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Attenuating double jeopardy of negative country of origin effects and latecomer brand

An application study of ethnocentrism in emerging markets

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Abstract

Purpose – The purpose of this paper is to examine the role of ethnocentrism in attenuating the negative country of origin effect and latecomer brands. The literature has established the importance of the "country of origin" effect, and this study compares consumers in the Asian emerging markets to developed consumers' response to cars from China, India and Russia.

Design/methodology/approach – Data on consumers' willingness to purchase cars from emerging markets such as China, India and Russia were collected from 3,201 respondents in those three emerging markets and in the three most important Western car markets, the USA, the UK and Germany. The study employed a choice-based conjoint analysis.

Findings – The results of this study confirmed the hypothesised ethnocentrism in the emerging markets with a strong preference for their own latecomer brands (Great Wall, Tata and AvtoVAZ, respectively). Developed markets in contrast are more sceptical of the Chinese, Indian and Russian car brands, but there is nonetheless substantial potential, especially with consumers who have previously bought latecomer brands from Asia. Utility values per brand, price, brand-partnership, product features, warranties and also place of manufacturing/assembly have been calculated in the study.

Originality/value – This paper should prove valuable to academic researchers in establishing strong consumer preferences in emerging markets for their own products, and in establishing the potential of latecomer brands in developed markets.

Keywords Ethnocentrism, Emerging markets, Country of origin, Choice-based conjoint analysis, Latecomer brands, Willingness to purchase emerging car brands

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1. Introduction

The dichotomous classification of the "country of origin" (COO) effect (Eroglu and Machleit, 1989; Gaedeke, 1973) by the very nature of the construct separates consumers "likes" from "dislikes" for products based on the perception of the quality standard associated with the COO (typically "manufacturing" of physical products). While the dichotomous nature of the COO effect was introduced at the onset of COO research (Schooler, 1965), the subsequent literature established positive COO effects for products from developed countries, yet at the same time negative effects for products originating from less developed countries (Bannister and Saunders, 1978; Hamin and Elliott, 2006; Nes, 1981).

Our study offers a new perspective on the well-established COO debate; one where consumers in emerging markets evaluate their own emerging brands. When studying consumers in established markets, perceptions of products manufactured in emerging markets are even more negative when associated with emerging brands from emerging markets, given that the point of reference for consumers in the developed world are their own highly developed products. But will consumers in emerging markets such as China, India and Russia also view their own brands in such a critical light? "'Made in China' does not always mean low quality" since the Chinese Government has implemented strict legal and market mechanisms (Melewar *et al.*, 2004, p. 456). A recent study has further established that "China made products may be perceived to be on par with others if it is supported by a strong brand" (Lee *et al.*, 2013, p. 78), and similar developments could be true for other emerging markets.

This study focuses on the negative emotions towards COO, in short, the negative COO effect. Such negative consumer sentiments have been found to be reduced when price reductions are offered (Chu *et al.*, 2010) or more features are included in the product (Johansson *et al.*, 1994; Lotz and Hu, 2001). Our study now extends the body of literature on the reduction of negative COO effects through ethnocentrism.

Ethnocentrism is a consumer's tendency to evaluate other ethnic groups according to the values and standards of the consumer's own ethnic group. Underlying this phenomenon is the conviction that, ultimately, one's own ethnic group is superior to the other ethnic groups (Shimp and Sharma, 1987). The antecedents of ethnocentric tendencies have been found to be patriotism and nationalism (Balabanis *et al.*, 2001). Such nationalistic emotions in turn lead to a strong consumer preference for products manufactured in one's own country (Baker and Michie, 1995; Yaprak and Baughn, 1991). The question of this study is to what extent this effect is also true for "latecomer brands" from emerging markets.

Established brands such as BMW, Ford or Toyota have established loyal customer bases over time, whereas latecomer brands, i.e. brands from emerging countries now entering the global market, have yet to establish trust with consumers. This may be especially true for latecomer brands from emerging markets such as the ones studied in this research – Chinese Great Wall, Indian Tata and the Russian Avtomobilniy Volzhsky Avtomobilny Zavod (AvtoVAZ) – that not only face the classic disadvantages of latecomer brands, but also face negative COO effects. The aim of our study is to test consumer's willingness to buy those brands nonetheless, both in their emerging home markets itself, and also in contrast, in the Western markets the USA, the UK and Germany. These six countries (China, India, Russia, the USA, the UK,

and Germany) were chosen based on their ranking in the world's ten largest auto markets (Table I).

2. Literature review

The theoretical foundation for our study is grounded in two major concepts: the understanding of latecomer firms, and second the well-established country of origin effect, or COO. While both theories have developed independently over time, as will be outlined next, we combine them in our study.

Latecomer brands

While we focus on "latecomer brands", a term that we have coined, the literature traditionally investigated latecomer firms (Cho *et al.*, 1998; Hobday, 1995; Mathews, 2002, 2006). In contrast to pioneer firms that benefit from first mover advantages (e.g. Apple's positioning as an innovative inventor of the iPhone), latecomers face the disadvantage of being viewed as a "copycat" (Kapferer, 1995; Tyagi, 2000), or pursuing a less innovative "me too" strategy (Carpenter and Nakamoto, 1989). As such the literature has focused on latecomer catch-up strategies to tackle such disadvantages, for example in the case of consumer electronics from Korea or Taiwan, two providers of latecomer products during the 1980s and 1990s (Hobday, 1995, 1998). Conversely, others have actually focussed on the competitive advantage of latecomer firms, again with a focus on Korea and Taiwan (Mathews, 2002; Mathews and Cho, 1999). Such advantages are linkage (e.g. contractual networks), resource leverage and learning – advantages that no doubt applied to, for example, manufacturers of semi-conductors in business to business (B2B) transactions. However, such advantages may not hold true for business to consumer (B2C) transactions such as with cars, the focus of this study.

In our study, we focus on latecomer brands from emerging markets. The Chinese brand Great Wall emerged from Great Wall Motors in 1976. Only recently Great Wall entered the European (2006) and Australian (2009) market and from a global perspective, is a latecomer brand. India's Tata was founded in 1945, but only entered the global train locomotive market in 1954 in collaboration with Daimler Benz from Germany. Tata Motors entered the passenger vehicle market in 1991; as such Tata is also a latecomer brand to global markets. And the same principle applies to the Russian brand AvtoVAZ that started in the late 1960s in collaboration with Fiat under the ownership of AvtoVAZ, itself established in 1966.

"Latecomer brand" is therefore defined as a brand that may have been established in a localised way for some time, but is only recently entering the global market. This is in contrast to a latecomer firm that was only recently established in an already well-established product category.

Latecomer brands stemming from emerging markets such as China, India and Russia not only face the classic latecomer firm disadvantages such as market saturation and urgent need for brand building, but in addition also face negative COO effects.

COO effect

Global market extensions drew attention from researchers in the 1970s when the developing countries started to export to developed country markets. Newly industrialised countries (at the time Japan was still at that stage) (Gaedeke, 1973; Nagashima, 1970; Reierson, 1967), Taiwan, South Korea, Hong Kong, Mexico and other South American countries (Hugstad and Durr, 1986; Schooler and Sunoo, 1969) penetrated the USA and European markets. Although their products were more moderately priced than their Western counterparts with often acceptable quality standards, strong negative consumer attitudes against product and brands from developing countries were observed (Wall *et al.*, 1991).

Practitioners and academics termed the phenomenon "negative COO" effect, and research in the field emerged (Lotz and Hu, 2001; Po-Young *et al.*, 2010). The seminal study, focusing on the "negative COO" effect for the first time, was Johansson *et al.* (1994) who tested the effects of political convictions, risk attitudes and COO connections in the context of Russian manufacturers.

The positive and negative country image dichotomy has been explored since the early work on COO effects, dating back to Schooler (1965). His study, considered the cradle of the COO school of thought, investigated the fears, jealousies, and animosities as viable obstacles of regional trades among Central American countries. Later studies, namely Reierson (1966), Gaedeke (1973), Krishnakumar (1974), Nes (1981), Khachaturian and Morganosky (1990) as well as Hamin and Elliott (2006), extended the dichotomy of negative and positive country images to developed versus less-developed country products. The country image of imported products from less-developed countries was perceived negatively, but consumers typically perceived positively local or developed country products (Ettenson *et al.*, 1988). Negative country image is an expected consequence of poor product quality or an inferior brand image resulting from an under/less developed country (Khachaturian and Morganosky, 1990).

The rationale for negative and positive feelings toward a country is established by Niss' (1996) conceptual framework where the country image is created by affective components. Consumers have their own feelings and emotions such as likes or dislikes, good or bad feelings, favourable or unfavourable emotions, towards a certain country and its products and services.

Elliott and Cameron (1994, p. 58) have established that "where the locally made product is perceived to be of inferior quality to the imported product, consumers generally prefer an imported product". This notion is central to our study since a preference for imported cars is apparent in most emerging markets. A recent McKinsey study has established, that:

> [. . .] unlike developed-market consumers, whose purchases are informed by a lifetime of exposure to products and brands, emerging consumers are novice shoppers for whom buying

> a car, a television, or even a box of diapers may be a first-time experience (Atsmon *et al.*, 2012a, p. 16).

This also means that for example German cars are viewed as superior to Russian automobiles, subsequently the Russians prefer German cars over Russian cars. However, and this is the overarching hypothesis of our study, "consumers have a strong preference for locally made products when the quality of product is equivalent or better" (Elliott and Cameron, 1994, p. 1).

Latecomer brands and the negative COO – Japan, Korea and China

Latecomer brands from emerging markets have experienced three major phases in relation to East Asia. The first phase was Japan's emergence as a manufacturer of consumer electronics and cars. During the 1960 to mid-1970s Japanese products were initially perceived as less preferable and lower quality compared to those from the USA and Western Europe (Krishnakumar, 1974; Reierson, 1966; Schooler and Wildt, 1968). However, Bannister and Saunders (1978) found that over time, Japanese products started to obtain favourable ratings after initial scepticism from American consumers. Research on the topic conducted in the 1980s and 1990s confirmed that Japanese products were more positively perceived (Cattin *et al.*, 1982; Han *et al.*, 1994; Yavas and Alpay, 1986). By the end 1980s, Japanese brands have successfully penetrated developed countries with their cars (Toyota, Mazda, Mitsubishi) and consumer electronics (Sony, Toshiba, Fujitsu). In other words, Japanese products have reached global acceptance (Bartlett and Ghoshal, 1986).

The next (and second) wave of emerging Asian brands and products originated from the Korean peninsula. Initially Korean brands were, similarly to Japanese brands a decade or so earlier, perceived as mid-range products (Bannister and Saunders, 1978; Han and Terpstra, 1988; Wall and Heslop, 1986; Yong, 1996), offering good "value for money". As in the case of Japan, Korean brands eventually "worked their way up" through product and image improvements and also their own innovations, and their cars (Hyundai/Kia) and consumer electronics (Samsung, LG) eventually became global brands.

The third wave of latecomer brands comes from the world's largest emerging markets: China and India (Chindia). As was the case initially for Japanese and Korean products, Chinese and Indian brands now face negative COO effects and at the same time latecomer brand disadvantages. Theoretically, not much has changed from the early days of large-scale exporting of Asian products to American and European markets. Consumers are sceptical about products from emerging markets such as China and India, and doubt the product quality of emerging market brands (Alden and Hoyer, 1993; Atsmon *et al.*, 2012a). Sharma (2010, p. 302) showed:

> [...] consumers in both developed and emerging markets tend to prefer products imported from developed markets to those from emerging markets, but the preference for products imported from developed markets is stronger for consumers in emerging markets, whereas the negative perceptions of products imported from emerging markets is stronger in developed markets.

While there are commonalities among the Japanese, Korean and Chinese/Indian latecomer brands, there are also important differences. Both Japan and Korea have relatively small domestic markets (approximately 128 million in Japan, 50 million in

Korea) and therefore had no choice but to rapidly expand into global markets with their cars and consumer electronics. In contrast, the Chinese and Indian markets have the largest populations in the world (with more than one billion each) with increasing purchasing power. This also means that unlike Japan and Korea, China and India (and to a degree also Russia) have, in principal, the options of focussing on their domestic markets, "go global", or pursue a hybrid strategy of penetrating their domestic and global markets at the same time.

A common denominator for latecomer brands stemming from emerging markets is the negative COO when going global. Strategies to reduce such negative consumer sentiments include price reductions, although their effectiveness has been questioned by Speece and Nguyen (2005) that found price cuts by Korean brands earlier on did little to attract customers away from the higher perceived quality brands of Japan. Even though this perception has now changed, at the time, Speece and Nguyen (2005) found that perceived quality differences are generally too substantial to attract customers if they believe that the product is in fact inferior. While pricing strategies are therefore limited in their ability to reduce negative COO, extended warranties (Lee *et al.*, 1992), partnerships such as co-branding as well as additive features such as iPod deck, Wi-Fi internet, and GPS can be utilised.

Our study incorporates such negative COO reducing marketing strategies to gain a better understanding of whether or not a consumer chooses latecomer brands from emerging markets in the real world. At the same time, Lotz and Hu (2001) in their study established that social stereotype changes can dilute negative COO effects, suggesting that not only pricing and attributes (Chu *et al.*, 2010; Insch and Mcbride, 1998; Speece and Nguyen, 2005) may reduce negative COO effects, but quite possibly also ethnocentrism (i.e. a preference for one's own products). Wang and Yang's (2008) study that focused on emerging economies showed that indeed COO images can moderate the relationship between brand personality and purchase intention.

3. Methodology

This study uses a two-step approach to achieve its research objectives: first, it performs a choice-based conjoint analysis (CBCA)[1] of a sample of 3,190 respondents in the six countries (China, Germany, India, Russia, the USA, the UK) to reveal respondents' willingness to purchase latecomer brands (the choice-based conjoint analysis CBC is based on the latent class developed by the Sawtooth Software). In order to capture a more representative data set in each of the six countries under investigation, we sampled respondents in the following regions:

(1) *China.* Beijing, Shanghai, Chong Qing, Jiang Su, Zhe Jiang, Shan Dong, Guang Dong, Liao Ning, Hei Long Jiang, Si Chuan, with a sample size of 542.

(2) *India.* Mumbai, North Delhi, Other Delhi, Chennai, Hyderābād, Bangalore, Ahmadābād, Lucknow, Punjab (Chandigarh, Ludhina, Amritsar), Gujrat, with a sample size of 521.

(3) *Russia.* Moscow, Saint Petersburg, Vladivostok, Siberia, Kiev, and Gulag, with a sample size of 529.

(4) *USA.* Pacific-North-West Corridor (Washington), California, mid-West, North-East Corridor (including New England States and Washington DC),

New York, Chicago, Texas, Hawaii, Alaska, Florida, Southern States (Alabama, Mississippi), and Arizona, with a sample size of 526.

(5) *UK*. North-East, North-West, Yorkshire and the Humber, East Midlands, West Midlands, East Anglia, Greater London, South East, South-West, with a sample size of 532.

(6) *Germany*. Berlin, Brandenburg, Nordrhein-Westfalen, Hamburg, Mecklenburg-Vorpommern, Bayern, with a sample size of 540.

A comparison between the emerging and Western markets will reveal (positive or negative) COO effects within the country segments. Second, the study shows a cross-tabulation to link respondents' previous experience with latecomer brands from Asia and how that relates to their intentions to purchase a latecomer brand from China, India or Russia.

Method of data collection

The questionnaire for this study was designed to expose respondents to the scenarios that represented combinations of three car brands (Chinese Great Wall, Indian Tata, and the Russian AvtoVAZ) at three different price levels ($12,000, $15,000, and $18,000). In addition, the scenarios included additional features offered such as GPS, iPod desk, internet wireless connection in the car, and a warranty. The COO effect was tested by incorporating not only the brand (associated with its COO), but also partnerships with well-established car brands (Toyota, Volkswagen, Ford) and different manufacturing and assembly places (China, India, Russia, Brazil, Germany, South Africa).

The questionnaire was pre-tested among a sample of over 20 respondents and the final version was translated into simplified Chinese, Indian, Russian and German. Translation was done by professional translators following the back-translation approach. The questionnaire was completed online in late 2011 by respondents in the countries targeted for this study. Given the international scope of this research, the questionnaire was conducted in collaboration with a professional survey organization that manages a global consumer panel.

4. Results

The results of this study are discussed in four sections where, first, consumers in emerging markets were contrasted with those in developed markets on their willingness to purchase latecomer brands first (Sections 4.1 and 4.2); and, second, in relation to their experience with latecomer brands (Section 4.3):

- consumers' willingness to purchase latecomer brands in emerging markets;
- consumers' willingness to purchase latecomer brands in developed markets; and
- experience with latecomer brands in emerging and developed markets.

4.1 Willingness to purchase latecomer brands in emerging markets

The CBCA tested six attributes (i.e. price, brand, partnerships, place of manufacturing/assembly, additional features, and warranty) for their effects on consumers' willingness to purchase latecomer brands. For each attribute, the utility values were computed, reflecting the relative importance of each attribute (Green *et al.*, 1981) in the decision making process. The first set of testing (Table II) was for

latecomer brands in emerging markets (i.e. China, India and Russia). Each country was split into three distinct consumer segments with diverging utility values for the cars on offer. Per country and consumer segment, the utility value for the "ideal car" was calculated based on the combination of the attributes with the highest values. The equation used to determine utility values is as follows:

$$U_i = U_p + U_b + U_{ps} + U_m + U_f + U_w$$

where the denotations are:

- U_i ideal utility.
- U_p the highest utility value of attribute price.
- U_b the highest utility value of attribute brand.
- U_{ps} the highest utility value of attribute country of partnership.
- U_m the highest utility value of attribute country of manufactured and assembled.
- U_f the highest utility value of attribute additional features.
- U_w the highest utility value of attribute warranty.

For example, in China the most preferred (or "ideal") car costs $12,000 (utility value of 35.03), is manufactured by Great Wall (utility value 52.12) in partnership with Volkswagen (utility value 19.35), and manufactured and assembled in Germany (utility value 57.76). This car would be offered with additional features such as GPS, internet in the car, and an iPod desk (utility value 29.65) and a three-years warranty (utility value 84.24). The total ideal utility value for such a car is 278.17, which is contrasted to the "no choice" option with a utility value of -98.39 (all from Table II).

A negative value for the "no choice" option reflects a strong willingness to actually purchase, whereas a positive value would reflect disinterest (i.e. a high interest in the "no choice" option). The willingness to actually purchase can be formulated as follows:

$$WOAP = U_i + U_{none}$$

where:

- WOAP willingness to actually purchase.
- U_i ideal utility.
- U_{none} utility of none (no choice) option.

In Asia's largest car market, China, the utility value of the "ideal" car exceeds the "no choice" option by 376.56 (i.e. 278.17 + 98.39), suggesting that, overall, the Chinese have a strong willingness to purchase the "ideal" car with the attributes outlined above. For the first and third Chinese consumer segments (that were formed based on similar preference choices; Table II) the total ideal car utility value also exceeds the "no choice" value, hence these are the segments that choose the car, whereas the second Chinese segment would not buy (i.e. the "no choice" value of 430.47 is higher than the value of 295.13 for the ideal car for this particular segment). The "no choice" segment, however, was found to be a minority: 135 out of 542 Chinese in the sample. For all emerging

markets (i.e. also for India and Russia), we found an overall willingness to purchase emerging car brands (Table II).

Next, we briefly discuss the results for the tested attributes designed to reduce negative COO effects such as price or brand partnerships. For all three emerging markets and all respective consumer segments, the utility values for the first attribute, price, reflect the Homo Economicus, or economic human, principle of "the higher the price, the lower the utility value". As expected, the Homo Economicus principal is universal, as it is also clearly found in our study.

Examining brand choice, the study found clear evidence of ethnocentrism since for all three countries, a clear preference for their own latecomer brands was found, e.g. the Chinese preferring their own Great Wall brand over Indian or Russian brands. We also tested for brand partnerships, specifically latecomer brands from emerging markets partnering up with traditional car brands located in well-established car manufacturing countries. In order to reduce negative COO effects, latecomer brands could, as tested in our study, establish an association with Japanese Toyota, Germany's Volkswagen or America's Ford. In all three emerging markets, such a partnership resulted in positive utility values, in particular for the German partnership (preferred by the Chinese with a utility value of 19.35, and Russians with a value of 11.65) or the Japanese partnership (preferred by the Indians with a value of 11.94).

Consumers also reacted to the place of manufacturing/assembly. In our study, we found both a positive COO effect for developed countries for manufacturing, and also ethnocentrism. The most preferred place of manufacturing/assembly is Germany (utility value of 57.76 in China, 31.83 in India and 132.01 in Russia), but each market also assigned relatively high values for cars manufactured in their own country (i.e. 26.39 in China; 27.17 in India and 17.08 in Russia). The latter is in fact more realistic based on the high cost of German labour – although German manufacturing would be the strongest preference – but latecomer brands from emerging markets will most likely remain constrained to their own locations for manufacturing purposes.

Since shifting manufacturing out of emerging markets may not be feasible for latecomer brands, an alternative is to offer additional features, such as GPS, internet in the car, and an iPod-connection, that are beyond what is normally offered in the low-end car category. The study shows that indeed the utility values for such features are positive in all three emerging markets, although the values are relatively low, indicating that the effectiveness is only limited. This finding is in stark contrast to the effectiveness of an extended three-years warranty, the last attribute tested, where utility values are comparable to, if not higher, than the values assigned to the brand itself. For example, the utility value for the three-years warranty is 84.24 in China, in contrast to the Great Wall brand itself (52.12). Similar findings in India (89.04 for the warranty in contrast to 90.64 for the Tata brand) and Russia (63.24 for the warranty; 59.88 for the AvtoVAZ brand) underscore the importance of an extended warranty in all three markets in order to reduce negative COO for latecomer brands.

In sum, the CBCA for the emerging markets clearly demonstrated ethnocentric tendencies with strong preferences for each country's own brand (Great Wall in China, Tata in India, AvtoVAZ in Russia), but with some potential for latecomer brands in other emerging markets such as in the case of the AvtoVAZ that ranks second in China. Only the Chinese are open to choose Russia's AvtoVAZ as second choice after their own Great Wall, but the Indians are exclusively interested in their own Tata,

whereas Russians only buy the AvtoVAZ (except for the Russian segment 2 that would potentially buy Great Wall with a value of −6.82).

4.2 Willingness to purchase latecomer brands in Western markets

While our study (in the previous section) has demonstrated that latecomer brands from emerging markets have high utility values for consumers in their own markets, the study next investigates the choices for such brands in the traditional developed country markets.

The utility values for the latecomer brands from emerging markets are much lower in developed countries in comparison to their own emerging markets. Russia's AvtoVAZ is the strongest of the latecomer brands in the USA (utility values from 3.46 to 6.62), followed by China's Great Wall (1.97-6.91), but with negative values for India's Tata. In the UK, Russia's AvtoVAZ is the only brand with high positive values (32.51 overall). However, the British have assigned mostly negative values for China's Great Wall and India's Tata, although there are British segments with potential such as the second segment with a positive (although low) value of 1.84 for Great Wall and the third segment with 6.93 for Tata.

Germany, the third Western market studied, showed an overall preference for India's Tata (value of 12.12) with a particularly strong preference for Tata for the first segment (26.79). Great Wall clearly has potential with positive values of 2.42-3.13, but it is equally clearly behind Tata. Negative values were found for Russia's AvtoVAZ, but values close to zero (−0.49 and −0.79) for two market segments also show that for AvtoVAZ too, there is potential.

The overall lower utility values for latecomer brands in developed markets can potentially be offset by partnerships with more established car brands. Our study tested this effect for a partnership with Ford in the USA, Volkswagen in the UK and Toyota. In the US market, partnerships with their own Ford brand are most effective (e.g. the second segment assigned a value of 105.56), but also a partnership with Toyota is overall positive (9.13 overall). The UK market either values a partnership with Ford (overall 12.78) or Germany's VW (two consumer segments prefer VW). In Germany with its own strong VW brand, consumers assign by far the highest utility value of 44.81 to that brand in contrast to negative values for Ford and Toyota. In the USA and Germany with their own strong car brands, the partnership values exceed the values for latecomer brands, suggesting that Western consumers ultimately most trust their own brands, i.e. an expression of ethnocentrism.

Consumers thus react to partnerships to a degree, but the study also incorporated the place of manufacturing/assembly. High values assigned to cars manufactured and assembled in Germany (values of 65.40-121.03 in the USA, 92.82-137.62 in the UK, 61.75-161.00 in Germany itself) are not surprising given the country's long history in the car industry. In contrast, cars made in China, India and Russia are viewed with some scepticism in developed markets with some negative values, but also showing quite substantial potential. Cars made in Russia, for example, have a value close to zero in the USA (0.51), and even in Germany the second segment views Russian cars positively (value of 17.06). The UK is very open towards Russian made cars with a value of 36.54 overall, and the second segment assigning 92.97. The Germans have not assigned positive values for the Russian cars, but instead revealed an openness to

Chinese-made cars (11.90 overall, with a high 46.80 for the first segment). All in all, the potential for cars made in emerging markets is surprisingly high in developed markets.

Additional features such as internet in the car, as is the case in the emerging markets previously tested, add value to the equation, namely 33.96 in the USA, 26.04 in the UK, 13.48 in Germany. But the most effective attribute is again the three-years warranty, with utility values of 104.20 in the USA, 57.41 in the UK, 76.43 in Germany. These values are comparable, and in some cases exceeded, the importance of such a warranty in the emerging markets (China 84.24, India 89.04, Russia 63.24). Both developed and emerging markets are somewhat sceptical of latecomer car brands and therefore assigned high values to an extended warranty.

In conclusion, after allowing for all the effects of the price, brand, partnerships with traditional car brands, place of manufacturing/assembly, additional features and a long warranty, latecomer brands have in fact revealed utility values exceeding the "no choice" option in all developed markets. Developed markets may after all be more promising for latecomer brands than originally anticipated (Table III).

4.3 Experience with latecomer brands in emerging and developed markets

Latecomer brands from emerging markets such as the car brands under investigation face negative COO effects. Great Wall, Tata and AvtoVAZ are new brands in contrast to the established American, European and the established Japanese and Korean brands. After analysing consumers' willingness to purchase latecomer brands, the study contrasts respondents who have experienced latecomer brands in general to those who have not, and then relates the experience to respondents' willingness to purchase a car from an emerging market.

Tables IV and V present the cross-tabulation split into the respondents who have bought latecomer brands such as Haier (refrigerator), Great Wall or Tata, Changhong or Essence (TV), or Lenovo (Computer) in the past, and those who have never bought any latecomer brands.

Table IV shows the results for the emerging markets, Table V the ones for the developed countries. The majority of the Chinese (84.69 percent of the sample) and Indians (55.09 percent) as well as a third of the Russians (32.51 percent) have bought latecomer brands in the past. Further, the vast majority who has bought latecomer brands are in fact satisfied with overall satisfaction levels all above 5 for latecomer brands and there are no significant differences across the segments ($p > 0.05$); 84.31 percent in China, 86.76 percent in both India and Russia with high likelihood to buy latecomer brands again (all means over 5). While there are differences in what percentage of the three consumer segments have actually bought a latecomer brand across the three emerging markets, there is a clear pattern of "have bought latecomer brands, like them and will buy them again" in all three markets (Table IV). Since there are generally no significant differences ($p > 0.05$) among the consumer groups (clusters), consumers in the emerging markets appear to be homogenous and in favour of buying (and rebuying) their own products. This is especially true in India and China, whereas in Russia consumers' willingness to buy products from emerging markets varies across segments ($p < 0.05$). In China and India, big ticket items such as cars, consumer electronics and other durables are still luxury items for the emerging middle class, and satisfaction and repeat purchase willingness therefore do not differ across segments. In Russia, on the other hand, European products are more easily accessible

to the middle class, and hence there is more variation in how different segments perceive products from emerging markets. The Russians are slightly more reserved in their willingness to (re-) purchase products from emerging markets with mean values below the neutral 4 mark, whereas the Chinese and Indians are generally slightly above the neutral point.

Consumers in developed countries are much more sceptical towards latecomer brands from emerging markets (Table V). Only a minority has actually bought such brands, specifically 18.44 percent in the USA, 10.53 percent in the UK and 22.22 percent in Germany. However, the ones who in fact have bought them show similarly high levels of satisfaction (satisfaction levels above 5, $p > 0.05$). In fact, repurchase intentions in the USA (86.60 percent) and in the UK (85.71 percent) are higher than those in emerging markets.

In sum, in both emerging and in developed markets, consumers that have experienced latecomer brands are:

- highly satisfied; and
- have very high repurchase intentions.

The number of actual buyers is substantially less in developed countries, but the consumers who have experienced latecomer brands have shown the same effect (i.e. high satisfaction and also high repeat purchase intention). This also means that the consumers who have not yet bought a latecomer brand in the developed markets will be very likely to be satisfied, resulting in equally high repurchase intentions, once they have experienced a latecomer brand from emerging markets.

Consumers who have never bought latecomer brands from emerging markets, both in the emerging and developed markets, are – by and large – "undecided" whether or not to buy latecomer brands in the future. They have never experienced such products and are therefore not entirely sure what to expect, but they are at least open to the idea (since they are undecided instead of rejecting the idea of buying latecomer brands). When combining this group with the ones who have bought latecomer brands (e.g. in the USA: 86.60 percent likely to buy again and 10.31 percent undecided for the group that has bought latecomer brands; 33.33 percent likely and 46.85 percent undecided for the group without experience), then it becomes obvious that the potential for latecomer brands in developed markets is substantial. And again, once they buy latecomer brands, high satisfaction and repurchase are the likely outcome.

5. Discussion and implications

This study, in essence, found two different patterns in terms of latecomer brands from emerging markets. Developed markets are sceptical, but do show interest in latecomer brands, and there are market segments with substantial potential. In the emerging markets, consumers are keen to purchase their very own country brand such as Great Wall by the Chinese, Tata by the Indians, and AvtoVAZ by the Russians. Emerging markets have shown clear ethnocentrism in this study with consumers displaying strong preferences for their own brands. This is further supported by emerging markets' hesitation to buy latecomer brands from competing emerging markets. Our finding is in line with the literature that has established that "human values can predict better COO images than other variables" (Balabanis *et al.*, 2002a, p. 582). In other words, consumer ethnocentrism and human values are in fact closely related

(Balabanis *et al.*, 2002b), reflected in our study's clear preference for traditional patriotism found in the three emerging markets under investigation.

The study also demonstrates that consumers, both in the emerging and developed markets, that have experienced latecomer brands from emerging markets, e.g. electronics or white goods, were very satisfied and therefore highly likely to buy latecomer brands again in the future. Combining the results from the CBCA and the experience with the latecomer brands, the segments most likely to purchase a Chinese, Indian or Russian car are the ones with a positive prior experience with latecomer brands.

All in all, the study demonstrates the large potential for latecomer brands from emerging markets both in the developed and the emerging markets. The big challenge for latecomer brands is to "break the ice" upon market entry to motivate consumers to try such latecomer brands. Atsmon *et al.*'s (2012b, p. 28) research forecasts that "the future signs are mixed". Their survey data showed that Chinese consumers increasingly choose latecomer brands, especially the young and affluent will develop strong brand loyalty forcing latecomer brands to create an emotional attachment to their new brands. Such a strategy is designed to differentiate latecomer brands from existing competitors in a mature market (Atsmon *et al.*, 2012b).

Once consumers have experienced the new brand, they are very likely to repurchase and possibly recommend to others. This phenomenon was observed in a very similar fashion when the Japanese and Korean latecomer brands initially went global some decades ago. Western consumers at the time were very sceptical and Japanese and Korean products faced resistance, but after positive experiences with East Asian brands such as Toyota, Mazda, Lexus and Hyundai/Kia, the incidence of repeat purchasing rates was higher than that for many Western brands.

Even though there is a negative COO effect for Chinese, Indian and Russian latecomer brands, our study established that there are marketing tools that can be incorporated into a global marketing strategy to overcome these sentiments. Extended warranties in particular, but also offering a "value for money" proposition (such as offering additional technology features that are not standard in the low end car category) do increase willingness to purchase. Potentially, the most effective reducer of negative COO effects may be ethnocentrism, i.e. the Chinese for example preferring their own brand due to ethnocentrism, and as such also rejecting latecomer brands from competing India and Russia. Marketers can explore options on how to more effectively utilise ethnocentrism.

China and India have to find their own "niches" such as green cars, and/or a strong "value for money" proposition as previously offered by the Japanese and Koreans (that have both progressed in product quality, design and brand management; Japanese and Korean brands are no longer latecomer brands as is the case for Chinese, Indian and Russian brands). The world being in a global recession in the foreseeable future, Chinese and Indian, and possibly also Russian, cars could benefit from their low cost structure and a clear "value for money" positioning strategy, making cars affordable in the West during economic downturns, and to the growing lower middle class in emerging markets.

The challenge for latecomer brands is the timing of market entry, adding features per market and segment that are perceived as incentives to buy a latecomer brand from an emerging market. The biggest challenge, however, is to make consumers try

latecomer brands in the first place. If the latter is achieved, then future sales are likely since our study demonstrates the high likelihood of purchases by consumers that have positive experiences with latecomer products from emerging markets.

6. Contribution to theory

In essence, this study found evidence that the long established COO effects hold true, i.e. products from developed markets are seen in a favourable light. However, previous research has largely compared positive views on products from developed markets to, of course, generally less favourable views on less developed country products. Our study departed from this paradigm and focused solely on products from less developed countries where consumers predominantly hold negative views. The first contribution of our study is the focus on negative COO effects for products originating from less developed market such as China, India and Russia, and then comparing consumer perspectives in developed (Germany, the UK and the USA) and less developed markets.

Second, our study extends the well-established literature on reducing negative COO effects by price reductions (Chu *et al.*, 2010), extended warranties (Lee *et al.*, 1992), and more extrinsic cues are included in the product (Johansson *et al.*, 1994; Lotz and Hu, 2001) by establishing the important role of ethnocentrism for products from less developed markets marketed in those markets themselves. In particular, while ethnocentrism is not an effective marketing tool for global marketing, our study found that it is indeed an effective marketing strategy in the large domestic emerging markets such as China, India and Russia where consumers view their own products favourably. Moreover, for the large Chinese, Indian and Russian immigrant groups in the developed world, ethnocentrism can be used as a stepping stone to build a bridge to enter overseas markets with products from their home countries.

Manufacturers from less developed markets face a double jeopardy since their products suffer from the negative country image and also from latecomer brand image. For the first time, our study includes both the negative country and latecomer brand image in relation to ethnocentrism effects. In addition to reducing negative COO effects, our findings demonstrate that ethnocentric sentiments also drive consumers to purchase domestic (i.e. products actually made in their own countries) latecomer brands.

In sum, attenuating double jeopardy of emerging markets' negative COO and latecomer brand effects can be achieved through ethnocentrism in emerging markets. Price reductions, extended warranty and additional features can be offered in global markets throughout, whereas ethnocentrism is unique in its comparative advantage in its appeal to the local markets. In the final conclusion, and perhaps as a new way of thinking, ethnocentrism ultimately may constitute a comparative advantage factor for latecomer brands in emerging markets.

7. Conclusion

The purpose of this study was two-fold: first, to explore consumers' willingness to purchase latecomer brands from emerging markets, and contrast emerging to developed markets, and second, to study consumers' experience with latecomer brands from emerging markets, and again contrast emerging to developed markets.

This study breaks new grounds since it demonstrates that Western consumers indeed have resistance to buy latecomer brands from emerging markets, but the

market potential is substantial if the cars are competitively priced and offered with an extended warranty and additional technical features. The demand for latecomer brands in the emerging markets themselves is extremely high, but consumers show great ethnocentrism in their strong preference for their own brands as opposed to latecomer brands from competing emerging markets.

While consumers in developed markets are sceptical, once they purchase latecomer brands, they tend to be highly satisfied and, therefore, more likely to repurchase other latecomer brands from emerging markets. As such the potential for latecomer brands in developed markets is substantial if consumers can be convinced to try and buy them in the first place.

Ultimately, the study points towards the practicality of using ethnocentrism as a tool to reduce negative COO effects, and as such highlights the significance of ethnocentrism to the theoretical factors previously identified in the literature to reduce negative COO (warranties, low prices).