Western luxury brands. Ever-since the economic transition turned the People’s Republic into an economic powerhouse, the quest for luxury by those who could afford it

grew. Since there were no Chinese brands that could offer such exquisite goods at that time, Western luxury brands, which entered the market shortly after the Cultural Revolution, filled the gap. The French and Italian brands Pierre Cardin, Laura Biagiotti, and Ermenegildo Zegna were the first ones to unfreeze China’s luxury and fashion context by showcasing their collections in fashion shows in Beijing in 1979.30

At the beginning of the 1980s, prestigious European brands such as Louis Vuitton, Dior, or Prada, amongst others, underwent a general reorientation of product development and marketing practice, which marked the beginning of a democratization of their products. Luxury goods were no longer exclusively available for a country’s elite but have turned into an attainable 21st-century dream, in order to reach out to a broader range of consumers and geographical markets.31

Although Japan and the USA were the first main objects in their new expansion strategies, China attracted the attention of luxury brands at the beginning of the 1990s and was therefore officially entered through the boutiques in foreign-invested luxury hotels. Further penetration of the Chinese market started at the beginning of 2000. Especially China’s accession to the World Trade Organization (WTO) in 2001 fostered the development of luxury expansion and enabled direct sales via flagship stores. Luxury powerhouses like Louis Vuitton, which managed to open around 46 stores in Mainland China until today,32 benefitted from these developments and started their aggressive penetration of the Chinese market.33

European brands have taken advantage of their origin when marketing their products in China. Due to Europe’s strong luxury heritage, Chinese consumers have associated any foreign brand with refined craftsmanship and regarded their products as “true” luxury goods. These perceptions, as well as the absence of competitors originating from China, facilitated Western brands’ conquer of the Chinese market.34 From French apparel to Italian leather goods and Swiss watches, European luxury goods became must-haves for China’s “new rich”, who enjoyed their sudden economic freedom and have been, until recently35, keen on displaying their social status.36

Chinese consumers have been affected by huge political, social, and economic disruptions within one century and therefore have underwent various stages of consumptive

34 Hoffmann (2013), p. 27.
35 The anti-corruption campaigns of Li Keqiang changed this situation.
36 Degen (2009), p. 5.
behavior, which can be displayed by Chadha & Husband’s (2008) “Spread of Luxury Model” as shown in Figure 1:

![Figure 1. The Spread of Luxury Model](image)

After years of the so-called “Subjugation Stage”, characterized by deprivation under authoritarian rule, people in the “Start of Money Stage” are being exposed to convenience and shopping goods in the midst of its economic growth. The small but growing elite once again starts to purchase luxury goods. In the “Show Off Stage” the newly acquired wealth functions as a way to gain the esteem of others. In China, this wealth has reached out to selected segments of society, foremost at the coastal cities. The majority of current Chinese luxury consumers can be divided into three particular consumer groups: high net worth individuals, who limitlessly buy luxury goods; the “new rich”, who frequently indulge luxury goods; and finally, typically young middle-class Chinese, who are eager on acquiring symbols of wealth and hence, save up several monthly salaries. Those three categories have in common their need to display their economic status. In the “Fit In Stage” luxury goods are being purchased by a new wealthy middle class, as further economic development has enabled a larger group of people to finally adopt luxury. Here again, saving one’s face is a motivator for luxury purchases. In the last stage, the “Way of Life Stage”, luxury consumers turn into more sophisticated buyers, as they regard luxury as a lifestyle, rather than a way to impress others. Therefore, they avoid visible logos and focus more on the product features, such as high quality or comfort, which they have become used to over the time. In the case of China, wealth has spread over different layers of society. While China’s elite finds itself in the third stage, a larger group with modest incomes and a desire for luxury goods is at stage two. The majority of China’s population though is still situated at stage one.

Considering China’s ongoing economic development and spread of wealth, an upgrade to higher stages of luxury consumption can be expected. Chadha & Husband’s (2008) “Spread

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37 Chadha / Husband (2008), p. 43.
38 Chadha and Husband (2008), p. 43-47.
of Luxury Model”, which held true for other Asian nations so far (see Figure 2.), can help to predict China’s future, which is already moving towards the next stages. Like Singapore or Japan, where consumers have obtained a high level of sophistication, Chinese consumers’ demands soon will shift towards higher brand and product awareness.39

![Figure 2. Asian Countries' Stages of Luxury Evolution](image)

With these new consumer characteristics and behavioral trends, China has already begun to terminate its role as a country in which Western luxury brands can simply import their ideas of luxury. The Chinese market will in the nearer future enhance this development and evolve its own specific demands and expectations when purchasing luxury brands. Even-though European luxury houses still own the largest share in China’s luxury sector, rapidly changing consumer profiles are expected to reshuffle this current market distribution. The growing maturity of luxury consumers calls for brands that can ensure personalized services and better interaction with people’s cultural identity. Chinese luxury brands are most likely to align with this orientation.41

Although it seemed that Chinese originated luxury brands would not have any chance to exist and become increasingly popular among Chinese consumers, the reorientation of demands and perceptions have fostered a slow emergence of home-grown luxury brands. Wealthy Chinese, who have passed the phase of show-off, are in search for more authenticity and try to mix their style with Chinese luxury brands. A growing national pride is also contributing to the sympathy towards brands that add a certain Chinese touch to their products.42

Contemporary Chinese fashion design can look back to a very short history of approximately 17 years, since 2000. In an attempt to catch up with developed nations, double-digit growth rates were prioritized by the government in most of China’s industries, and

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40 Chadha / Husband (2008), p. 46.
42 Thomas (2016), n.p.
hence, little support was given to local “creative minds”, who were limited to mass-manufacturing and counterfeiting. The fact that Chinese were not encouraged to a creative way of thinking also contributed to stagnation in this field. However, as a result of growing wealth and the entry of foreign brands, which helped to raise consumers’ awareness in the luxury and fashion sector, China’s creative art and fashion scene has started to slowly enjoy a revival. Young, aspiring designers, most of whom have gained experiences in both, Eastern and Western cultures, manage to include these two cultural approaches into their fashion’s DNA and contribute to a compelling wave of creativity, new to the global fashion community, where mainly traditional luxury houses with a long historical background have achieved success.43

China’s rising fashion scene mainly centers around the metropolis Shanghai, which has the potential of becoming as significant as Tokyo, Milano, or Paris within the world of fashion. The financial trade hub has attracted a wide range of entrepreneurs, workers, tourists, and creative talents from all over the country and abroad, blurring the lines between East and West. The city’s narrow lanes offer all different kinds of small fashion boutiques and local designer stores and turned into the fashion capital of China. Since 2003, local and international, established and emerging, fashion designers have the opportunity to showcase their collections at the Shanghai Fashion (SFW) week, which is held annually. Fashion labels that have managed to build up a reputation in Shanghai are more likely to be successful in the rest of China.44

Beijing is expected to grow in significance as well the next years. China’s capital might not have been specialized in the manufacturing of clothing, which in China is clustered around the coastal regions. Yet, Beijing is the home of major media companies: amongst others Condé Nast and Hearst, the publishers of Vogue and Cosmopolitan, have their Chinese headquarters there. Hence, fashion and luxury brands are required to establish their PR offices in Beijing. Some of China’s biggest fashion events are being held in Beijing, as the city is an important base of Chinese fashion media and the entertainment industry. Mercedes-Benz China International Fashion Week, which was established in 1997, is, next to Shanghai’s fashion week, an important event for designers.45

China’s fashion weeks are still new to the fashion and luxury sector, compared to other global fashion weeks. Until now, Shanghai’s and Beijing’s fashion runway shows lack a variety of brands. However, taking into account the growth and attention they have attracted

by the international fashion community, they are expected to grow in importance and further foster local newcomer designers to showcase their works.46

The number of luxury brands deriving from China is a limited but growing one. The country is keen on freeing itself from the to-date negative perception by translating its centuries of craftmanship and exclusiveness into the creation of a new generation of luxury brands. This eventually will also attract international attention.

One example would be the high-end apparel and fur brand, NE·TIGER 东北虎. Founded in 1982 by Zhang Zhifeng 张志峰, who is still head designer, the luxury brand describes itself as a defender of Chinese clothing culture and heritage, which set itself to revive and preserve China’s ancient tailoring techniques, while merging Chinese and Western design.47 Besides its leading position in China’s fur industry, NE·TIGER is mainly known for its evening dresses. Chinese- and Western style wedding dresses and most notably the Huafu华服, a kind of haute couture dress which captures the essence from China’s “several-thousand-year” clothing culture, are the brand’s key pieces.48 China’s highest-profile brand of customized gala and wedding dresses has perfected Chinese tailoring and is on an continuous pursuit of nearly forgotten Chinese crafting techniques, as the brand’s head designer travels to remote villages in China to save and include old craftsmanship into his collections.49 As opposed to its competitors, NE·TIGER has not received any backing by foreign luxury conglomerates.50

One such example for foreign support would be the top player in China’s high-end fashion market SHANG XIA 上下. 2008 created by the French luxury house Hermès, with the specific aim to target Chinese luxury shoppers, SHANG XIA has set itself to enhance and preserve China’s unique and exquisite traditions.51 The furniture, apparel, and home décor brand might benefit from its parent company’s expertise in luxury management, in terms of creation SHANG XIA has been nevertheless given complete creative freedom.52 The brand’s designer Jiang Qiong Er 蒋琼耳 combines a modern lifestyle with Chinese design traditions, which requires extensive craftsmanship born of Chinese ingenuity. Materials such as felted cashmere, zitan, a rare wood found only in China and southern India, eggshell porcelain, or woven bamboo are being transformed into luxurious and yet, simple designs. SHANG XIA

46 Leach (2016), n.p.
47 NE·TIGER (2016), n.p.
48 NE·TIGER (2016), n.p.
has opened its first boutique 2010 in Shanghai, followed by Beijing. In an attempt to slowly find international recognition, the first overseas boutique opened in Paris in 2013.\(^{53}\)

Another luxury brand, which traces its roots to Chinese ancient tradition, is the brand Shanghai Tang 上海滩. 1994 founded by David Tang 鄧永锵, the apparel and accessories brand’s identity is oriented towards blending Chinese symbolism, modern chic, and innovativeness.\(^{54}\) Initially, the brand started as a tailoring atelier, which tried to revive traditional Shanghainese tailoring and bring back Shanghai’s decadence.\(^{55}\) Due to the Cultural Revolution, much of the Shanghainese tailoring skills were eliminated with now only a few houses exerting the old techniques. Shanghai Tang is one of them. Its designs are yet a fusion of Chinese and Western silhouettes and include luxurious materials, from Chinese silk to Mongolian cashmere, and jade.\(^{56}\) Shanghai Tang has already tried to pursue an internationalization strategy but failed to obtain success abroad due to, amongst others, an unfitting fashion collection that could not meet Western demands. In 2001, the brand was acquired by the Swiss luxury goods holding company Richemont, owner of various high-end names, such as Cartier, Montblanc, Chloé, or Net-à-Porter. As a consequence of its unsuccessful global and local development, Richemont restructured the brand, and under the creative direction of Joanne Ooi, the brand developed from a former mix of Chinese fashion styles to a mature blend of contemporary luxury goods and Chinese exquisite craftsmanship.\(^{57}\) Today, Shanghai Tang expands its business over 48 boutiques.\(^{58}\)

Besides ready-to-wear fashion, China’s fashion elite also offers a luxury brand which, since 2016, joins the ranks of renowned couturiers. The designer Guo Pei 郭培 has been dressing celebrities, royalties, and the political elite for over 20 years with her creations, that revive China’s cultural heritage. Chinese embroidery and painting traditions are Guo Pei’s signature feature, who showcases an infusion of traditional Chinese craftsmanship, while incorporating contemporary innovation and Western style into her hand-crafted creations, some of which can take thousands of hours and even up to two years to be completed. Her collections include daily wear for businesswomen to opulent gowns for the red carpet to wedding dresses, or costumes for films, the 2008 Beijing Olympics, and the annual CCTV New Year’s gala.\(^{59}\) The brand caused an international stir during the annual Met Gala, a fashion event in New York held by the Metropolitan Museum and the US Vogue. Pop singer

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54 Rovai (2016), p. 130.
56 Hoffmann (2013), p. 27.
Rihanna chose to wear one of Guo Pei’s designs, a dramatic, imperial yellow cape gown on the red carpet, in accordance with the museum’s “China: Through the Looking Glass” exhibition. Guo Pei was one of the Chinese brands which presented its works at the Metropolitan museum, followed by her first solo exhibition in July 2015 at the Musée des Arts Décoratifs in Paris. In the same year, Guo Pei became an invited member of the Chambre Syndicale de la Haute Couture, the chief governing body of the high-fashion industry. In 2016, she debuted as a couturier in Paris, a turning point of her career, followed by the opening of a new studio on the famed Rue St. Honoré in Paris.

When it comes to cosmetics, China has developed a small number of high-end brands as well. The cosmetic brand Yue Sai, which was founded in 1992 by the media icon Yue-Sai Kan, became the leading brand of cosmetics on the high-end Chinese market. After 2004, when it was acquired by the French cosmetic company L’Oréal, the brand underwent a period of losses. It appears that the brand suffered from its role as a pioneer in the Chinese cosmetic market, as consumers perceived it as outdated. Therefore, L’Oréal was urged to change the brand’s positioning and marketing strategy in 2012. Yue Sai was given a modern look and in the meantime highlighted its use of Traditional Chinese Medicine (TCM) and the brand’s unique role of being the only luxury brand offering such beauty products.

Another successful luxury player in the Chinese cosmetic market is the Shanghainese brand Herborist, which is grounded on the values of China's botanical tradition. The brand promises a blend of Chinese herbology and innovative formulas. The parent company Shanghai Jahwa was founded at the end of the 19th century and had a leading position on the Chinese cosmetic market by specializing on the use of plants. In 1998, Shanghai Jahwa created the brand Herborist, which soon became a commercial success in China. The brand established a partnership with the Parisian creation and strategic consulting agency Cent Degrès to update its packaging as part of its international growth strategy. Today, Herborist has a network of 300 stores and a counter presence in nearly 900 Chinese department stores and furthermore, benefits from its international presence as a result of the collaboration with the global cosmetic department store Sephora. Herborist products are

64 Herborist (2016), n.p.
65 Herborist (2016), n.p.
featured at over 1,000 points of sale in Europe, which illustrates the successful establishment of a Chinese national brand in the upper price segment.\footnote{Armoudom (2012), p. 6.}

The listed luxury brands were chosen due to their significance in the Chinese luxury market, as well as their growing recognition abroad. They represent a new but consistently growing luxury market, originated from China. With their roots in Chinese tradition and an innovative approach, they manage to meet the demands of both, national and international luxury consumers, and therefore, conduce to a more positive image of Chinese products. Regarding China’s rising fashion and art scene, there is potential for further growth of luxury brands.

\section{Luxury Goods Consumption in Germany}

Since this thesis aims to empirically test the potential negative impact of the country-of-origin effect on Chinese originated luxury brands when entering the German market, insights into the target market shall be given beforehand. Hence, section 3 shall provide an overview of Germany’s luxury goods market volume and its consumers’ demands. In the frame of this study, Germany serves as a telling example for a Western country which consumes luxury goods and therefore, could become an investment destination for Chinese luxury brands.

Although Germany’s luxury culture might not be comparable to that of France or Italy, the country has nevertheless evolved to an important consumer of luxury goods in the past years. Luxury is on the rise, as consumers are gradually undergoing a change of mind. Not very long ago, Germans perceived luxury as wasteful and decadent. As a matter of fact, this attitude contrasts with Germans’ appreciation for high-quality standards and their contributions to the global luxury market. Traditional German high-end brands such as Boss, Montblanc, Leica, Porsche, A. Lange & Söhne, as well as newcomers of the Berlin Fashion week, like Talbot Runhof or Caviar Gauche, highlight Germany’s role in the luxury sector.\footnote{Keller (2015), p. 63.}

Germans were long considered as rational and barely sensible for the emotional allurement of luxury goods, but consumers have turned towards personal luxury goods, such as apparel, leather goods, or high-end cosmetics.\footnote{Meurer (2012), p. 325-326.}

The overall market size of luxury goods in Germany is at constant growth. Here, revenues increased from €9.9 billion in 2011 to €11.7 billion in 2016.\footnote{Statista (2017a), n.p.} Surveys show that over 14 million Germans claim to buy luxury goods, which refers mostly to apparel, travel, food, and leather goods. This trend can be traced to Germans’ new and more positive
An increasing number of customers begins to buy luxury goods for the first time, while consumers who are not new to high-end purchases are buying luxury at an increased frequency or are in favor of products of higher value.  

Ongoing investments of foreign and German luxury brands in Germany reflect this development. The majority of prestigious brands has identified the growing demand of German luxury consumers and is constantly opening up new stores in Germany, with an shop opening rate of almost 40%. Germany has evolved to one of the biggest luxury locations in Europe, as the density of luxury boutiques in Germany’s most prestigious shopping promenades has grown. Berlin’s Kurfürstendam, Hamburg’s Neuer Wall, and Munich’s Maximilianstreet have attracted local and foreign consumers at a growing rate and keep pace with London’s Bond Street or Paris’ Rue St. Honore. The most successful enterprise in Germany in 2016 was the Hugo Boss AG, followed by several luxury brands belonging to the global conglomerates LVMH, Richemont and the Keering Group.

German luxury consumers can be characterized as quality seekers of all ages. Their purchase intentions are mainly motivated by their pursuit of quality, an inevitable feature of luxury goods. They regard their expensive purchases as an investment and therefore demand durability. Another motivation is the fact that customers regard their luxury purchases as a form of reward and hence, every once in a while, indulge in buying exclusive products. Besides, luxury goods are a way of lifestyle to them and to some extent a reflection of their social status. The age ratio of German luxury consumers is a balanced one, as the younger generation (18-34 years) is consuming luxury goods to the same extent as the middle-aged (35-49 years) and the older generation (50-64 years). Hereby, women slightly outnumber male buyers.

Despite strong growth rates, the German luxury goods sector is far from being saturated. Industry experts forecast further growth, as Germans are gradually developing a taste for exclusive products. So far, Western luxury brands have benefited from this new attitude. Investments in new store openings, online retail, and newly introduced marketing strategies, adapted to fit the needs of German luxury consumers, validate this development. Besides the potential the German luxury market holds for traditional luxury houses originated

70 Zukunftsinstitut (2016), n.p.
73 Meurer (2012), p. 322.
from Europe, the question arises what role Chinese luxury brands could play in this course. Until now, the small number of Chinese newcomers has not entered the German luxury market yet. Those, which are pursuing internationalization strategies, have usually invested in common fashion cities like Paris or New York.\(^78\)

With Germany’s expected further growth rates within this sector, Chinese luxury brands could nevertheless target the German market in the future and consider investing in a market, which has not reached the point of saturation, yet. If so, chances are that they will face, like any other new entrant, obstacles. One specific barrier, which Chinese luxury brands are likely to encounter, is the country-of-origin effect. Therefore, this thesis aims to test what impact these luxury brands’ origin could possibly have on German consumers’ perceptions and purchasing behavior. After having gained an overview of China’s new luxury and fashion industry, as well as the potential target market Germany, section 4 will characterize the country-of-origin effect, a phenomenon which has drawn the interest for decades by the global marketing research.

4 The Country-of-Origin Effect

In the midst of globalization, international marketing research has become more relevant than ever. The outsourcing of production and internationalization of trade has significantly shaped the economic marketplace and turned the world into a seemingly smaller place.\(^79\) With an ongoing advancement of technology, as well as developed communications, the pursuit of international markets and the quest for new customers by companies has become a notable feature of the economic landscape.\(^80\)

As a result of today’s implicitness of consumers from both, developed and developing countries to demand the highest quality brands from the best location at the cheapest price, the “Made in” concept has become one of the most prominent claims in international marketing communications. In can, at best, speak for a country’s know-how, quality requirements, innovativeness, or at worst, representing a nation’s poor quality standards, lack of expertise, or incidents of plagiarism, resulting in products having an either favorable or unfavorable reputation abroad.\(^81\)

As a result, the so-called country-of-origin effect, meaning the way consumers perceive products deriving from a particular country, has drawn the attention within the international marketing research for decades. Researchers, as well as managers, have been

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\(^78\) Hirn (2011), n.p.
trying to understand how the origin of a product can have an impact on consumers’ product evaluations and moreover, to what extent it can influence the purchasing decision. It is especially important to brands which market their goods or services abroad to understand such country-of-origin effects. These can eventually become the determining factors of success or failure in a company’s internationalization strategy.

Country-of-origin is of high importance in the marketing of luxury goods, compared to non-luxury goods. Such finding has encouraged high-end brands to embed their origin in their national and international marketing and communication strategies, as customers attach greater importance to where high-priced products come from, as opposed to less expensive shopping or convenience goods. Hence, brands from countries such as Italy, France, or Switzerland have benefited from their luxury heritage.

If country-of-origin has the power to impact luxury brands, the question arises to what extend upcoming Chinese brands will be effected by this concept. Chances are that consumers might not associate China with being a producer of luxury goods, compared to European countries with their sophisticated craftsmanship and designs. According to the country-of-origin effect, China’s global reputation as “the world’s workbench” and producer of low-quality products could contribute to an overall bad perception of its goods by international consumers. Thus, stereotypes could become an inevitable market barrier for Chinese-based luxury brands, even-though they would offer high quality and fashionable designs.

Consequently, before elaborating on the possible threats posed to Chinese luxury brands when entering Western markets, the concept of country-of-origin shall be explained in this chapter. Hereby, section 4.1 aims to provide a general definition of country-of-origin. Thereafter, section 4.2 will review the most important studies, which have been released in the past decades, in order to illustrate the extent to which this effect has been of interest among marketing researchers.

4.1 Definition

Country-of-origin can be described as a concept which is closely related to country image. Nagashima (1970) provided one of the earliest marketing definitions in this course:

“[...] image means, emotional background, and connotation with a concept. Thus, the ‘made in’ image is the picture, the reputation, the stereotype that businessmen and consumers attach

84 Aiello et al. (2008), p. 71.
85 Hoffmann (2013), p. 27.
to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions.”

The country-of-origin phenomenon has the ability to impact specific products, product groups, brands, and industries by influencing the attitudes of individual customers and organizations.  

Generally speaking, products can be regarded as an array of informational cues, where each cue serves customers as a basis for evaluation and the decision to make a purchase. Product attributes can be divided into intrinsic cues, such as design, fit, material, performance, and extrinsic cues, such as name, brand, price, warranty. Although research has found that intrinsic cues have the biggest impact on the opinion making process, this thesis will focus on country-of-origin, being a specific extrinsic cue.

If information on a product or a brand is lacking, consumers tend to simplify judgements and use, when being exposed to it, country-of-origin as a substitute informational cue. Consumers’ assessments of products or brands that are originated in different countries, vary to a high extend, especially if it is clear, where a product or brand is originated from. This informational cue is usually communicated by the “Made in (name of the country)” label and can impact quality expectations and perceptions by consumers to such a high degree that it can determine a product’s success or failure when being marketed abroad.

The country-of-origin effect goes along with the continuously evolving international marketplace and is therefore subject to non-static factors. Global consumers’ evaluations can be influenced by “changes in the socio-political and economic conditions in both selling and buying countries [...]”, as well as improving competitive advantages of nations or firms, caused by the introduction of new technologies or improved communications and marketing strategies. As globalization and free-trade have gained pace, such changes have been intensified over the last decades, with global brands having managed to either improve or worsen their reputation abroad.

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95 Japan can function as a prime example, whose products have improved over time alongside globalization. The country managed to change its image of a producer of inferior quality to a high-quality manufacturer in foreign costumers’ minds. Leonidou, Palihawadana and Talias (2007), p. 786.
Consumers tend to use general, global images to create a hierarchical structure of countries based on their economic development.\(^{96}\) Hereby, products or brands with domestic origin are more likely to be given priority over internationally-originated ones. Such preference can be explained with either familiarity, the belief it would boost the domestic economy, patriotism, or even animosity towards other countries. If customers purchase internationally-originated goods, country image can play a significant role, as they draw on a hierarchy of foreign nations and demonstrate a preference for developed countries, such as Germany, Japan, or the USA, countries that enjoy a good reputation. Developing countries are lower ranked, which explains their reputation of producing goods of inferior quality. China, the Philippines, or Pakistan can function here as a suitable example. Furthermore, non-existent reputation can be just as harmful for brands or countries as bad reputation. For instance, customers that lack knowledge about Eastern European countries’ production profiles are likely to carry out an allover negative evaluation.\(^{97}\)

As companies are eager to lower labor and production costs by outsourcing their production to developing countries, the notion of country-of-origin has changed over the years. Back then, the concept of country-of-origin was considered as the country-of-manufacture (CoM). Today, only a very small number of brands can still afford to keep their production plants and factories in their home country. As a result, the overall discrepancy of where a product was designed or branded, which refers to the concepts of country-of-design (CoD) and country-of-branding (CoB), and where it is finally assembled has been growing ever since globalization commenced.\(^{98,99}\) In the course of this thesis, the country-of-origin effect shall be treated in the broad sense, without focusing on the concepts of country-of-design (CoD) and country-of-branding (CoB).

The ongoing interest in investigating the effect of country-of-origin on consumer perceptions and purchasing intentions, starting in the 1960’s, shall be illustrated in section 4. 2.\(^{100}\) With a wide range of accumulated studies on country-of-origin, the following literature review aims to chronologically outline the most important contributions that have been made in the past decades.

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\(^{98}\) Aiello et al. (2008), p. 3
\(^{100}\) Aiello et al. (2007), p. 68.
4.2 Literature Review

Over 400 academic articles have been published over the last decades in order to research the relevance of country images on consumer perceptions and purchasing decisions. Diversity of studies has ranged from examined countries (as origins) to products, product categories, industries, and consumers (in terms of demographics and nationalities).\textsuperscript{101}

The country-of-origin effect has become an attractive field of international marketing research due to its relevance in times of internationalization, as well as the comparatively easy access to data, that can be generated from surveys. The empirical approaches, that can be characterized by their facile implementation, ensure academic credibility, which might explain why marketing researchers have opted until today for the research of this particular field. The fact that country-of-origin research offers a huge variety of research propositions has also led to a large number of publications.\textsuperscript{102} The following enlisted researchers have accounted for some of the most relevant and contributing studies. They have paved the way for academics who have used the following works as a basis for further empirical differentiation.

The first study on the country-of-origin effect was carried out by Schooler (1965) who drew his findings on a semantic differential questionnaire to demonstrate product biases within the Central American Common Market. The first empirical assessment of country-of-origin was provided by Schooler and Wildt (1968) in order to measure the elasticity of product bias between domestic and foreign products with manipulated price differences. Nagashima (1970) delivered a cross-cultural image study surveying U.S. and Japanese consumers on different product categories.

The first literature review on existing studies about country images at that time was offered by Bilkey and Nes (1982). They furthermore highlighted methodological limitations, such as the evaluation of intangible products, as well as the sole involvement of single-cues (when country origin is the only information participants are being exposed to) instead of multi-cues.

Johannson and Nebenzahl (1986) provided a field experimental multi-cue study to research image effects on the outsourcing of production by Japanese car brands. Brand perceptions of customers before and after the outsourcing of production were contrasted to depict the gain or decay of brand value. In an attempt to highlight the importance of a favorable match between country image and certain product categories, Roth and Romeo (1992) conducted a cross-national study. Insights were given into how consumers associate a

\textsuperscript{101} Usunier (2006), p. 61.
\textsuperscript{102} Usunier (2006), p. 64.
set of nations with different product categories, so multinational companies can have a better understanding of when promoting a brand's origin can be either beneficial or harmful.

Peterson and Jolibert (1995) took a different stance on the county-of-origin effect by challenging the idea that it has a great impact on purchasing decision. The documentation of methodological characteristics of conducted studies suggested that research needs to better distinguish between product perceptions and purchase intentions of consumers, as country-of-origin as an informational cue is of lower significance when personal commitment is required.

The need for another form of differentiation was advised by Pecotich and Ward (2007), who highlighted that research must distinguish between the product evaluation of experts and novices. Consumers who have a certain level of expertise on products or product categories tend to differently make use of country-of-origin cues compared to non-experts.

Against those studies that have argued a lessened relevance of country-of-origin on purchase intentions and product evaluations, Diamantopoulos (2011) proved otherwise by investigating the so-called “irradiation perspective” as a driver of brand image, which argues to shape customers’ perceptions of a brand from the country. Same is said to hold true for the reverse, as consumers’ perceptions of a given brand may impact their images of the country associated with the brand.

With specific reference to the luxury goods context, Phau and Leng (2008) contributed a cross-national comparative study on the purchase intentions of status and non-status seeking teenagers in Australia when buying luxury brand apparel. Aiello et al. (2008) analyzed the correlation between the brand and country-of-origin effect on consumers’ perceptions and purchasing behavior, including convenience, shopping and luxury goods. The same approach was adopted by Godey et al. (2012) but with specific focus on additional elements, such as design, price, and guarantee, as further intrinsic and extrinsic cues for luxury goods.

This section provided a brief overview of relevant academic contributions to the academic research of country-of-origin. It must be noted that the variety of overall studies extends over a wide range in terms of amount and focus areas. This section’s selection of studies was chosen due to their relevance within the field of international marketing research, as well as the groundwork they laid for this thesis on country-of-origin impacts on Chinese luxury brands.

5 The Potential Impact of the Country-of-Origin Effect on Chinese Luxury Brands

Although Western, especially European, luxury houses are still holding a leading position within the high-end segment in China, an emerging positive influence of “Chineseness” is finding its way into the Chinese luxury market. In the midst of China’s newly developing art
and fashion landscape, a growing but limited number of home-grown luxury brands has entered the Chinese market. China is trying to leave its reputation of solely consuming foreign luxury goods behind and aims to join the ranks of traditional luxury producers, such as France or Italy, by entering a new creative phase. With their willingness to assume a substantial role in the luxury industry, uprising Chinese newcomer brands have gained a foothold in the domestic market.  

If the likes of SHANG XIA, Guo Pei, or Yue Sai, which belong to the growing group of Chinese newcomer luxury players, manage to gain even more popularity and ensure further growth rates, international luxury markets can be expected to become the next main targets. Although some Chinese high-end brands have already entered foreign markets, they still account for a very small portion. Compared to Western traditional luxury brands, which in most cases base their success on their long heritage, Chinese luxury brands are newcomers in the foreign and local market. Their mission of reviving Chinese craftsmanship and traditions, while in the meantime including innovative designs and production methods, gives those brands the opportunity to accelerate their international expansion.

Regardless the talent and capabilities of Chinese luxury brands, entering foreign markets can nevertheless be a difficult endeavor. Especially developed markets have been exposed to a growing number of well-established luxury brands for decades, which leads to a high brand awareness and expectations by Western luxury consumers. Therefore, Chinese luxury brands will have to face fierce competition. However, this will not be the only concern of those newcomers.

China’s global image of being “the world’s workbench” is likely to hinder the successful establishment of international luxury brands. Such an assumption is the result of the country-of-origin effect, a widely-studied phenomenon among marketing researchers. Since Chinese luxury brands are newcomers in the global fashion and luxury sector, Western consumers have been scarcely confronted with these brands so far, as opposed to well-established luxury players from Europe or the USA. This lacking presence by Chinese newcomers is likely to influence the decision-making process of consumers, who, due to the shortage of information, might base their judgements on a brands’ origin. In the multi-cue consumer perception and decision-making context, country-of-origin represents one specific cue. The less idea consumers have of a brand or its products, the more likely they are to draw their conclusions about those brands on their origin.

It can be assumed that Chinese brands will be rejected by Western consumers’ stereotyping, simply because China’s overall image is associated with mass production and low-quality products. Ever since China’s economic transition and Open-Door Policy turned the country rapidly into a global manufacturing hub, it hardly got rid of its image of producing cheap and poor-quality goods. Even though China’s government is keen on freeing the country from this effect by targeting sustainable growth rates and fostering innovativeness, known as the New Normal Policy, this new movement will take time. Hence, the label “Made in China” could still harm the reputation of new brands, which would nonetheless have the required competences in producing high-quality goods.107

Until now, academic research has not dealt with the potential impact of the country-of-origin effect on Chinese luxury brands that pursue international expansion. Given the vast body of conducted studies in the last decades, country-of-origin has become one of the most prominent concepts in international marketing research. Nevertheless, in the world of today’s global brands, which are diffusing their production and marketing operations, researchers started to question to what extend consumers actually possess knowledge on brands’ origin. A growing number of studies argues that country-of-origin is of less relevance in consumers’ product evaluation processes.108 However, in the course of globalization, which is continuously opening windows of opportunities for internationally-expanding companies, this thesis shall display that there is a greater need for studies on country-of-origin than ever.

The following sections aim to examine if German luxury customers are swayed by China’s stereotype of bad quality and mass production when actually being exposed to a luxury good “Made in China”. Therefore, a field experimental study was conducted to test if Chinese luxury brands are likely to suffer from stereotypes or if country-of-origin does not have the expected impact on consumers’ purchasing behavior. Before presenting the empirical study’s outcomes, six hypotheses and their sub-hypotheses shall be elaborated, which the thesis’ empirical study aimed to test positive or negative. Then, the study’s conceptual background will be illustrated, followed by the results and limitations of the study. Finally, managerial implications on Chinese luxury brands, which intend to enter the German luxury market, will be presented.

5.1 Hypotheses Development

Given Chinese luxury brands’ focus on craftsmanship tradition, as well as growing financial and managerial capabilities, increased global expansion strategies can be expected in the future. Although Western luxury brands outnumber Chinese ones, and only very few existing

108 Pharr (2005), p. 34.
Chinese luxury brands have positioned themselves globally so far, there are grounds for further development.\textsuperscript{109}

Successful expansion will rely on foreign consumers’ acceptance of Chinese originated luxury brands, that necessarily need to adapt their marketing and brand portfolio to those consumers’ needs. Based on a large body of studies within the international marketing research, consumers evaluate products not only on product-intrinsic cues, such as design, material, and quality, but furthermore on product-extrinsic cues, such as price, brand name, reputation, and, central to this thesis, a brand’s origin.\textsuperscript{110}

Even if Chinese brands manage to offer high-quality and prestigious design, the extrinsic country-of-origin cue is likely to jeopardize a successful market entry. Generally speaking, international brands are susceptible to this effect, because individual companies do not have the capabilities to influence the overall country image. Hence, besides consumers’ assessment of product-intrinsic cues, Chinese luxury brands need to consider the outcomes of how their origin might affect Western consumers’ product evaluations and purchasing intentions when being exposed to the information of where the product is originated.\textsuperscript{111}

Therefore, six hypotheses and nine sub-hypotheses were constructed to examine if the country-of-origin effect could pose a threat to Chinese luxury brands when entering the German market. Germany was chosen as a representative of a Western country, being a highly-developed nation with a flourishing luxury goods market. In order to test the six hypotheses and nine sub-hypotheses, a survey was conducted with 87 subjects in Germany. The survey consisted of two major sections. Besides the presentation of a tangible product, participants were asked to share their general views on country-of-origin.

Since a brand’s country-of-origin is said to either positively or negatively influence consumers’ buying decision process, the experimental part of the survey was designed to gain direct insights into German consumers’ evaluations of Chinese luxury brands.\textsuperscript{112} As previously mentioned, studies have shown that consumers have prior perceptions of certain countries’ production strengths and weaknesses and do not shy away from making use of such country images when evaluating a brand.\textsuperscript{113} Therefore, participants of this thesis’ field experimental survey were asked to evaluate a product, which was manipulated in terms of price and origin. People were shown a low-priced silk scarf, which they were told to be a prototype of a luxury brand. Furthermore, participants were exposed to fictitious origins of

\textsuperscript{110} Godey et al. (2011), p. 1462.
\textsuperscript{111} Aiello et al. (2008), p. 68.
\textsuperscript{112} Christea, Capatina and Stoinescu (2015), p. 423.
\textsuperscript{113} Roth and Romeo (1992), p. 493-493.
the scarf, either French, Chinese, or, to include a neutral variable, no origin. Traditionally, French (next to Italian) brands highlight country-of-origin in their international communication strategies.\textsuperscript{114} Since France accounts for a high number of luxury brands and is usually associated with prestigious designs, it functioned as a fictitious origin of the test product.\textsuperscript{115} With regards to consumers’ product evaluation, the following hypothesis and sub-hypotheses were coded as:

**H1:** Country-of-origin has an impact on product evaluation.

**H1a:** Chinese origin as a country-of-origin cue will result in lower product evaluation than French origin.

**H1b:** Chinese origin as a country-of-origin cue will result in lower product evaluation than no origin.

**H1c:** French origin as a country-of-origin cue will result in higher product evaluation than no origin.

Besides their personal assessments, people were asked to estimate the price of the scarf. If the country-of-origin effect holds true, it can be assumed that participants who were told that the silk scarf is the creation of a French luxury brand will evaluate the product more positively as opposed to those participants who were given the information of Chinese origin. Therefore, the hypotheses and sub-hypotheses, arising from these assumptions, are:

**H2:** Country-of-origin has an impact on price estimations.

**H2a:** Chinese origin as a country-of-origin cue will result in lower price estimations than French origin.

**H2b:** Chinese origin as a country-of-origin cue will result in lower price estimations than no origin.

**H2c:** French origin as a country-of-origin cue will result in higher price estimations than no origin.

Same can be argued about the subjects’ purchasing intentions, which, based on country-of-origin studies, shall be higher in case of a favorable country image. Here, French origin can be expected to more positively affect the purchasing intentions of German customers as opposed to Chinese origin, which results in the following hypotheses:

**H3:** Country-of-origin has an impact on willingness to purchase.

\textsuperscript{114} Godey et al. (2012), p. 1461.
\textsuperscript{115} Aiello et al. (2008), p. 70.
**H3a:** Chinese origin as a country-of-origin cue will result in lower willingness to purchase than French origin.

**H3b:** Chinese origin as a country-of-origin cue will result in lower willingness to purchase than no origin.

**H3c:** French origin as a country-of-origin cue will result in higher willingness to purchase than no origin.

Furthermore, when receiving information on the product’s pricing, different assessments of the price are likely to occur if country-of-origin plays a significant role. By confronting subjects with a manipulated premium pricing, it shall be hypothesized that a high price for the scarf of French origin is more likely to be accepted, compared to Chinese origin. Therefore, the following hypothesis and sub-hypotheses were coded as:

**H4:** Country-of-origin has an impact on pricing assessments.

**H4a:** Chinese origin as a country-of-origin cue will result in lower acceptance of premium pricing than French origin.

**H4b:** Chinese origin as a country-of-origin cue will result in lower acceptance of premium pricing than no origin.

**H4c:** French origin as a country-of-origin cue will result in higher acceptance of premium pricing than no origin.

Even though participants were confronted with a tangible object to test eventual biases towards the product’s origin, the significance of country-of-origin within the luxury context needs to be verified. Factors influencing consumers’ product evaluations and purchasing behavior differ from one product category to another.\(^{116}\) The more involvement the buying-decision process for a specific product requires, the more likely consumers are to make use of the country-of-origin cue.\(^ {117}\) Involvement in this context can be characterized as the emotional contributions consumers make when purchasing products. Hence, low involvement is shown for cheap goods of daily use, also known as convenience goods, as they are not being perceived as important. In contrast, high personal involvement is required for more expensive goods, as consumers need to ponder the purchase, and hence, spend more time on price and product feature comparison.\(^ {118}\)

Thus, depending on a product’s category, country-of-origin is likely to govern the choices of luxury consumers. Since luxury products can be characterized as high involvement products,

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\(^{116}\) Godey et al. (2012), p. 1464.

\(^{117}\) Leonidou et al. (2007), p. 797.

\(^{118}\) Onpulson (2017), n.p.
country-of-origin can be assumed to have an impact on the purchasing intentions of luxury goods consumers. As a result, the following hypothesis was coded as:

**H5:** Country-of-origin is a motivator regarding consumers’ purchasing decisions of luxury goods.

When there is lack of further product information, country-of-origin is said to reduce buying risks in the eyes of consumers if the respective country is being perceived positively. The extrinsic cue implies reliability, quality, and durability. Hence, if products are marketed under a less known brand, country-of-origin has the ability to replace the brand itself.\(^{119}\) Regarding Chinese luxury brands, low brand and product awareness can be expected among German consumers. As mentioned previously, only a small number of Chinese newcomers has dared to invest in the West, and if they did, they usually chose prestigious fashion cities like Paris or New York as a destination.\(^{120}\) Thus, German consumers have not been widely exposed to Chinese luxury goods yet.

If the country image does act as an extrinsic cue to a brand, it can be suggested that Chinese brands will encounter difficulties when entering the German luxury market, as they might not get the chance to compensate for consumers’ negative stereotypes by the positive aspects of their products.\(^{121}\) China is not being associated with certain luxury brands, not to mention a whole luxury industry, but rather mass production and low quality.\(^{122}\) Thus, it can be assumed that German luxury consumers will borrow the cliché and evaluate Chinese high-end brands negatively. Therefore, the sixth hypothesis was coded as:

**H6:** Overall Chinese products suffer from less favorable country images.

In order to confirm or reject the coded hypotheses and thus, give an answer to the research question, a field experimental study has been designed, which is based on the evaluation of a questionnaire. The following section will display the survey’s methodology.

### 5.2 Methodology

In order to test the coded hypotheses, an experimental survey was conducted. A quantitative questionnaire, which focused on the investigation of country-of-origin effects on Chinese luxury brands, was considered a suitable research method for the purpose of collecting data and gain holistic, statistically significant information. The survey was carried out in Germany,

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121 Aiello et al. (2008), p. 69.
122 Aiello et al. (2008), p. 72.
since this thesis specifies on German luxury consumers, who function as representatives of a Western country.

As this thesis’ research question centers around a potential negative impact of the country-of-origin effect on Chinese luxury brands entering the German market, the survey’s aim is to best possibly examine if consumers include their biases into product evaluation and purchasing behavior. Therefore, the survey was divided into two major parts, taking an experimental approach, as well as a theoretical one. Instead of solely asking participants to share their country images and purchasing behaviors, respondents were asked to evaluate a given product in the first part of the survey. Based on the findings of Bilkey and Nes (1982), best disclosure of consumers’ country images can be ensured when being exposed to tangible objects, rather than just verbal references. The second part was designed to gain insights into consumers’ general views and perceptions on country images and the role of country-of-origin in their purchasing behavior.

The study covered four levels of analysis in accordance with the coded hypotheses, which needed to be tested. On the first level, a real-world setting was created by confronting the survey participants with a tangible object and asking them to evaluate its features. Here, to test consumers’ biases towards Chinese-originated luxury goods, a high-involvement situation was pretended and the product’s origin manipulated. The next level aimed to detect the relevance of country-of-origin in terms of the participants’ luxury goods purchasing behavior. On the survey’s last level, the emphasis was put on the overall perceptions of products “Made in China”. Additionally, a last part was added to display the demographic characteristics of the participants.

After having justified the methodology, chosen for answering the research question, as well as having outlined the major sections of the survey, the next section shall more precisely describe the survey’s research design.

5.3 Experimental Setting, Questionnaire Design, and Measurement Development

The questionnaire, which respondents were asked to answer within one stage, was divided into two major sections to test the previously coded hypotheses, one experimental and one generalized section. To directly test consumers’ biases, an experimental approach was adopted in which respondents were presented a silk scarf, which was to be evaluated. In the second part of the questionnaire, participants answered general questions on country-of-origin. The survey extended over a time span of 8 days.

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123 Bilkey and Nes (1982), 93.
Since the thesis’ research question focuses on Chinese luxury brands entering the German market, the questionnaire was conducted in Germany. It was therefore necessary to conduct the whole questionnaire in German. Locations of surveying were mostly centered at the areas of luxury stores and shopping malls.

To ensure relevant results, it was important to solely include respondents who are familiar with luxury goods. Therefore, the very last question asked the participants to tick the frequency of their luxury goods purchases. Questionnaires which contained the answer “never” were sorted out. As previously mentioned, German luxury consumers of all ages purchase luxury goods. Based on a balanced age distribution, it was made sure to cover all groups of age, when questioning luxury consumers.

The experimental part of the study employed a 3 (country-of-origin) x 1 (product) design, in which respondents were asked to evaluate a presented silk scarf in an attempt to test country biases of German consumers. Therefore, the product and country-of-origin were manipulated, as different perception-outcomes were expected. Before subjects were handed out the questionnaire itself, they were told that the survey was designed in partnership with a luxury brand, but the name could not be revealed to avoid any kind of biases.

In fact, the silk scarf was bought online from a middle-priced label, originated in Germany, and placed in a grey box with fine paper lining, which added a luxurious appearance to it. The scarf itself was an apricot colored 55 x 190 cm long silk-viscose mixture, featuring a floral jacquard-woven fabric and fine fringes at the end. A silk scarf was chosen as a test object, due to its weight, light enough to be carried around during the survey, as well as its design, which conveyed exclusiveness and fine craftsmanship. The fact that many prestigious luxury houses offer printed silk scarves or shawls ensured the object’s credibility.

All subjects were shown the same object, but received different information on the scarf’s origin. Subjects were randomly divided into three different groups, based on which questionnaire they were handed out. After having read the accompanying letter, the survey was introduced by a description of the product. Here, country-of-origin was manipulated by either labeling the brand to be a Chinese or a French luxury label. To include a neutral set of answers, the third array of questionnaires did not disclose any country-of-origin. The aim was to test if the group of respondents with the informational cue “Made in China” on their questionnaire evaluated the scarf more negatively, as opposed to the groups with France or no origin as information. France was chosen as a fictional country-of-origin due to its large number of luxury brands and its overall prestigious image.\(^{124}\) Besides, France is likely to be

\(^{124}\) Aiello et al. (2008), p. 72.
associated with a history of silk production, especially in the French town of Lyon, which used to be the center of the European silk industry.\textsuperscript{125}

To test H1 and its three sub-hypotheses, the first question of the survey asked people to evaluate the silk scarf in terms of listed product features. Referring to Vigeron and Johnson’s (2004) defining factors of luxury goods,\textsuperscript{126} subjects should judge the silk scarf in terms of design, quality, color, exclusiveness, craftsmanship, precision, and comfort. Subjects could evaluate the seven chosen items on a seven-point scale with anchors of 1 = “\textit{in no sense appealing}” to 7 = “\textit{very appealing}”. The goal was to detect potential significant differences between the three groups of respondents in their evaluations of the silk scarf.

To further investigate the salience of country-of-origin effects, the participants’ price estimations were tested in accordance with H2 and its sub-hypotheses. If country-of-origin holds true and consumers are guided by stereotypes, they can be expected to estimate the Chinese-originated silk scarf cheaper as the French-originated one, since China is generally associated with inferior quality standards. French brands on the opposite usually benefit from more favorable country images. Referring to the measuring tool of Bujac (2014),\textsuperscript{127} subjects could freely indicate their price estimation in question 2, after having been told that the pretended luxury brand would offer the product in the fall/winter collection 2017.

Willingness to purchase was examined in question 3. In order to test H3 and its sub-hypotheses, which argue that country-of-origin will impact purchasing intention, participants were asked to answer to what degree they intended to purchase the scarf. Their answers should be solely based on their own product perceptions and without any disclosure of the price. Here once more, Bujac (2014)\textsuperscript{128} provided the idea of measuring the willingness to purchase. On a seven-point scale with anchors of 1 = “\textit{I would not intend to purchase at all}” to 7 = “\textit{I would totally intend to purchase}” subjects could tick their answers.

Question 4, which terminated the experimental section of the survey, intended to examine different attitudes towards a proposed price of the silk scarf. Here again, the aim was to test the hypothesis that French origin will lead to a more positive evaluation and, in accordance to H4 and its sub-hypotheses, more tolerance towards premium pricing. If Chinese origin led to a less favorable perception of the scarf, lower acceptance of a higher pricing could be expected. Referring to Tse and Gorn (1993)\textsuperscript{129}, the silk scarf of all three origins (or non-origins) was priced at a high rate. After the disclosure of the price, participants were

\textsuperscript{125} TexereSilk (2013), n.p.
\textsuperscript{126} Vigneron and Johnson (2004), p. 487.
\textsuperscript{129} Tse and Gorn (1993), p. 63.
asked to indicate how they perceived the pricing. On a seven point scale the proposed price of 290€ needed to be rated as being 1 = “too low” up to 7 = “too high”.

After completing the experiment, the second major section of the survey started. The aim was to gather general information on the country-of-origin effect’s impact on consumer behavior, as well as consumers’ country ratings. Additionally, the social-demographic profiles of the respondents were inquired.

Question 5 to question 7 of the survey intended to test H5, which argued in a general context that country-of-origin plays a significant role when it comes to the product evaluation and purchasing behavior of luxury brands. Hereby, Aiello et al. (2008)\(^\text{130}\) gave impetus to the measuring tool, which examined how different product items affect purchasing behavior. To test if a product’s origin is a significant factor in the overall evaluation of luxury goods, subjects were asked in question 5 to what extent six listed product items influenced their purchasing intention of luxury goods in general. On a seven-point scale with anchors of 1 = “No significant effect at all” to 7 = “Very significant effect”, consumers were asked to indicate to what extent the product items brand, price, design, origin, quality and advertising affected their purchasing behavior. To provide significant results, the two additional product categories of shopping and convenience goods were added. The aim was to subsequently juxtapose the results of all three categories\(^\text{131}\) and investigate if country-of-origin has a higher significance regarding luxury goods in comparison to cheaper goods. Hence, question 6 provided the same measuring tool with the same product items, but in terms of shopping goods. Question 7 inquired the relevance of the six product items regarding convenience goods.

Questions 8 to 11 of the questionnaire intended to gain insights into the subjects’ country perceptions in order to test H6, which hypothesizes that Chinese products in general suffer from less favorable country images. If products are marketed under a less known brand, which is the case of Chinese luxury newcomers when entering the German market, country-of-origin can replace the brand itself. This effect can have, depending on a consumer’s

\(^{130}\)Aiello et al. (2008), p. 71.

\(^{131}\)Convenience goods can be described as frequently bought goods, which consumers do not spend much time of consideration or money on. Due to their relatively low value and pricing, consumers do not perceive their purchase as risk-full, e.g. food, gas or magazines. Shopping goods require more personal selection effort, as consumers are willing to spend a significant amount of money and time on the evaluation and purchasing process. Therefore, consumers usually compare a number of various brands in advance, as the purchase of the product comes with increased risk. Examples include cars, furniture or electronic devices. Luxury goods can be ranked on the highest of the risk and price levels. Consumers are less likely to search for alternative brands and products, as they only accept one brand. High-fashion clothing, vintage imported wines or luxury perfumes can be listed as examples. Murphy and Enis (1986), p. 25-26, 29.
assessment of the origin, either a positive or negative influence. In the case of Chinese brands, low evaluation of their products by consumers can be expected. Therefore, questions 8 to 11 aimed to test to what extent Chinese products are being associated with mass-production, rather than high-quality goods.

Referring to Aiello et al. (2008) country images were measured by inquiring subjects’ general evaluation of various countries’ products. According to Roth and Romeo (1992) country image arises from various dimensions that have the ability to contribute to a positive perception of its production profile. These dimensions were identified as innovativeness (i.e. the use of new technology and technical advances), design (i.e. style, colors, appearance), prestige (i.e. exclusivity), and workmanship (i.e. quality, reliability). Subjects were asked in question 8 to 11 how they generally evaluated products of a set of countries in regards to these four dimensions. Hereby, each question listed the same countries. Italy, France, Germany, USA, and Japan represented developed countries, which were expected to be higher evaluated on the four product dimensions due to their economic advancements, as opposed to China, a country with a less favorable country image. India, being another developing country and usually associated with cheap labor and mass production, was added to test if overall economic development impacts country images. Here again, participants could tick their evaluations on a seven-point scale with anchors of 1 = “Very low” to 7 = “Very high”, regarding each country’s product dimension.

Questions 12 to 17 aimed to gather information on the subjects’ socio-demographic background. Therefore, subjects were asked to indicate their gender, age, origin, employment relationship, as well as monthly net income. Question 17 focused on the frequency of subjects’ luxury purchases. This question was included to detect relevant subjects for this survey, as they were asked to tick how often they purchase luxury goods. Those, who answered “Every week”, “Every month”, “Every few months”, or “Once a year” were identified as relevant participants, due to their involvement with luxury goods. Those, who answered they would “Never” purchase luxury goods needed to be sorted out.

5.4 Results

Regarding the experimental setting, out of the 87 received questionnaires, 34 respondents answered the questionnaire that falsely informed them of the silk scarf’s Chinese origin, while 28 subjects answered the French version. 25 people were not given any information on the

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133 Aiello et al. (2008), p. 72.
134 Aiello et al. (2008), p. 68.
silk scarf’s origin. Throughout the survey, all hypotheses were either confirmed or rejected on a p= 0.05 significance level.

5.4.1 Description of the Sample

The study includes a sample of 87 people, comprising of 56 (64%) female and 30 (34%) male respondents. One person did not indicate his/her gender. As shown in Table 1, 62 participants are aged between 16 to 34 years. With an overall rate of 72%, the sample as a whole is relatively young. Regarding the fact that the majority of Chinese luxury brands have not entered the German market yet, today’s younger generation of consumers can be expected to be the target customers in the nearer future. Therefore, the fact that a large proportion of young consumers participated in this survey can be regarded as adequate. The next two age categories show rather similar percentages. 13 people are 35 to 49 years of age, contributing to 15% of the overall age distribution, while 11 subjects are aged at 50 years and older, contributing to 12% of the sample. One person did not indicate his/her age.

66 (76%) people indicated to be originated from Germany, while 20 (23%) implied to have their roots in other countries. One person did not indicate his/her country of origin (as shown in Table 2).

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Amount</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-34</td>
<td>62</td>
<td>72 %</td>
</tr>
<tr>
<td>35-49</td>
<td>13</td>
<td>15 %</td>
</tr>
<tr>
<td>50 and older</td>
<td>11</td>
<td>12 %</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>1 %</td>
</tr>
</tbody>
</table>

Table 1. Distribution of Age

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>66</td>
<td>76 %</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>23 %</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>1 %</td>
</tr>
</tbody>
</table>

Table 2. Origin of Respondents

In regards to the status of employment (as shown in Table 3), 42 respondents are finding themselves in full employment, which marked the majority of answers (48%). Due to the rather young distribution, the second-largest group consisted of students. Here, 25 (29%)
indicated to be enrolled at school or university. With respectively seven people, the group of both, part-time employment and other situation, show similar percentages of 8%. Five respondents indicated to be self-employed (6%), while one person is currently not in an employment relationship (1%).

Table 3. Respondents’ Status of Employment

<table>
<thead>
<tr>
<th>Status of Employment</th>
<th>Amount</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>42</td>
<td>48%</td>
</tr>
<tr>
<td>Student</td>
<td>25</td>
<td>29%</td>
</tr>
<tr>
<td>Part-time</td>
<td>7</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>8%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>1</td>
<td>1%</td>
</tr>
</tbody>
</table>

As shown in Figure 3, the majority of respondents indicated to have monthly net incomes of 1001€-2500€, marking a distribution ratio of 33% (29 people). 16 respondents (18%) shied away from income disclosure, which forms the second-largest group. 15 (17%) people have monthly net incomes of 2501€-4000€, while 9 (10%) people indicated a monthly net income of 500€ and less. The same distribution applies to the group of 501€-1000€ of monthly net income, with a rate of 9 (10%) of respondents. 1 (1%) person claims to have a monthly net income of 7001€ and more.

Figure 3. Monthly Net Income
To ensure the inclusion of respondents who are familiar with luxury goods the last question asked subjects to indicate the frequency of their luxury purchases. Those indicating to never buy luxury goods at all were excluded from the survey. 37 (43%) people answered to buy luxury goods every few months, while 28 (32%) claimed to buy luxury goods on a monthly basis. 19 (22%) respondents purchase luxury goods once a year, and the smallest group, with 3 respondents (3%), on a weekly basis, as shown in Table 4:

Table 4. Frequency of Luxury Goods Purchases

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Amount</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every Week</td>
<td>3</td>
<td>3 %</td>
</tr>
<tr>
<td>Every Month</td>
<td>28</td>
<td>32 %</td>
</tr>
<tr>
<td>Every Few Months</td>
<td>37</td>
<td>43 %</td>
</tr>
<tr>
<td>Once a Year</td>
<td>19</td>
<td>22 %</td>
</tr>
</tbody>
</table>

5.4.2 Development of Product Evaluation Scale

In order to test H1 and its three sub-hypotheses, participants had to evaluate the test object in terms of 7 items. As shown in Table 5, a factor analysis revealed that those 7 items all load positively on one single component. Therefore, it can be assumed that all items can be summed up to one single factor, which will be labeled as product evaluation.

Table 5. Factor Analysis

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor: Product Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation on Design</td>
<td>.752</td>
</tr>
<tr>
<td>Evaluation on Quality</td>
<td>.832</td>
</tr>
<tr>
<td>Evaluation on Color</td>
<td>.612</td>
</tr>
<tr>
<td>Evaluation on Exclusivity</td>
<td>.759</td>
</tr>
<tr>
<td>Evaluation on Craftsmanship</td>
<td>.752</td>
</tr>
<tr>
<td>Evaluation on Precision</td>
<td>.877</td>
</tr>
<tr>
<td>Evaluation on Comfort</td>
<td>.606</td>
</tr>
</tbody>
</table>

Note. Rotation: Varimax
In terms of reliability and as an indicator of the scale’s consistency, Cronbach’s alpha ranked at a high level of $\alpha = 0.872$. Therefore, it exceeds the basic requirement of the $\alpha = 0.70$ threshold. Moreover, the reliability of the scale could not be decisively increased if additional items would have been deleted.

5.4.3 Hypotheses H1, H1a, H1b, and H1c

The differences among group means was tested with a one-way variance analysis (ANOVA). All prerequisites for conducting an ANOVA are given: (1) As the dependent variable (single items of product evaluation scale) was measured on a Likert-scale, it can be considered as interval-level data. (2) The independent variable (three different groups) can be regarded as nominal-level data. (3) The three different groups are independent from each other. (4) Normal distribution regarding the dependent variable within all three groups is given (tested using the Kolmogorov-Smirnov test). (5) Moreover, equality of variances is given, as the Levene’s test was not significant ($F(2, 84) = 0.714, p = 0.493$).

As shown in Table 6, the scarf on average was evaluated at $M = 4.79$. The mean score on product evaluation within the group of no origin was $M = 4.98$, while French origin’s mean score was $M = 5.14$. Chinese origin scored the lowest mean value with $M = 4.36$.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>4.98</td>
<td>1.09</td>
<td>25</td>
</tr>
<tr>
<td>French Origin</td>
<td>5.14</td>
<td>1.03</td>
<td>28</td>
</tr>
<tr>
<td>Chinese Origin</td>
<td>4.36</td>
<td>1.22</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>4.79</td>
<td>1.17</td>
<td>87</td>
</tr>
</tbody>
</table>

The results of the ANOVA indicated a significant difference between the three groups ($F(2, 84) = 4.173, p = 0.019, \eta^2 = 0.90, n = 87$). Therefore, country-of-origin seems to have an influence on product evaluation. Consequently, H1 (“Country-of-origin has an impact on product evaluation”) can be confirmed.

In a next step and in order to test the sub-hypotheses H1a, H1b and H1c, the Scheffé’s method, which is a single-step multiple comparison procedure, was used as a post-hoc test to examine differences between the three groups (as shown in Table 7).
Table 7. Scheffé’s Test - Product Evaluation

<table>
<thead>
<tr>
<th>(I) Setting of Questionnaire (Origin of Product)</th>
<th>(J) Setting of Questionnaire (Origin of Product)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>France</td>
<td>-.156</td>
<td>.309</td>
<td>.882</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>.621</td>
<td>.296</td>
<td>.118</td>
</tr>
<tr>
<td>France</td>
<td>Without Origin</td>
<td>.156</td>
<td>.309</td>
<td>.882</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>.776*</td>
<td>.287</td>
<td>.030</td>
</tr>
<tr>
<td>China</td>
<td>Without Origin</td>
<td>-.621</td>
<td>.296</td>
<td>.118</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>-.776*</td>
<td>.287</td>
<td>.030</td>
</tr>
</tbody>
</table>

Note. * significant on a 0.05 level

The silk scarf with French origin was higher evaluated than with Chinese origin. The difference between the mean values showed a significant result ($p = 0.03$). Therefore, H1a (“Chinese origin as a country-of-origin cue will result in lower product evaluation than French origin”) could be confirmed.

No significant difference, but a slight tendency, between the mean values of Chinese origin and no origin was measured ($p = 0.12$). Therefore, H1b (“Chinese origin as a country-of-origin cue will result in lower product evaluation than no origin”) had to be rejected.

Comparing the mean values of French and no origin, significance is lacking again ($p = 0.88$) between the two groups. As no evidence for the support of H1c (“French origin as a country-of-origin cue will result in higher product evaluation than no origin”) could be given, it had to be rejected.

5.4.4 Hypotheses H2, H2a, H2b, and H2c

In order to further test country biases, the subjects were asked to estimate the price of the test object in question 2 of the questionnaire. Similar to H1, the differences among group means was tested with a one-way variance analysis (ANOVA). As the Levene’s test was significant ($F(2, 83) = 3.318$, $p = 0.04$), however, one prerequisite for conducting an ANOVA was violated. Therefore, due to the heterogeneity of variances, the Welch test was conducted.

As shown in Table 8 respondents on average estimated the manipulated silk scarf at a price of $M = 177.13€$. The group, which was not disclosed any information on country-of-origin estimated the silk scarf at $M = 156.00€$, while the scarf of French origin was valued at $M = 268.04€$. Chinese origin scored the lowest, with a mean value of $M = 116.00€$. 

38
Table 8. Descriptives Price Estimation

<table>
<thead>
<tr>
<th>Condition</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>156.00</td>
<td>105.18</td>
<td>25</td>
</tr>
<tr>
<td>French Origin</td>
<td>268.04</td>
<td>169.66</td>
<td>28</td>
</tr>
<tr>
<td>Chinese Origin</td>
<td>116.00</td>
<td>111.62</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>177.13</td>
<td>145.82</td>
<td>86</td>
</tr>
</tbody>
</table>

The Welch’s test indicated a highly significant difference between the three mean values ($F(2, 52.25) = 8.119, p = 0.001$). Therefore, country-of-origin seems to have an influence on price estimation. Consequently, H2 (“Country-of-origin has an impact on price estimations”) can be confirmed.

Due to the heterogeneity of variances the Games-Howell post-hoc test was conducted. Results are shown in Table 9.

Table 9. Games-Howell Test - Price Estimations

<table>
<thead>
<tr>
<th>(I) Setting of Questionnaire (Origin of Product)</th>
<th>(J) Setting of Questionnaire (Origin of Product)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>France</td>
<td>-112.04*</td>
<td>38.35</td>
<td>.015</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>40.00</td>
<td>28.64</td>
<td>.350</td>
</tr>
<tr>
<td>France</td>
<td>Without Origin</td>
<td>112.04*</td>
<td>38.35</td>
<td>.015</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>152.04*</td>
<td>37.50</td>
<td>.001</td>
</tr>
<tr>
<td>China</td>
<td>Without Origin</td>
<td>-40.00</td>
<td>28.64</td>
<td>.350</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>-152.04*</td>
<td>37.49</td>
<td>.001</td>
</tr>
</tbody>
</table>

Note. * significant on a 0.05 level

The Games-Howell Test indicated the difference between Chinese origin and French origin to be highly significant ($p = 0.001$). The results show, that the French scarf’s price was generally higher estimated in comparison to the Chinese scarf. Hence, H2a (“Chinese origin as a country-of-origin cue will result in lower price estimation than French origin”) could be confirmed.
H2b (“Chinese origin as a country-of-origin cue will result in lower price estimation than no origin”) could not be confirmed and had to be rejected, as the significance level was way above the 0.05 threshold ($p = 0.35$).

No origin in comparison to French origin, however, showed a significant difference in price estimations ($p = 0.02$). Consequently, H2c (“French origin as a country-of-origin cue will result in higher price estimation than no origin”) could be confirmed.

5.4.5 Hypotheses H3, H3a, H3b, and H3c

Question 3 addressed respondents’ willingness to purchase the manipulated silk scarf. Similar to H1 and H2 the differences among group means was tested with an ANOVA. Again, however, the Levene’s test was significant ($F(2, 84) = 4.492, p = 0.01$). Due to the heterogeneity of variances, the Welch’s test was conducted.

On average (see Table 10), subjects showed a willingness to purchase of $M = 3.64$. The group, which was not given any information on country-of-origin scored a mean value of $M = 4.04$, while the scarf of French origin received a mean of $M = 4.07$. Again, Chinese origin scored the lowest, with a mean value of $M = 3.00$.

Table 10. Descriptives Willingness to Purchase

<table>
<thead>
<tr>
<th>Condition</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>4.04</td>
<td>1.79</td>
<td>25</td>
</tr>
<tr>
<td>French Origin</td>
<td>4.07</td>
<td>2.14</td>
<td>28</td>
</tr>
<tr>
<td>Chinese Origin</td>
<td>3.00</td>
<td>1.56</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>3.64</td>
<td>1.88</td>
<td>87</td>
</tr>
</tbody>
</table>

The Welch’s test indicated a significant difference between the three mean values ($F(2, 51.51) = 3.828, p = 0.03$). Therefore, country-of-origin seems to have an influence on willingness to purchase and H3 (“Country-of-origin has an impact on price estimations”) can be confirmed.

Due to the heterogeneity of variances the Games-Howell post-hoc test was conducted. Results are shown in Table 11.

Table 11. Games-Howell Test - Willingness to Purchase

<table>
<thead>
<tr>
<th>(I) Setting of Questionnaire (Origin of Product)</th>
<th>(J) Setting of Questionnaire (Origin of Product)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig</th>
</tr>
</thead>
</table>

Results of the Games-Howell Test between the three groups are shown in Table 11. Overall, no significant differences in terms of willingness to purchase between the three groups can be observed. However, there are slight tendencies in terms of differences between the French and Chinese treatment \((p = 0.08)\), as well as the Chinese and the group without origin \((p = 0.06)\). Therefore, H3a (“Chinese origin as a country-of-origin cue will result in lower willingness to purchase than French origin”) was not supported on a 0.05 significance level. Same applies to H3b (“Chinese origin as a country-of-origin cue will result in lower willingness to purchase than no origin”) and H3c (“French origin as a country-of-origin cue will result in higher willingness to purchase than no origin”).

### 5.4.6 Hypotheses H4, H4a, H4b, and H4c

The last question of the questionnaire’s experimental section tested consumers’ country biases in regards to pricing assessments. Here, a lower mean value indicated a higher justification of premium pricing. Therefore, as opposed to previous evaluations, a higher mean value equals lower sympathy with a high price of the scarf. Due to the heterogeneity of variances (Levene’s test \((F(2, 84) = 3.542, p = 0.03)\)), the Welch’s test was conducted.

On average, subjects assessed the silk scarf on a mean value of \(M = 5.16\) (see Table 12), which demonstrates an overall refusal of the proposed premium pricing. Nevertheless, the group which most likely agreed on the pricing of 290€ was the group with French origin as informational cue, with \(M = 4.36\). No origin scored a mean value of \(M = 5.32\). Here again, Chinese origin received the most unfavorable assessment, with a mean value of \(M = 5.71\).

<table>
<thead>
<tr>
<th>(I) Setting of Questionnaire (Origin of Product)</th>
<th>(J) Setting of Questionnaire (Origin of Product)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>France</td>
<td>-0.03</td>
<td>0.54</td>
<td>.998</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>1.04</td>
<td>0.45</td>
<td>.062</td>
</tr>
<tr>
<td>France</td>
<td>Without Origin</td>
<td>0.03</td>
<td>0.54</td>
<td>.998</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>1.07</td>
<td>0.49</td>
<td>.080</td>
</tr>
<tr>
<td>China</td>
<td>Without Origin</td>
<td>-1.04</td>
<td>0.45</td>
<td>.062</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>-1.07</td>
<td>0.49</td>
<td>.080</td>
</tr>
</tbody>
</table>

Table 12. Descriptives Pricing Assessment

<table>
<thead>
<tr>
<th>Condition</th>
<th>Mean</th>
<th>SD</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>5.32</td>
<td>1.31</td>
<td>25</td>
</tr>
<tr>
<td>Condition</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>---------------</td>
<td>------</td>
<td>-----</td>
<td>----</td>
</tr>
<tr>
<td>French Origin</td>
<td>4.36</td>
<td>1.89</td>
<td>28</td>
</tr>
<tr>
<td>Chinese Origin</td>
<td>5.71</td>
<td>1.29</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>5.16</td>
<td>1.61</td>
<td>87</td>
</tr>
</tbody>
</table>

Welch's test indicated a significant difference between the three mean values ($F(2, 52.12) = 5.085, p = 0.01$). Therefore, country-of-origin seems to have an influence on pricing assessment. H4 (“Country-of-origin has an impact on pricing assessments”) can be confirmed.

<table>
<thead>
<tr>
<th>(I) Setting of Questionnaire (Origin of Product)</th>
<th>(J) Setting of Questionnaire (Origin of Product)</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Origin</td>
<td>France</td>
<td>0.96</td>
<td>0.44</td>
<td>.086</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>-0.39</td>
<td>0.34</td>
<td>.505</td>
</tr>
<tr>
<td>France</td>
<td>Without Origin</td>
<td>-0.96</td>
<td>0.44</td>
<td>.086</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td>-1.35*</td>
<td>0.42</td>
<td>.007</td>
</tr>
<tr>
<td>China</td>
<td>Without Origin</td>
<td>0.39</td>
<td>0.34</td>
<td>.505</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>1.35*</td>
<td>0.42</td>
<td>.007</td>
</tr>
</tbody>
</table>

Note. * significant on a 0.05 level

Due to the heterogeneity of variances the Games-Howell post-hoc test was conducted. Results are shown in Table 13. As indicated, Games-Howell displayed a significant difference between Chinese and French origin in terms pricing assessment ($p= 0.01$). H4a (“Chinese origin as a country-of-origin cue will result in lower acceptance of premium pricing than French origin”) was therefore supported on a $p= 0.05$ level and can be confirmed.

H4b (“Chinese origin as a country-of-origin cue will result in lower acceptance of premium pricing than no origin”) could, however, not be supported on a $p = 0.05$ level ($p = 0.51$). Consequently, H4b has to be rejected.

Same applies to the difference between French origin and no origin ($p = 0.09$). Thus, H4c (“French origin as a country-of-origin cue will result in higher acceptance of premium pricing than no origin”) to be rejected on a $p = 0.05$ level.
5.4.7 Hypotheses H5 and H6

The second part of the questionnaire aimed to gain insights into the general effect of country-of-origin on the participants, as well as their country images. This part was added to test H5 (“Country-of-origin is a motivator regarding consumers’ purchasing decisions of luxury goods”) and H6 (“Overall Chinese products suffer from less favorable country images”), hypotheses which referred to general behavior and perceptions.

In order to test H5, subjects were asked to indicate the relevance of six product items for the three different product categories of luxury goods, shopping goods and convenience goods in regards to purchasing behavior. The aim was to investigate which mean value the country-of-origin item would score in comparison to other product items within the luxury segment, as well as to test its relevance within the categories of shopping and convenience goods.

Table 14. Relevance of Product Items Regarding Different Product Categories

<table>
<thead>
<tr>
<th></th>
<th>Luxury</th>
<th>Shopping</th>
<th>Convenience</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>5.49</td>
<td>5.45</td>
<td>3.74</td>
<td>4.89</td>
</tr>
<tr>
<td>Price</td>
<td>5.24</td>
<td>5.86</td>
<td>5.43</td>
<td>5.51</td>
</tr>
<tr>
<td>Design</td>
<td>6.39</td>
<td>5.74</td>
<td>3.57</td>
<td>5.23</td>
</tr>
<tr>
<td>CoO</td>
<td>4.25</td>
<td>4.11</td>
<td>4.79</td>
<td>4.38</td>
</tr>
<tr>
<td>Quality</td>
<td>6.03</td>
<td>6.25</td>
<td>5.98</td>
<td>6.09</td>
</tr>
<tr>
<td>Commercials</td>
<td>3.76</td>
<td>3.83</td>
<td>2.94</td>
<td>3.51</td>
</tr>
</tbody>
</table>

Note. Valid N = 85

As shown in Table 14, country-of-origin scored the second-lowest mean value of \( M = 4.25 \) within the segment of luxury goods. The product item, which appeared to have the strongest relevance when purchasing luxury goods, was the item design, with \( M = 6.39 \). With a mean value of \( M = 6.03 \), quality was evaluated as the second-most important item. Brand name scored a mean value of \( M = 5.49 \) and a luxury good’s price a value of \( M = 5.24 \). Subjects attached the lowest importance to the product item of commercials with \( M = 3.76 \).

When it comes to the results of shopping goods, quality with \( M = 6.25 \) plays the most significant role for the purchasing decision. Price scored a mean value of \( M = 5.86 \), the second-most important item to subjects. Design was valued at a mean of \( M = 5.74 \) and brand at a mean value of \( M = 5.45 \). Again, commercials have the lowest impact on purchasing
behavior, with $M = 3.83$. As opposed to the mean value within the luxury goods section, country-of-origin scored lower, with $M = 4.11$.

A product’s origin seems to play the most important role within the convenience goods category. Here, the mean value was $M = 4.79$, which is the highest mean value for this product item. While it was attached low importance within the categories of luxury and shopping goods, it ranks third place in the category of convenience goods. Here, the most important product item to the participants is the quality, with a mean value of $M = 5.98$, and the second-most important item a product’s price, with $M = 5.43$. The brand name has not as much relevance, with $M = 3.74$. Again, commercials scored the lowest mean value, with $M = 2.95$.

Based on these results, respondents value quality the most within all three product categories with $M = 6.09$. This would confirm the findings in chapter 3, which exemplify the overall affinity of German consumers towards high quality. Price turned out to be another important factor for the subjects in all categories, as the cumulative mean equals $M = 5.51$. Design received an overall rating of $M = 5.23$, followed by $M = 4.89$. Commercials rank the lowest in all three categories, with a cumulative mean of $M = 3.51$.

Due to the low ranking of country-of-origin within the product category of luxury goods as opposed to other items, as well as the significant role of origin regarding convenience goods, H5 (“Country-of-origin is a motivator regarding consumers’ purchasing decisions of luxury goods”) had to be rejected.

To test H6 (“Overall Chinese products suffer from less favorable country images”), subjects were asked to indicate how they generally perceive products originated from a given set of nations, based on four production dimensions.

**Table 15. Country Evaluations on Innovation, Design, Prestige, Craftsmanship**

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>France</th>
<th>Germany</th>
<th>USA</th>
<th>China</th>
<th>Japan</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>4.34</td>
<td>4.56</td>
<td>6.08</td>
<td>5.99</td>
<td>4.85</td>
<td>5.90</td>
<td>3.30</td>
</tr>
<tr>
<td>Design</td>
<td>6.33</td>
<td>6.11</td>
<td>4.76</td>
<td>4.76</td>
<td>3.76</td>
<td>4.85</td>
<td>3.28</td>
</tr>
<tr>
<td>Prestige</td>
<td>6.20</td>
<td>6.28</td>
<td>5.85</td>
<td>5.23</td>
<td>3.06</td>
<td>4.53</td>
<td>2.47</td>
</tr>
<tr>
<td>Craftsmanship</td>
<td>5.63</td>
<td>5.86</td>
<td>6.45</td>
<td>5.07</td>
<td>2.68</td>
<td>4.64</td>
<td>2.50</td>
</tr>
<tr>
<td>Total</td>
<td>5.63</td>
<td>5.70</td>
<td>5.79</td>
<td>5.26</td>
<td>3.59</td>
<td>4.98</td>
<td>2.89</td>
</tr>
</tbody>
</table>

**Note.** Valid $N = 83$
As shown in Table 15, China received the second-lowest cumulated results, with $M = 3.59$ for all four dimensions. With a mean of $M = 4.85$, innovativeness ranked as the highest dimension and was perceived as being higher than the innovational capabilities of France ($M = 4.56$) and Italy ($M = 4.34$). In terms of design ($M = 3.76$) and prestige ($M = 3.06$), China scored the second-lowest results. The dimension of craftsmanship was China’s lowest mean value with $M = 2.68$. These outcomes reflect biases against Chinese overall production, as the country seems to have not gotten rid of its poor-quality image.

Germany scored the highest with a cumulative mean value of $M = 5.79$, which could be correlated with respondents’ greater familiarity with German products and the overall good reputation of products “Made in Germany”. In terms of craftsmanship ($M = 6.45$) and innovation ($M = 6.08$) Germany holds the leading position among all nations. German products scored the third-highest result in terms of prestige ($M = 5.85$), whereas design ($M = 4.76$) was perceived as relatively low.

Products of French origin ranked second place, with a cumulated mean of $M = 5.70$. Compared to the other countries, France was perceived by subjects as offering the most prestigious products, with $M = 6.28$, the highest score within this dimension. Design was France’s second strongest product dimension, with $M = 6.11$, followed by craftsmanship with $M = 5.86$. Innovation was the dimension France was less perceived with. A potential explanation for the high evaluations on prestige, design, and craftsmanship can be France’s luxury sector. Chances are that respondents mostly associated luxury goods, such as high-fashion or champagne and wine, with France’s overall production.

With a cumulated mean of $M = 5.63$, Italy ranks third place. Hereby, design was the country’s strongest product dimension with $M = 6.33$, the highest mean value as opposed to other countries’ design means. Italian products were rated at a mean value of $M = 6.20$ in terms of prestige, followed by craftsmanship with $M = 5.63$. Apparently, subjects associated Italy with a comparatively low level of innovation, as $M = 4.34$ represents the second-lowest result within the set of nations. Especially the high results of Italian and French design, as well as prestige, highlight how much it can pay off to include origin into a luxury brand’s communication strategies as it is likely to benefit from these favorable country images.

Regarding the overall perception of U.S. goods, the cumulated mean value scored at $M = 5.26$. According to the survey’s respondents, innovation reflects the nation’s strongest capability, with $M = 5.99$. Prestige gained a mean of $M = 5.23$, while craftsmanship was valued at the level of $M = 5.07$. Design was the country’s lowest evaluated dimension with $M = 4.76$, which tied with Germany’s mean value of design.

Among the Asian nations, Japan received the highest cumulated mean value of $M = 4.98$, but the third lowest mean of all countries. With $M = 5.90$, Japan nevertheless scored the
set’s of nations third highest mean on innovation. In terms of design, Japan could generate a mean value of \( M = 4.85 \), followed by craftsmanship (\( M = 4.64 \)) and prestige (\( M = 4.53 \)).

Within all four product dimensions India scored the lowest, resulting in a cumulated mean value of \( M = 2.89 \). India’s most favorable associated dimension by respondents was innovation with \( M = 3.30 \). Design was valued at a level of \( M = 3.28 \), followed by prestige (\( M = 2.47 \)) and craftsmanship (\( M = 2.50 \)).

Due to the low evaluation of overall Chinese products, especially in comparison to developed countries, H6 (“Overall Chinese products suffer from less favorable country images”) could be confirmed. China was generally evaluated at a lower mean value, which is telling for the allover negative country image China is still suffering from.

5.5 Discussion

Hypotheses testing revealed results that require a more detailed discussion, especially in the framework of the theoretical background that was previously provided.

With H1, H2, H3, and H4 being confirmed, it can be argued that there is a strong evidence for an impact of country-of-origin on subjects’ overall evaluation of a product and its’ price. Nevertheless, taking into account that several sub-hypotheses had to be rejected, as differences were not significant, it seems that the effects can only be observed when comparing certain treatments.

H1 functions as an example where the main hypothesis could be confirmed, whereas some of the sub-hypotheses had to be rejected. While the overall statement “Country-of-origin has an impact on product evaluation” is true, significant differences can only be observed between Chinese and French origin.

Same applies for H2. As shown, overall the statement “Country-of-Origin has an impact on price estimations” holds true. However, putting into account that the neutral variable of no country-of-origin lacked significant differences as opposed to Chinese origin, significant differences can only be observed between certain treatments.

Again, with hypothesis H3 being confirmed, but all three sub-hypotheses being rejected, the main statement “Country-of-origin has an impact on price estimations” is true, while significant differences might only occur between various countries. Same applies for the assumption in H4 (“Country-of-origin has an impact on pricing assessments”).

To sum up, country-of-origin can be argued to be of high relevance. Since French origin has scored the most favorable mean values in all categories (product evaluation, price estimation, willingness to purchase, and pricing assessment), whereas Chinese origin has always scored the lowest mean values, country biases do hold true within this experiment.
However, significant differences were not always assured. The treatment “No origin” could additionally highlight the impact of the country-of-origin effect, as French origin always scored higher than no origin, while Chinese origin scored lower in comparison to no origin. Again, significant differences could only partly be observed. Thus, as no origin scored in-between French and Chinese origin, it can be assumed that a product’s origin does impact consumers’ evaluation. A greater sample size could have contributed to more significant differences, a circumstance that will have to be discussed more detailed in the section of limitations within this thesis.

When it comes to the overall purchasing behavior of the respondents, which was investigated in H5, country-of-origin scored rather low, with $M = 4.38$. These findings do not match with the experiment’s outcome and the results of H1, H2, H3, and H4, where country-of-origin did in fact impact the product and pricing evaluations of subjects. Thus, it can be argued that although subjects did not directly indicate origin as being relevant to their general purchasing behavior, it actually remains a significant factor, which subjects might not fully be aware of. This provides justification for the experimental section of the survey, as confronting people with tangible objects results in different outcomes.

The results of H6 (“Overall Chinese products suffer from less favorable country images”) display the subjects’ affinity towards European goods in their general perception. The highest means were generated by Germany, France and Italy, all three European countries, whereas the USA find themselves on a middle rank. Within the European group, Germany managed to generate the highest mean values. Whether these results correlate with the all-over positive reputation of German production or a higher familiarity that subjects treat German products with is open to discussion. However, it is worth noticing that Western countries, which include Japan, were evaluated at a higher rate, compared to China and India. It exemplifies to what extent a country’s economic development can lead to overall more positive country images.

Furthermore, there is a high probability that specific industry fields, which subjects had in mind while answering the questionnaire, contributed to these results. It does therefore not seem to be surprising that France received the highest mean value on prestige, given the country’s expertise on high-fashion and luxury goods. Same applies to Italy, which scored the highest mean on design. Here again, chances are that the country’s various luxury brands and leather goods brands had an impact on the participants’ ratings. Germany, the USA and Japan mostly distinguished themselves from other countries through technical advances. Regarding these nations’ strong global positions within the high-technology and automotive sectors, the generated scores were to be expected.\textsuperscript{136} China’s and India’s low ratings on all four

\textsuperscript{136} Aiello et al. (2008), p. 70.
dimensions (except for China’s results on innovativeness) might arise from their growth models, which rely/relied on manufacturing and low labor costs.137 Apparently, respondents do not associate China and India with industrial fields, which require research and development, but low quality goods and mass-production. It is nevertheless worth noticing that innovativeness was the highest rated dimension for both countries. Here, respondents might have associated the nations’ technological contributions, such as information technology, high-speed train technology or communication, when evaluating the nations’ overall production.138 Regarding Japan’s rank among the seven countries, it seems rather surprising how comparatively low it scored in terms of prestige and craftsmanship. With its history of crafts and artistry translated into its contemporary art, architecture, and industrial design, higher scores could have been expected.139 Eventually, a potentially low familiarity with Japanese crafts as well as prestigious modern fashion brands by the survey’s participants could be a possible explanation for these results. Nevertheless, it needs to be added that the motives for the participants’ answers are solely based on assumptions, as this qualitative survey cannot provide in-depth insights into the drivers of subjects’ country images.

To conclude this section, the thesis’ research question shall be answered based on the tested hypotheses. When asking respondents to evaluate the test object in regards to product features, price, willingness to purchase and pretended pricing, the overall hypotheses could all be confirmed. However, and as shown when investigating more specific effects, significant differences can only be observed when comparing certain treatments. From a statistical point of view, however, there is significant evidence that the country-of-origin effect could have an impact on Chinese luxury brands when entering the German luxury goods market.

Therefore, it can be argued that the country-of-origin effect could potentially pose an essential threat to Chinese luxury brands. The significant differences between Chinese and French origin demonstrate the relevance of a product’s origin. Although subjects did not directly indicate a luxury good’s origin as determining factor for their purchasing decision, the experiment proved otherwise. Since the silk scarf with Chinese origin received less favorable evaluations as opposed to the silk scarf with French and no origin throughout all stages of the questionnaire, the country-of-origin effect does seem to be of high relevance. Besides, when being confronted with a set of countries, participants revealed their stereotypical thinking. The results of the country ratings in regards to the product dimensions of innovativeness, design, prestige, and craftsmanship exemplified how developed nations usually gain the participants’ trust, whereas developing countries struggle to shake off their

138 Pan (2016), p. 100.
unfavorable reputation. Although some of the sub-hypotheses had to be rejected due to non-significant differences (mostly between no origin and Chinese/French origin), the survey provided telling insights into the respondents’ country images and their purchasing behavior. It can be assumed that China’s unfavorable country image has an impact on how German consumers will perceive Chinese originated luxury brands, once they enter the German luxury goods market.

5.6 Managerial Implications

This survey provides several managerial implications that should be taken into consideration by Chinese luxury brands, which intend to soon enter the German market. As this study shows, country-of-origin influences consumer perceptions when being directly confronted with a test object. Moreover, the country ratings demonstrated China’s unfavorable image among consumers. Since individual companies do not have the power to influence the country-of-origin effect on their products, the management of such newcomers needs to carefully frame the international expansion strategy. It is therefore crucial to examine, based on the survey’s results, what factors Chinese brands need to focus on to circumvent a negative impact of country-of-origin and instead, accelerate a successful market entry. By looking into the favorably and unfavorably evaluated results of the survey’s country ratings, managerial advice can be given.

Since the especially for a luxury brand’s reputation crucial product dimensions of design, prestige, and craftsmanship ranked comparatively low, it is advisable for Chinese newcomers to give consumers an in-depth understanding of China’s traditions and cultural heritage. Because most of China’s luxury brands encapsulate Chinese traditional craftsmanship and know-how into their brand essence, it is not a question of lacking capabilities, but rather the need for educating the customer. Consumers should no longer make use of cheap quality images, when evaluating Chinese brands, but instead replace such negative stereotypes with China’s rich history of refined craftsmanship and heritage -dimensions, China once excelled in. Although Chinese luxury brands cannot expend the same efforts like their well-established Western counterparts in presenting their brands’ long heritage of craftsmanship and prestige, they can nevertheless draw on China’s overall rich cultural background. The already mentioned Chinese luxury brand SHANG XIA serves as a telling example of a company which successfully revived almost lost Chinese crafts and traditions and translated these into a contemporary high-end fashion and furniture brand.

140 Ommen et al. (2010) p. 95.
142 SHANG XIA (2016), n.p.
According to the survey’s results, respondents did not favor Chinese design, which can have implications on how newcomer brands shall adapt their collections to Western demand. Because no insights could be provided on what subjects particularly had in mind when evaluating the product dimension of Chinese design, Chinese brands’ management needs to carefully study Western consumers’ demands and consider how much “Chineseness” is welcomed by non-Chinese consumers. In order to persuade German clients of their products, the management must always bear in mind that consumers’ demands are culturally framed. What people favor in China almost certainly differs from what people favor in Western countries, such as Germany. While the use of materials like jade has high symbolic power in the Chinese culture, it does not have to apply to other cultures.\textsuperscript{143} For instance, the Chinese originated brand Shanghai Tang faced an unsuccessful global development due to an unsuitable international strategy by confronting U.S. customers with a collection which was rather unfitting for the luxury market segment in the U.S.A. As a consequence, the brand was later acquired by the Swiss luxury conglomerate Richemont, which resulted in a new creative direction and hence, better adaption to market expectations.\textsuperscript{144} This example makes an appeal to Chinese brands’ creative directors and designers to acknowledge cultural differences and furthermore, try to better adapt their designs to foreign demands. This shall not imply that brands need to neglect their origin and heritage but rather to make efforts of blending key Chinese references with contemporary fashion design when entering the German market, in order to counteract negative country-of-origin effects. The same applies to the overall store designs, product displays, and package designs.\textsuperscript{145}

The low mean values regarding the dimension of prestige might result from China being a newcomer in the luxury field, which calls for an enhanced image promotion. The fact that France and Italy have scored the highest within this dimension can be almost certainly linked to their strong luxury sectors. China, on the contrary, still suffers from its image of “the world’s workbench” and is not being associated with certain luxury brands, not to mention a whole industry. This will inevitably hamper the market entry of Chinese newcomers as consumers are mostly lacking experience with Chinese luxury goods. Therefore, awareness among German consumers needs to be encouraged. For instance, short-term projects, such as pop-up shops and concept stores, can be an opportunity of targeted marketing. Pop-up stores have become a popular way for luxury houses to communicate a brand’s spirit, as well as to showcase a collection’s key-pieces. Dior, for example, launched a monthlong pop-up shop in

\textsuperscript{143} Hoffmann (2013), p. 24.
\textsuperscript{144} Rovai (2016), p. 130.
\textsuperscript{145} Ommen et al. (2010) p. 95.
2013 at the I.T. Beijing Market in Sanlitun to promote Raf Simons’ first collection for the French luxury brand in China. Such projects would offer Chinese luxury brands the opportunity to connect with new consumers and at the same time avoid the risks of high investments.

Partnerships with well-known companies in the target market can be helpful for Chinese newcomers in order to overcome the country-of-origin effect. As an example, the Chinese couturier Guo Pei partnered up with the globally successful cosmetic brand M.A.C. Inspired by several of her dresses, Guo Pei designed the packaging and make-up brushes of a 16-piece collection. Cooperation like this can be especially beneficial for newcomers, which need to enhance consumers’ brand awareness and overcome negative country images.

Although Chinese luxury brands are likely to encounter difficulties due to consumers’ negative perceptions associated with China’s overall production, Chinese luxury players should nevertheless draw on their country’s innovativeness. As the survey results have displayed, China scored high at the dimension of innovativeness, surpassing Italy and France. Such outcomes imply that the management of Chinese newcomers should not only enhance their brands roots in China’s traditions but furthermore develop “looking to the future” value propositions. If consumers perceive innovation and technological advancement as a Chinese characteristic, luxury brands originated from China shall regard such favorable country images as an opportunity for their international expansion.

Where traditional European luxury brands only slowly adapt to technological changes, Chinese newcomers can accelerate the digitalization of the luxury market. Europe’s luxury elite has for a long time struggled to break itself free from nostalgia, as e-commerce, omni-channel sales or the presence on social media platforms cannot replace in-store, premium shopping experiences and instead, are feared to damage their high-end image. Nevertheless, the old retail model is dying fast, as luxury consumers’ purchasing behavior is shifting towards e-commerce. The growing preference for online shopping is fundamentally changing luxury retail. China has become the world’s largest retail market, which can, amongst other factors, be affiliated to its highly-developed e-commerce system. Therefore, Chinese luxury brands can benefit from their country’s expertise in the digitalization of retail when entering the German luxury market. The survey’s evaluations have displayed German consumers’

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147 Jing Daily (2013), n.p.
149 Hoffmann (2013), p. 27.
150 Smith and Halpin (2016), n.p.
151 eMarketer (2016), n.p.
confidence in China’s innovative capabilities, which Chinese luxury newcomers should take advantage of.

The fact that most of Europe’s traditional luxury houses are only slowly recognizing the need for digitalization, leaves a margin for Chinese newcomers to be right away conductive to the modernization of the luxury industry. Nowadays, nearly all luxury customers are equipped with digital devices, that would let them acquire product information in real time to make faster purchasing decisions. Luxury brands in general need to provide online consumers, who are willing to pay premium prices, with high-quality product images, videos, and engaging content to meet their demands. Hereby, the greatest challenge is to provide a luxury store experience for online purchases, which only few luxury houses have met so far.\(^{152}\) The British luxury label Burberry pioneered in the field of innovative retail measures by turning user-generated content into its own social media platform (“The Art of the Trench”) or allowing customers to live-stream the London fashion show and straightaway buy the presented collection online. Further upgrades of its mobile site have resulted in its mobile revenues to triple.\(^{153}\) The Hong Kong-based high-jewelry brand Chow Tai Fook leads by example in terms of digital marketing in the Chinese luxury market, as the brand developed a user-friendly site with product customization, a loyalty program, and an effective interlocking of its multi-channels.\(^{154}\)

Chinese luxury brands can furthermore introduce German customers into the advantages of mobile payment. Since luxury consumers have begun to embrace the advantages of e-commerce, Chinese brands can foster payments that are made with a cellphone, and benefit from potential first mover advantages in the German market. In China, mobile payment has evolved to a popular means of payment with 469 million Chinese users during 2016, a year-on-year rise of 31%. Here, the mobile payment market leaders Alipay or WeChatPay have facilitated fast payment for customers and modernized China’s retail landscape.\(^{155}\)

In the midst of innovating the luxury industry, Chinese luxury brands shall consider to team up with tech-companies. Besides innovative approaches towards customer services and marketing, the modernization of luxury goods is on the rise. Partnerships of luxury brands with tech-giants have turned out to be a profitable combination of traditional craftsmanship and cutting-edge high-technology.\(^{156}\) For instance, in cooperation with Apple, the French

\(^{154}\) Jing Daily (2014), n.p.  
\(^{155}\) Donkin (2017), n.p.  
\(^{156}\) Deloitte (2016), p. 9.
luxury brand Hermès launched the “Apple Watch Hermès”, which offers customers the opportunity to combine Apple’s smart watch with handcrafted leather bands, designed by Hermès. Another cooperation, which serves as an example in this context, is the strategic collaboration of the Chinese telecommunications equipment company Huawei with the German premium camera and optics enterprise Leica. Besides the launch of the “Huawei P9” smartphone, featuring Leica lenses, the two companies established a long-term technology partnership to foster research in the field of optical engineering. Except for a few examples, technical innovations in the luxury goods market are still rather rare, even though the Internet of Things, smart watches, or wearable fitness trackers have already left an imprint on consumers’ minds. Hence, Chinese luxury brands can seize the opportunity of becoming experts in the field of innovative luxury goods and upgrade their overall image abroad.

Furthermore, the fact that the majority of the survey’s participants were at young age and perceived China’s allover production as innovative can be beneficial to Chinese newcomers in the German market. A young, tech-savvy customer base is more likely to welcome modernization and new ideas for luxury goods, a quality Chinese brands are being associated with anyway. Since Chinese luxury brands have not entered the German luxury goods market yet, they will inevitably target a client segment in the future which will require a certain level of innovativeness for their purchasing experiences.

To conclude, Chinese luxury brands are likely to encounter difficulties when entering the German market due to their origin but can nevertheless diminish negative effects of consumers’ stereotyping. By counteracting consumers’ negative perceptions of China, newcomers can contribute to more positive images. Chinese luxury brands need to properly implement strategies in order to convince customers that they are in no way inferior to traditional European luxury houses regarding their prestige, design, or craftsmanship. Furthermore, Chinese newcomers can leave a mark on German luxury clients in terms of innovative marketing and retail strategies.

5.7 Limitations and Future Research

This study on the country-of-origin effect suffers from limitations that should be taken into account when discussing the results, and in turn, offer opportunities for further research. Certain measures have been adopted in the survey’s questionnaire to answer the research question, however, the provided findings require an in-depth examination.

The first limitation lies in the small sample size, which led to low significance with regard to the measured effects and hence, hypotheses that in some cases only showed tendencies or were not significant. The sample only comprised 87 people, after the exclusion of subjects who indicated to be no luxury consumers. A larger number of participants in the survey might have contributed to a higher significance and thus, higher validity of the results.

The choice of “no origin” as an informational cue in the survey’s 1 (test object) x 3 (origins) design has led to a number of insignificant results in the survey’s product examination. From a statistical point of view, the appropriateness of including a neutral variable in a quantitative comparison cannot be called into question. In fact, since “no origin” always scored in-between French and Chinese origin, it proved that subjects’ perceptions were influenced when being exposed to a product’s origin. Nevertheless, taking the small sample size into account, the use of only two informational cues would have been sufficient and might have led to a higher significance and hence, a clearer statement.

Furthermore, the thesis provides findings from only one city in Germany. The questionnaire was conducted in the southern city of Munich, an important target for luxury companies due to its inhabitants’ wealth. Nevertheless, since the thesis examined the impact of country-of-origin on Chinese luxury brands entering Germany, a more representative outcome could have been provided if the survey had covered more places in Germany. Therefore, the generalizability of the results has to be questioned. Hence, future research can examine the effects of country biases towards Chinese luxury brands by extending the scope of German cities. Moreover, future research can conduct a cross-national survey to test any variation in the country-of-origin effect due to cultural differences of customers.

Besides, the survey displays an imbalanced gender distribution. Although German female luxury customers slightly outnumber male clients, the thesis’ sample failed to provide a more equal gender distribution, as it comprised 56 (64%) female and 30 (34%) male respondents (one respondent did not indicate his/her gender).

Limitations also result from the experiment’s test object. Chances are that evaluations would have turned out differently if the silk scarf was replaced by a different object. The overall high price estimations by the participants display that the majority did not identify the scarf’s real price, which proved it to be an appropriate object. In terms of the silk scarf’s appearance though, a different choice could have had a different impact on the outcome. Besides, the silk scarf was a product dedicated to female customers. Although the questionnaire asked male participants to imagine that the scarf was a gift for a woman, it still might appear unfitting to have let them evaluate this kind of product. The 1 (test object) x 3

research design can be extended to using more test objects, which can provide further evidence of country-of-origin effects on consumers’ product evaluations and purchasing behavior. Therefore, further opportunity for research is to extend the variety of test objects and then compare the results.

Future research can investigate potential coherences between country-of-origin and consumers’ demographics. In the course of this thesis, subjects’ demographical data was gathered and displayed but not further taken into account when evaluating the survey’s results (due to the small sample size). An approach which includes criteria such as demographics, behavior, or lifestyle can be adopted in this context to provide more insights into the drivers of purchasing behavior and to better adapt foreign market entry strategies.

Based on the survey’s results on the relevance of country-of-origin in certain product categories, further research can be conducted. Apparently, a product’s origin has the highest significance to customers in the segment of convenience goods. In this thesis, it was argued that subjects were not quite aware of the relevance of country-of-origin in the three product categories of luxury, shopping and convenience goods when giving their answers. For future research, it would be advisable to choose a different and more appropriate construct for in-depth analysis in order to better exemplify the impact of country-of-origin on different product categories.

Besides, future studies can further investigate the importance of the sub-categories country-of-manufacture (CoM), country-of-design (CoD), and country-of-branding (CoB). This thesis has treated country-of-origin as a holistic construct and therefore, did not place much emphasis on the potential impact of the three sub-categories on consumers’ perceptions and purchasing behavior. Since the overall discrepancy of where a product was produced, designed or branded has grown in the midst of globalization, an in-depth differentiation can be helpful for international companies.\(^{162,163}\)

6 Conclusion

This thesis aimed to investigate the impact of the country-of-origin effect on Chinese luxury brands which intend to enter the German luxury goods market. In order to examine a possible threat to Chinese newcomers, posed by unfavorable country images, a questionnaire was chosen as a quantitative research method. Before data was collected and the survey’s results analyzed, background information on China’s luxury sector, Germany as a target market, and the country-of-origin effect was provided to justify the survey’s relevance. A clear answer to

\(162\) Aiello et al. (2008), p. 68.
the research question was given, by stating that Chinese origin has an impact on German consumers’ perceptions, a fact that needs to be put into consideration by Chinese luxury brands. The collected data’s significance levels depicted that a negative impact of the country-of-origin effect on Chinese luxury brands is likely, which proved the existence of country images in consumers’ minds and the impact on their purchasing behavior.

The thesis’ first major section intended to illustrate China’s emerging luxury sector. Even though China still remains one of the world’s most attractive markets for Western luxury brands, the country’s creative minds are increasing China’s capabilities of becoming a serious provider of fashion and especially luxury brands instead of being a pure consumer of foreign luxury goods. Besides a new wave of contemporary art and design, the country’s emerging fashion scene can draw on China’s ancient history of luxury goods, as old traditions and crafts support Chinese luxury labels’ inspirations. The concept of luxury is not a new one to the Chinese, as their appreciation of luxury goods dates back to the times of the ancient scholar-bureaucrat class. Once being considered a superior civilization, the ideological defeat of the former luxurious lifestyle by the Communist Party as well as the focus on fast growth in the midst of its economic transition have led to China’s global image of being a producer of low-quality goods. Nevertheless, as a result of growing wealth and international cultural exchange, China’s art and fashion scene has enjoyed a revival. Therefore, the first major section additionally presented a number of aspiring designers and luxury brands that have created new forms of creativity and have the potential to challenge Western luxury enterprises, at home and abroad.

Since the survey investigated the impact of the country-of-origin effect within the German market, the second major section aimed to provide an overview of Germany’s luxury goods market in terms of volume and its consumers’ profiles. It is crucial for any company, which intends a foreign market entry, to fully grasp the target market’s economic, social, and cultural background. Chinese luxury brands, that pursue an internationalization strategy and eventually target the German market one day, will encounter a market that has turned into one of Europe’s biggest spender on luxury goods and hence, an important recipient of investments of foreign and German luxury brands. Once known for their rationality and little indulgence of luxury goods, German consumers have started to increase their spending on personal luxury goods, such as apparel, leather goods, or high-end cosmetics. This improved perception of luxury consumption has led to constant growth rates of Germany’s market size of luxury goods. Besides the strong competition that German and other European luxury houses are constituting, Chinese luxury brands shall nevertheless consider future investments into the German market, which has not reached the point of saturation for luxury goods yet.
Like any new entrant, Chinese luxury brands are likely to face market barriers. Besides the usual difficulties and risks that foreign companies will have to handle, this thesis argued that Chinese luxury brands encounter obstacles especially linked to the country-of-origin effect.

Before conducting an empirical study to test this potential barrier, the third major section aimed to characterize this phenomenon, which has drawn the interest for decades by global marketing research. Firstly, a definition was provided to better understand this effect, which can be a decisive factor of any brand’s international success. Being closely related to country image, country-of-origin has the ability to impact customers’ attitudes towards products deriving from a particular country. Since China is generally suffering from unfavorable country images and stereotypes, Chinese luxury brands need to be aware of this potential threat, which can be posed to their success abroad. Secondly, the section on country-of-origin aimed to furthermore underline the phenomenon’s relevance in the international marketing research by providing a literature review. Beginning in the 1960’s, an ongoing interest in investigating the effect of country-of-origin on consumer perceptions and purchasing intentions has led to over 400 published academic articles. Therefore, a chronological outline of the most important contributions that have been made in the past decades, was provided to further display the diversity of conducted surveys in regards to the country-of-origin effect.

In order to test if the stereotype of China’s poor quality and mass production affects German luxury customers’ product evaluations and purchasing behavior, the fourth major section presented an empirical study, involving 87 subjects in Germany. The inclusion of an experiment into the conducted questionnaire aimed to examine if consumers are swayed by country images when actually being exposed to a test object “Made in China”. Before having presented and discussed the survey’s outcomes, six hypotheses and nine sub-hypotheses were formed to answer the thesis’ research question.

Based on the questionnaire’s experimental section, in which subjects were asked to evaluate a manipulated silk scarf, the hypotheses were coded that country-of-origin will have an impact on product evaluation, price estimation, willingness to purchase, and pricing assessment. Respondents who were told the scarf was of French origin always evaluated it at a higher level, compared to those who were made to believe that they would evaluate a Chinese luxury scarf. The scarf which was described without any information on its origin always scored in-between. Although these results displayed subjects’ affinity towards a French-branded luxury product, several of the sub-hypotheses had to be rejected due to low significance levels.

Furthermore, it was hypothesized that country-of-origin functions as a motivator regarding consumers’ purchasing decisions of luxury goods, especially in comparison to other
product categories, such as shopping and convenience goods. The hypothesis had to be rejected due to the low ranking of country-of-origin within the product category of luxury goods. It must be highlighted though, that these findings do not correlate with the experiment’s results, where country-of-origin did in fact impact the product evaluations of subjects.

The last hypothesis argued that overall Chinese products suffer from less favorable country images, which can be relevant for Chinese luxury brands when entering the German luxury market. A cross-national rating was designed to evaluate in which product dimensions countries are being highly or lowly rated by subjects. Here, the hypotheses could be confirmed, as the results displayed the subjects’ affinity towards European goods in their general perception. Chinese products received overall low evaluations, especially in comparison to other nations, which exemplifies the alloverse negative country image that China is still suffering from.

As the main hypotheses could be confirmed, the conclusion, which can be drawn from these results, should imply that Chinese luxury brands are likely to face risks of being rejected in the German market due to their origin. Likewise, the research question, if Chinese luxury brands will encounter difficulties when entering the German market, can be answered with ‘yes’. It can be argued that the country-of-origin effect could potentially pose a threat to Chinese luxury brands. The fact that significant differences in the evaluation of Chinese and French origin occurred, demonstrated the relevance of a product’s origin. Additionally, the inclusion of “no origin” as a neutral variable provided evidence that a brand’s or product’s origin matters, as subjects who were not disclosed any information on where the scarf was produced always evaluated it on a middle rank. Furthermore, participants made use of stereotypes when being confronted with a set of countries and asked to evaluate these in regards to the product dimensions of innovativeness, design, prestige, and craftsmanship. The outcomes showed how developed countries enjoyed more trust of the subjects as opposed to developing countries, a fact that can have implications on future entry plans of Chinese luxury brands.

As the elimination of negative country images needs to be an integral component of an entry strategy, the thesis furthermore depicted the managerial implications that resulted from the survey’s outcomes. Chinese luxury brands need to put huge efforts in educating their foreign customers to convince them of their capabilities, which are often drawn from China’s old crafts and traditions. “Made in China” shall not be associated with poor quality in the context of Chinese luxury goods, as this negative image does not reflect the refined craftsmanship and contemporary design that Chinese luxury brands have to offer. When being asked what product items impact luxury customers’ purchasing behavior, design and quality
were indicated to have the highest relevance. Without neglecting their own brand identity, Chinese brands nevertheless need to adapt their designs to German consumers’ demands and ensure the highest quality of their products. In terms of marketing and sales, this thesis proposed to impose certain short-term projects, such as pop-up shops and concept stores, and focus on consumers’ positive perceptions associated with China, meaning the country’s growing innovative capabilities. The creation of “looking to the future” value propositions can capture German consumers’ confidence in China’s innovative capabilities. Given the generally slow adaptation to technological changes in the luxury retail landscape, Chinese newcomers shall regard favorable country images as an opportunity of becoming first movers in the modernization of the luxury industry.

Apart from the potential risks posed by negative country images, Chinese newcomers shall not be deterred from pursuing internationalization strategies. The idea behind this thesis arose from the firm belief that Chinese luxury brands have the potential to become successful global players in the luxury sector. Even though the combination of low evaluations in the experiment, as well as the subjects’ overall unfavorable associations with Chinese products have revealed the potential negative impact of the country-of-origin effect, Chinese luxury brands have nevertheless the necessary capabilities for succeeding in global markets. In the particular case of Germany, Chinese luxury brands should strive for expansion strategies. The slow but steady emergence of home-grown luxury brands in China has evidenced that Chinese-originated brands can meet Chinese customers’ demands and become an attractive alternative to their Western competitors. Chances are that non-Chinese consumers can be convinced to the same extent. By pursuing the right strategies, Chinese luxury brands are capable of minimizing the negative impacts of the country-of-origin effect on their entry into the German market.
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Annexes

Original Questionnaire

Questionnaire translated
Evaluierung eines Luxusproduktes

Sehr geehrte Studienteilnehmerin,
sehr geehrter Studienteilnehmer,


Sollten Sie sich für eine Bearbeitung des Fragebogens entschieden haben, so wird diese nicht länger als 10 Minuten in Anspruch nehmen. Ihre Antworten dienen ausschließlich zur Bearbeitung meiner Studie. Es können darüber hinaus keinerlei Rückschlüsse zu Ihrer Person gezogen werden. Bitte geben Sie daher weder Name noch Adresse an.

Ich bitte Sie, den Fragebogen vollständig auszufüllen und pro Frage nur eine Antwort anzukreuzen. Bitte beachten Sie, dass es um Ihre persönlichen Einschätzungen geht und es gleichzeitig keine richtigen bzw. falschen Antworten gibt.

Haben Sie besten Dank für Ihre Unterstützung!

Nadine Shane


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**Frage 1**

Bitte bewerten Sie das Ihnen zuvor vorgelegte Produkt in Bezug auf die folgenden Kriterien.

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**Frage 2**

Das Ihnen vorgestellte Produkt soll im Rahmen der Herbst-/Winterkollektion 2017 auf dem deutschen Markt angeboten werden. Stellen Sie sich vor, Sie könnten das Produkt bereits jetzt käuflich erwerben. Mit Hinblick auf die Ihnen vorliegenden Informationen (Herkunft des Produkts, Verarbeitung usw.), wie hoch würden Sie den Preis für das Produkt schätzen?

Ich persönlich würde den Preis des Produktes auf __________€ schätzen.
Frage 3

Angenommen, Sie haben nur die Ihnen vorliegenden Informationen über das Produkt (d.h. keine Angabe des Kaufpreises). Wie sehr würden Sie der folgenden Aussage zustimmen?
Zusatz für männliche Befragte: Da es sich um ein Tuch für Damen handelt, beachten Sie bitte, dass Sie das Produkt natürlich auch als Geschenk für eine weibliche Person erwerben können.

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Angenommen, das Luxuslabel würde den Preis des Produktes auf 290 € festlegen. Wie würden Sie persönlich die Preisgestaltung einschätzen?

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</table>
**Frage 7**

Bitte kreuzen Sie jeweils an, inwiefern die folgenden Kriterien Ihre generelle Kaufentscheidung von **Gütern des alltäglichen Gebrauchs** (beispielsweise Nahrung, Haushaltswaren, Zeitung, Benzin u.a.) beeinflussen.

<table>
<thead>
<tr>
<th></th>
<th>Gar keine Auswirkung</th>
<th>Sehr starke Auswirkung</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marke</td>
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<td>2</td>
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<tr>
<td>3</td>
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<td>5</td>
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<tr>
<td>6</td>
<td>Werbekampagnen</td>
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</tr>
</tbody>
</table>

**Frage 8**

Bitte geben Sie an, wie Sie generell Produkte der unten gelisteten Länder in Bezug auf **Innovation** werten. Innovation sei hierbei definiert als technischer Fortschritt und Gebrauch neuer Technologien.

<table>
<thead>
<tr>
<th></th>
<th>Sehr niedrig</th>
<th>Sehr hoch</th>
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<tbody>
<tr>
<td>1</td>
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<td>7</td>
<td>Indien</td>
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</tbody>
</table>
**Frage 9**
Bitte geben Sie an, wie Sie generell Produkte der unten gelisteten Länder in Bezug auf **Design** werten. Design sei hierbei u.a. zu verstehen als Erscheinung, Stil, Farben, Vielfalt.

<table>
<thead>
<tr>
<th></th>
<th>Sehr niedrig</th>
<th>Sehr hoch</th>
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</thead>
<tbody>
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<td>Japan</td>
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<tr>
<td>7</td>
<td>Indien</td>
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</tbody>
</table>

**Frage 10**
Bitte geben Sie an, wie Sie generell Produkte der unten gelisteten Länder in Bezug auf **Prestige** werten. Prestige sei hierbei u.a. zu verstehen als Exklusivität, Status, Markenreputation.

<table>
<thead>
<tr>
<th></th>
<th>Sehr niedrig</th>
<th>Sehr hoch</th>
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<tbody>
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<td>Japan</td>
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<tr>
<td>7</td>
<td>Indien</td>
<td></td>
</tr>
</tbody>
</table>
Frage 11
Bitte geben Sie an, wie Sie generell Produkte der unten gelisteten Länder in Bezug auf Verarbeitung werten. Verarbeitung sei hierbei u.a. zu verstehen als Zuverlässigkeit, Langlebigkeit, Handwerk, Qualität.

<table>
<thead>
<tr>
<th></th>
<th>Sehr niedrig</th>
<th></th>
<th>Sehr hoch</th>
</tr>
</thead>
<tbody>
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<td>6</td>
<td>Japan</td>
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<tr>
<td>7</td>
<td>Indien</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Frage 12
Bitte geben Sie Ihr Geschlecht an.

☐ Weiblich

☐ Männlich

Frage 13
Bitte geben Sie Ihr Alter an.

Ich bin ______ Jahre alt.

Frage 14
Bitte geben Sie Ihr Herkunftsland an.

☐ Deutschland

☐ Sonstiges: _________________________

Frage 15
Bitte geben Sie Ihr derzeitiges Beschäftigungsverhältnis an.

☐ Schüler / Student
☐ Teilzeiterwerbstätig
☐ Vollzeiterwerbstätig
☐ Selbstständig
☐ Arbeitssuchend
☐ Sonstiges

**Frage 16**
Bitte geben Sie Ihr durchschnittliches monatliches Nettoeinkommen an.

☐ Unter 500€
☐ 501€ bis 1000€
☐ 1001€ bis 2500€
☐ 2501€ bis 4000€
☐ 4001€ bis 5500€
☐ 5501€ bis 7000€
☐ über 7000€
☐ Keine Angabe

**Frage 17**
Bitte geben Sie abschließend an, wie häufig Sie Luxusgüter (beispielsweise Kosmetika, Accessoires, Bekleidung, Uhren u.a.) kaufen.

☐ Jede Woche
☐ Jeden Monat
☐ Alle paar Monate
☐ Einmal im Jahr
☐ Nie
Evaluation of a Luxury Product

Dear study participant,

This questionnaire is part of a research project within my Master Thesis at the University of Würzburg. In the course of the thesis’ topic, customers’ evaluations of a luxury brand’s prototype shall be examined. Your responses are important in enabling me to obtain an in-depth understanding of this topical issue. However, your decision to take part is entirely voluntary.

If you do decide to participate, the questionnaire should take you no longer than 10 minutes. Your answers will be solely used as the main data set for my research project. The information you provide will be treated in the strictest confidence. Please be so kind as to not include your name or address anywhere on the questionnaire.

Please answer the complete questionnaire and only give one answer per question. Since this survey aims to gather your personal views, there are no right or false answers.

Thank you for your help.

Nadine Shane
You were just shown a lady’s scarf of a Chinese luxury goods label. To ensure non-biased answers, the brand’s name will not be disclosed. The scarf will be launched during the upcoming fall/winter collection 2017 on the German market. The jacquard-silk-scarf measures 55 x 190 cm and will be available in the color combination “apricot”. The design office in Shanghai provided the design, while the brand’s manufacturing facility is situated in the Chinese province of Anhui.

The questionnaire’s first questions are dedicated to your personal evaluations on the product. Your personal opinion is very important for my thesis. Please bear in mind that there are no right or wrong answers.

Question 1

Please evaluate the silk scarf regarding the following items:

<table>
<thead>
<tr>
<th>Item</th>
<th>Not appealing at all</th>
<th>Very appealing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Design</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>2 Quality</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>3 Color</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>4 Exclusiveness</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>5 Craftsmanship</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>6 Precision</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
<tr>
<td>7 Comfort</td>
<td>□ □ □ □ □ □ □ □</td>
<td></td>
</tr>
</tbody>
</table>

Question 2

The product you were just shown will be launched during the upcoming fall/winter collection 2017 on the German market. Imagine, you were given the chance to buy the product today. Regarding the provided information on the scarf (origin, production, etc.), how high would you estimate the price?

I would estimate the price to be__________€.
**Question 3**

With the provided information on the product (i.e. no disclosure on the price), to what extent would you agree to the following statement? **Additional information for men:** since this product is a scarf for women, keep in mind that you can buy it as a gift for a woman.

<table>
<thead>
<tr>
<th>I do not agree at all</th>
<th>I fully agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would be interested in buying the scarf.</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
</tbody>
</table>

**Question 4**

Imagine the luxury label would price the scarf for 290 €. What would be your perception of the pricing?

<table>
<thead>
<tr>
<th>too cheap</th>
<th>Too expensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would perceive the price as being…</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
</tbody>
</table>
**Question 5**

Please indicate to what extent the following items impact your general purchasing decision of **luxury goods** (e.g. accessories, apparel, cosmetics, watches, etc.).

<table>
<thead>
<tr>
<th></th>
<th>No impact at all</th>
<th>Very high impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Brand</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>2 Price</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>3 Design</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>4 Country-of-Origin</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>5 Quality</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>6 Commercials</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

**Question 6**

Please indicate to what extent the following items impact your general purchasing decision of **shopping goods** (e.g. cars, furniture, cameras, cell phones, etc.).

<table>
<thead>
<tr>
<th></th>
<th>No impact at all</th>
<th>Very high impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Brand</td>
<td>[ ]</td>
<td>[ ]</td>
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<tr>
<td>2 Price</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>3 Design</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>4 Country-of-Origin</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>5 Quality</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>6 Commercials</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
**Question 7**

Please indicate to what extent the following items impact your general purchasing decision of **convenience goods** (e.g. Food, household supply, magazines, gas, etc.).

<table>
<thead>
<tr>
<th></th>
<th>No impact at all</th>
<th>Very high impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Brand</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>2 Price</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>3 Design</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>4 Country-of-Origin</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>5 Quality</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>6 Commercials</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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</tbody>
</table>

**Question 8**

Please indicate how you would generally evaluate products of the following countries in terms of **innovation**. Hereby, innovation shall be defined as the technological advancement and the use of new technologies.

<table>
<thead>
<tr>
<th></th>
<th>Very low</th>
<th>Very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Italy</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>2 France</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>3 Germany</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>4 USA</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>5 China</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
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<tr>
<td>6 Japan</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>7 India</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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</table>
**Question 9**

Please indicate how you would generally evaluate products of the following countries in terms of design. Hereby, innovation shall be defined as the technological advancement and the use of new technologies.

<table>
<thead>
<tr>
<th>Country</th>
<th>Very low</th>
<th>Very high</th>
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</thead>
<tbody>
<tr>
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<td>2 France</td>
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<td>3 Germany</td>
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<td>4 USA</td>
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<td>7 India</td>
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**Question 10**

Please indicate how you would generally evaluate products of the following countries in terms of prestige. Hereby, innovation shall be defined as the technological advancement and the use of new technologies.

<table>
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<tr>
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<td>1 Italy</td>
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<td>7 India</td>
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</table>
**Question 11**

Please indicate how you would generally evaluate products of the following countries in terms of **craftsmanship**. Hereby, innovation shall be defined as the technological advancement and the use of new technologies.

<table>
<thead>
<tr>
<th>Country</th>
<th>Very low</th>
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<tr>
<td>India</td>
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</tbody>
</table>

**Question 12**

Please indicate your gender.

- [ ] Female
- [ ] Male

**Question 13**

Please indicate your age.

I am ______ years of age.

**Question 14**

Please indicate your origin.

- [ ] Germany
- [ ] Other: ____________________________
**Question 15**
Please indicate your status of employment.

- □ Student
- □ Part-time
- □ Full-time
- □ Self-employed
- □ Job-seeking
- □ Others

**Question 16**
Please indicate your average monthly net income.

- □ Below 500€
- □ 501€ to 1000€
- □ 1001€ to 2500€
- □ 2501€ to 4000€
- □ 4001€ to 5500€
- □ 5501€ to 7000€
- □ Above 7000€
- □ Not specified

**Question 17**
Please indicate how frequently you purchase luxury goods (e.g. Cosmetics, accessories, apparel, watches, etc.).

- □ Every week
- □ Every month
- □ Every few month
- □ Once a year
- □ Never
Erklärung

Ich erkläre, dass das Thema dieser Arbeit nicht identisch ist mit dem Thema einer von mir bereits für ein anderes Examen eingereichten Arbeit. Ich erkläre weiterhin, dass ich die Arbeit nicht bereits an einer anderen Hochschule zur Erlangung eines akademischen Grades eingereicht habe.


Nadine Shane