

7. Country of origin, brand image and retail management for the exploitation of ‘Made in Italy’ in China¹

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1. INTRODUCTION

Increasing globalization has characterized the world economy development since the end of the Second World War. Despite this, until the 1980s many goods were sold in the same country in which they had been produced (Srinivasan and Jain, 2003). The adoption of internationalization strategies, the development of new technologies that facilitate long distance communication, the agreements on trade liberalization, and the development of more modern infrastructures have thus allowed the development of global brands and the possibility for companies to design new products in a certain country and then manufacture them elsewhere.

The first scholar to introduce the concept of country of origin (COO) was Ernest Dichter. In his article ‘The world customer’ (1962), he highlighted the importance of ‘made in’ as an essential information cue in the consumers’ product evaluation process (Bloemer et al., 2009). The studies on country of origin have been increasing since the 1970s, but it is only from the mid-80s that they coagulated into a solid body of literature (Papadopoulos and Heslop, 2002).

Although the issue has been addressed by several disciplines, including agricultural economics, marketing and management, in the literature one can identify some relationships that are common to several contributions (Figure 7.1).

A first stream of literature focuses on measuring the effects COO has on consumer evaluation of one or more product categories or one or more brands. More in detail, the first relationship can be typically found in articles published in the 1980s and early 1990s (Bilkey and Nes, 1982;

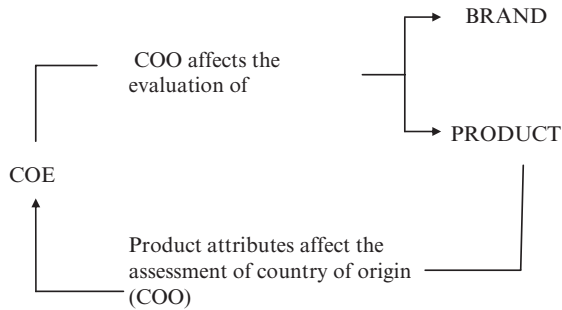


Figure 7.1 A summary of the relationships among country of origin (COO), country of origin effect (COE), brands and products

Li and Wyer, 1994). The second starts from the middle 1990s in parallel to the emerging literature on brand management (Tse and Gorn, 1993; Pappu et al., 2006). The second stream of research concentrates on how product attributes affect the evaluation of the country of origin (Aiello et al., 2009).

With few exceptions (Wang and Yang, 2008; Baldauf et al., 2009), the research conducted in this area investigated the combined effects of country of origin and components of brand equity on consumer purchase intentions (Ashill and Sinha, 2004). This chapter focuses on the influence of Italy, as country of origin, on the evaluation of product and brand in China. We place our study in the first stream of studies discussed above, with the aim of investigating the importance of the various declinations of the concepts 'origin' and 'brand', the way they interact in influencing the purchasing preferences of Chinese consumers and how the store management policies can enhance the country of origin effect.

We decided to test our hypotheses in the children's clothing market in China for two main reasons: the children's clothing industry is part of the fashion industry, where brand enhancing policies play a strategic role in the competitive success of firms (Pucci et al., 2011); therefore the excellence of Made in Italy clothing products and related brands is a globally recognized stereotype (Roth and Romeo, 1992).

In summary, the research aims to answer three main questions:

1. What are the main factors that influence consumer preferences when buying garments in China?
2. How does the image of Italy affect the assessment of children's clothing brands in China?

3. What store management policies can more effectively convey the specific attributes of an Italian brand in the fashion products market in China?

2. THEORETICAL BACKGROUND AND RESEARCH HYPOTHESIS

2.1 Factors that Influence Childrenswear Consumer Preferences

Our first research question is aimed at understanding the factors that influence consumer preferences of children's clothing in China and the features that are common to the buying behaviour in the broader field of luxury and fashion market.

The distinctive features of Italian competitive advantage have long been known in the international literature. Since the early 1960s, a combination of different elements related to craftsmanship, quality of production, and creativity led to Made in Italy excellence in typical industries (fashion, mechanics, food, home furnishing). The expression 'Made in Italy' gradually assumed a more important meaning than that of a simple label of origin (Fortis, 2005) to become a byword for excellence in design, quality and reliability that are globally recognized in the products and technologies of Italian firms.

Italian fashion especially has been able to contribute to the definition of a unique meaning of Made in Italy that allows it to stand out in international competition in terms of (Corbellini and Saviolo, 2004, p. 28): social values attributable to firms in general (passion, craftsmanship, functionality); stylistic identity of products (design, elegance, linearity); and image identity attributed to the communication of fashion (beauty, sensuality, romance). For these reasons, it is expected that customers are willing to pay a premium price for Made in Italy fashion products. For at least a decade, the new challenges of globalization as well as the emergence of new countries that compete in manufacturing products in which Italy is specialized, have put the traditional strengths of Made in Italy into question, thus forcing different actors (individual firms, industrial districts, institutions, governments) to review corporate strategies and policies. The diffusion of relocation and outsourcing processes have contributed to an extension of the concept of 'Made in' from a merely physical manufacturing location. As a result, some companies have opted to pay less attention to the place of production and more in general to enhance the corporate brand that has an increasingly great importance in the consumer buying process (Corbellini and Saviolo, 2004, p. 25). At the same time, the exten-

sion of the concept of 'origin' has sometimes made a 'misappropriation' of the Italian cultural heritage by foreign brands possible, especially in new emerging markets.

Italian SMEs show the difficulty in responding to this rapidly changing competitive landscape which requires more advanced approaches than the simple indirect export formulas to non-episodically enter in foreign markets (Rabino et al., 2008). Succeeding in distant markets with a high level of competition, such as China, requires strengthening and enhancing already strong marketing resources, especially brands, and to more closely and aggressively manage distribution activities (Bertoli, 2004).

Recent research on the Italian fashion system (Aiello and Guercini, 2010) showed how strengthening the role of a direct distribution channel is key in supporting a brand and directly managing its presence on international markets. Some emerging countries are therefore at the centre of the attention of Italian fashion firms not only as a place of production, but also as a market for their final products through the implementation of foreign direct investments in retail.

Despite the importance in the Italian literature, there are not many empirical studies that have examined the issue of country of origin with reference to Made in Italy products and brands (Bertoli et al., 2005), as well as studies that investigate the effects in a comparative international study (Aiello et al., 2009) or still more extensive surveys to gauge the role of the so-called country reputation on perceptions and consumption behaviour abroad (Marino et al., 2009).

We therefore decided to test empirically our hypotheses in the childrens-wear industry, which is part of the wider fashion industry where previous research have shown that the strategies adopted to build and maintain a successful brand are among the main keys to the firm's competitive success (Carpenter and Fairhurst, 2005). The excellence of Made in Italy apparel products is an internationally recognized stereotype (Roth and Romeo, 1992), although its value has yet to find further confirmation in new emerging countries like China, India, Brazil, etc. China in particular, despite being the first country in the world for exports of children clothing with a share that exceeds 51 per cent, in recent years is one of the main markets for Italian companies, especially those that are positioned in the medium-high segment of the market, for the most part still to be exploited (Databank, 2010).

2.2 Country of Origin Image, Product Image and Brand Image

To answer the second research question we have made some assumptions based on the prevailing literature as discussed herein.

Several studies indicate that consumers may have different assessments of products or brands from different countries, thereby significantly influencing their intention to purchase (Papadopoulos and Heslop, 1993). One of the first theories on country of origin was proposed by Nagashima (1970). He defines the image that a consumer associates to a given country of origin as 'the picture, the reputation, the stereotype that businessmen and consumers attach 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'. More recently, Roth and Romeo (1992) define the COO image as the understanding that a consumer has of a country based on the earlier perception of a product compared to the strength or weakness of the production and marketing of that country.

In literature, several explanations have been put forward as to how consumers react to COO information. Among these, one of the most cited is surely Han (1989). The author identifies two specific roles of the COO: the halo effect and the summary effect. With regard to the first, the COO serves as a signal to the consumer for the cognitive evaluation process in all those situations in which one is not familiar with the product or the brand. The summary effect arises rather as an abstraction process when the image of a country is based on previous experiences and consumer perception of the attributes that characterize the products from that country. Both effects show that the COO image serves as an indication to infer the quality of the products or brands of a certain country (Yasin et al., 2007).

Many consumers use COO stereotypes to evaluate products by relying on the fact that a label 'Made in' would indicate the superiority or otherwise of a product or a brand based on their perception of that country (Bilkey and Nes, 1982). Other studies show that the impact of the geographic origin would seem to be stronger for those categories of products (and related brands) the realization of which is associated with a country renowned for its tradition of production such as Brazilian coffee, Swiss chocolate, American jeans, Italian fashion, French perfumes, etc. (Roth and Romeo, 1992).

In the literature, however, there are also papers that minimize the effect of COO (Rahman et al., 2008). Usunier (2006) in particular suggests that for the production of knowledge about the country to have some influence on consumer buying, it is vital that they consider the information on the origin of the product as appropriate with respect to their choice and that the importance of this information is such to induce them to invest time and resources in research and comparison of alternative backgrounds.

Creating successful brands has now become a priority for many companies because of the many benefits that this entails in terms of competitive

advantage (Aaker, 1991 and 1996). This has prompted researchers and marketing professionals to question the nature and size of the brand equity that is the differential effect that brand knowledge has on consumer response (Keller, 1998). There are many factors that influence the assessment and several research programmes focused on the relevant variables of marketing mix (Yoo and Donthu, and Lee, 2000). Papers that investigate the relationship between brand equity and other variables besides marketing mix, such as the country of origin, are more scarce (Wang and Yang, 2008; Baldauf et al., 2009).

There are two main components of brand equity: brand awareness and brand image (Ashill and Sinha, 2004). The first refers to the ability of a consumer to identify a brand under different conditions (Aaker, 1996). The second refers to that set of cognitive and affective associations that consumers have of a brand (Feldwick, 1996). The brand image therefore consists of a set of complex and interrelated associations (Yoo et al., 2000) in the minds of consumers due to personal beliefs, targeted marketing, direct experiences with the product or inferences based on existing associations (Aaker, 1991). The combination of these tangible and intangible attributes thus contributes to the brand image that companies strive to strengthen and maintain (Aaker, 1996).

All this suggests our first and second research hypotheses:

H1: Italy image exerts a significant positive influence on children-wear's Chinese consumer preferences.

H2: The associations of a) brand image and b) product image have a significantly positive impact on purchasing preferences.

As already mentioned, there are not many papers that investigate the relationship between country of origin and brand equity (Yasin et al., 2007). Although the literature shows a direct positive impact of the latter on the buying behaviour of consumers, the relative importance of brand image can also be caused by the image of the country of origin (Roth and Romeo, 1992). Thakor and Katsanis (1997), for example, suggest that the COO affects the perception of the quality of a product either directly or indirectly through the effect of the brand. More recently, the results of Pappu et al. (2006) show that the impact of COO on brand equity occurs when consumers perceive a difference between countries with respect to the associations of their products–countries. Even Yasin et al. (2007) show that COO image positively influences the dimensions of brand equity and Wang and Yang (2008) come to similar conclusions, however focusing solely on brand personality. Zeugner-Roth

et al. (2008) then show how brand equity is influenced by perceptions of the image of the country of origin and impact positively on consumer buying preferences.

Our third research hypothesis is therefore:

H3: The image of the country of origin tends to positively moderate: (a) the relationship between brand image and consumer preferences, and (b) the relationship between product image and consumer preferences.

2.3 Store Management Policies for the Exploitation of ‘Made in Italy’

Retail image and store positioning are two factors that could influence consumer loyalty and retail success; in the fashion business the store image could deeply affect store choice and customers’ perception (Birtwistle et al., 1999). In the last two decades in the fashion apparel industry, competition on price and quality have not been enough to reach a sustainable success, while brand image, product styling and direct control of distribution have assumed greater importance; more integrated firms that control the retail chain could link a quick and flexible manufacturing response with a deeper knowledge on demand and customer satisfaction (Richardson, 1996).

The retail internationalization process could also be considered an entry mode choice in newly emerging markets that in recent years have become critical in the fashion business; the entry mode could be different over time and emerges as the result of a combination of historical, experiential, financial, opportunistic, strategic and company-specific factors (Doherty, 2000). Failure in international retailing is not uncommon (Burt et al., 2003), so it is important to find the right partners, to study carefully the strategy to adopt in the foreign markets (foreign direct investments, joint ventures, franchising, etc.) and to give a qualified operational support (Doherty, 2007). Intense competition and a fast product innovation create different challenges in fashion retail policies and require developing and leveraging core marketing capabilities (Moore and Fairhurst, 2003); in particular, some marketing capabilities (image differentiation, promotions, external-market knowledge, customer service) could have a positive impact on firm level performance. Brand management and product development are extremely important in the differentiation of international fashion retailers (Wigley et al., 2005).

Italian fashion firms have realized in recent years the growing importance of direct control of the point of sales in the foreign markets, above all in some emerging countries such as China (Aiello and Guercini, 2010); the new opening of stores in foreign countries confirms a process of sub-

stitution from multibrand to monobrand stores, a strategy that could enforce brand image and awareness. This strategy is followed by both well-known brands of large international companies in the luxury markets and less-known Italian brands positioned in the middle-high segment of the fashion market.

Our fourth and fifth research hypotheses are therefore the following:

H4: An Italian store sign and effective store policies enforce the Italian brand image and exert a positive influence on Chinese consumer preferences for childrenswear.

H5: A monobrand retail strategy enforces the Italian brand image measured in terms of premium price effect.

3. METHODOLOGY

3.1 Questionnaire and Measures

Our research was supported by 'Bimbo Italia' Consortium² and by a medium-size Italian enterprise in the industry that already has its own stores in the Chinese market (we refer to it as company X for confidentiality reasons). We designed two questionnaires to be submitted to a sample of Chinese consumers. The first questionnaire was submitted to consumers right in front of multibrand stores whereas the second in front of company X monobrand stores.³

The common structure of the two questionnaires consists of two parts. The first part measures the influence of certain factors on the choice of buying children's clothing, the product attributes that are considered in the evaluation of its quality and the attributes of the image of Italy as a country of origin. The second part investigates the demographic information and the purchasing behaviour of the respondents. In the questionnaires used in front of monobrand retail outlets⁴ the consumers were also asked to: evaluate the attributes of company X brand and product image, and specify the degree to which they associate with Italy a series of elements related to store management, including signs in Italian, store window, catalogues, interior design, posters and videos, music.

The Italy image was initially operationalized using four items: innovation, design, prestige and workmanship (Roth and Romeo, 1992, Aiello et al., 2008). The product attributes selected are reliability, quality and trust (Chen et al., 2004; Fionda and Moore, 2009). The associations

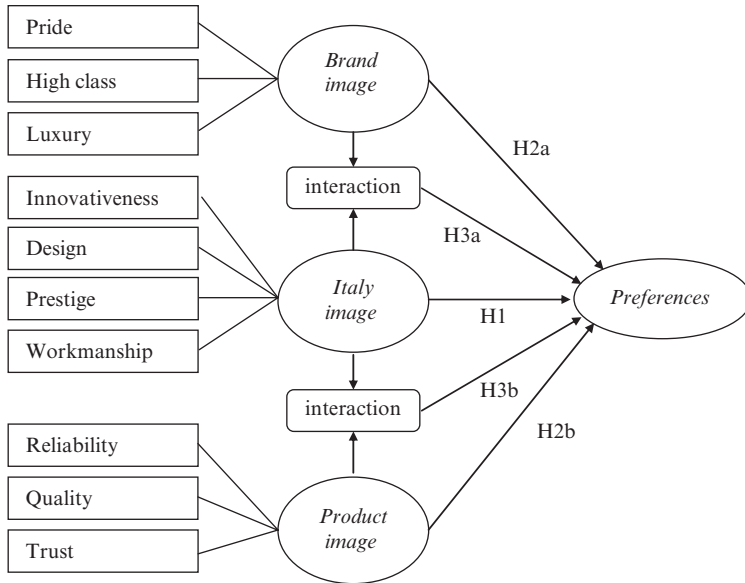


Figure 7.2 Structural model and research hypotheses

for the brand image are pride, high class and luxury image (Yasin et al., 2007; Fionda and Moore, 2009). All the items for the three constructs are measured through a Likert scale ranging from 1 'minor' to 5 'extremely important'. Finally, the preference of purchase is measured by a scale on the price differential (premium price) that customers would be willing to pay for an item of Italian clothing for children (Dodds et al., 1991; Feldwick, 1996) that varies between 1 '0 per cent' and 4 '20 per cent or more'. The structural model and hypotheses are shown in Figure 7.2.

A pilot study of the questionnaires was conducted to assess the constructs and their measurement scales. The content validity was assessed by 12 managers of a few Italian exporting firms operating in the field of children's clothing. The questionnaires were first translated to Chinese and then translated again into Italian in order to verify the accuracy of the translation. We then tested the questionnaires with 50 local consumers that were asked not only to answer the questions but also to possibly criticize them. All 50 respondents answered completely and no observation or feedback made it necessary to review the setting of the questionnaire.

The questionnaire was then submitted during the period May–June 2011. The total sample consists of 1110 respondents. The distribution of

Table 7.1 Geographical distribution of the sample of respondents

City	Store type	n.
Shanghai	Multibrand	212
Ningbo	Multibrand	209
Suzhou	Multibrand	200
Total interviews in front of multibrand stores		621
Shenzhen	Monobrand	148
Guangzhou	Monobrand	96
Shenyang	Monobrand	76
Tianjin	Monobrand	57
Guilin	Monobrand	50
Jinan	Monobrand	32
Liaoning	Monobrand	30
Total interviews in front of monobrand stores		489
Total interviews		1110

the respondents by city and by type of store in front of which the interview was conducted is shown in Table 7.1.

3.2 Sample and Descriptive Statistics

The socio-demographic profile of the respondents is shown in Table 7.2.

As can be noticed, the buyer is in most cases a mother aged between 25 and 40 years. The mothers are not very young. This can reveal that in Chinese social upper classes the average age at which women have children is getting higher, as in many other Western countries. Yet the education level is medium-high and a share of non-marginal consumers have a medium-high income level.

Table 7.3 shows the data on buying behaviour.

The data shows the presence of repeat purchases during the year for Chinese consumers, like in most industrialized countries (see Xiao and Kim, 2009). It also denotes the strong centrality of mothers in the purchasing process (see Sin and Yau, 2004), which is a result that differentiates China from other countries of the so-called 'Old World', where the role of the family (especially grandparents) has a greater economic and social value. The data also points out the prevalence of functional reasons (change of season, change of size) than purely hedonistic reasons for purchase. This is reflected in the literature (Rahman et al., 2008) although one third of respondents considers fashion as a major motivation in the purchasing process by highlighting the presence of a market segment most exquisitely 'fashion-oriented'.

Table 7.2 Socio-demographic segmentation of respondents

Variables	Proportion %
<i>Gender</i>	
Male	26.4
Female	73.6
<i>Age</i>	
< 25 years	20.5
25–40 years	68.1
> 40 years	11.4
<i>Shopper</i>	
Mother	70.9
Father	15.9
Grandmother/Grandfather	4.9
Other family member	6.6
Others	1.7
<i>Personal income/month</i>	
< 5000 Yuan	28.8
5000–8000 Yuan	32.5
8000–10,000 Yuan	15.0
10,000–15,000 Yuan	12.9
> 15,000 Yuan	10.8
<i>Education</i>	
Lower than university	30.3
University or above	69.7
<i>Children's age</i>	
0–3 years	31.2
4–6 years	45.1
7–14 years	23.7

3.3 Reliability and Validity

With regard to the second research question, the reliability of the constructs was tested using Cronbach's alpha coefficient, which varies, in our case, between 0.746 and 0.888 (Table 7.4). The result is larger than the standard generally accepted 0.7.

To determine the effectiveness of the constructs, the scales relating to Italy image, product image and brand image were tested for both convergent and discriminant validity. The convergent validity is the degree of agreement between two or more measures within the same construct. We used bivariate correlation analysis to provide evidence of their validity. All the correlation coefficients related to the components of each construct are statistically significant at $p < 0.01$ and ranging from 0.436 to

Table 7.3 Buying behaviour

Variables	Proportion %
<i>Average annual purchases</i>	
1–2 times	21.0
3–8 times	48.3
> 8 times	30.7
<i>Person that influences the choice*</i>	
Child	27.9
Mother	66.9
Father	10.7
Grandmother/Grandfather	7.3
<i>Reason for purchase*</i>	
Change of season	52.3
Festive holiday	31.8
Outgrown clothes	50.8
Fashion	28.8
Replacement	25.0

Note: * The sum is not 100% because the answer may be multiple.

0.766. Each component is also strongly correlated with its overall scale of measurement.

Discriminant validity refers to the extent by which different measures of conceptually distinct constructs differ. To test the discriminant validity we run a factor analysis on the components of Italy image, brand image, product image and purchase intent (Table 7.5).

The results show that the four factors explain more than 78 per cent of the total variance. The factors weighing more than 0.5 are all in their corresponding constructs, showing that respondents discriminate between measures of COO image, product image, brand image and purchase intent, thus providing evidence of discriminant validity.

The different measures were then subjected to a confirmatory factor analysis (CFA). The indices of fit ($\chi^2/df = 1.57$, goodness-of-fit index [GFI] = 0.90, adjusted goodness-of-fit index [AGFI] = 0.91, confirmatory fit index [CFI] = 0.94, normed fit index [NFI] = 0.91, root mean squared error of approximation [RMSEA] = 0.042) suggesting a good fit of the measurement model and all items are significantly loaded (critical ratio [CR] = 1.94) on their corresponding constructs by providing valid measurements.

Table 7.4 Measures and reliability

Variables	Items	Cronbach's α
<i>Italy Image</i> (Likert scale, ranging from 1 'not important' to 5 'extremely important')	Innovativeness Design Prestige Workmanship	0.888
<i>Product image</i> (Likert scale, ranging from 1 'not important' to 5 'extremely important')	Reliability Quality Trust	0.847
<i>X Brand image</i> (Likert scale, ranging from 1 'not important' to 5 'extremely important')	Pride High class Luxury	0.746

Table 7.5 Factorial analysis results

Construct	Factor 1	Factor 2	Factor 3	Factor 4
<i>Italy Image</i>				
Innovativeness	0.728			
Design	0.812			
Prestige	0.826			
Workmanship	0.805			
<i>Product image</i>				
Reliability		0.816		
Quality		0.885		
Trust		0.799		
<i>Brand image</i>				
Pride			0.730	
High class			0.743	
Luxury			0.739	
<i>Purchasing behaviour</i>				0.873

Note: Total variance explained: 78.1%

Table 7.6 Factors that influence childrenswear purchasing behaviour

	Mean	St. dev.	Proportions %				
			1	2	3	4	5
Quality	4.74	0.66	0.48	0.95	5.90	12.37	80.30
Conformity	4.45	0.86	0.93	2.57	11.51	24.56	60.43
Style	4.13	0.93	1.57	2.56	19.78	32.19	43.90
Easy care	4.10	1.02	1.85	6.64	17.41	30.69	43.41
Price	3.91	1.01	1.49	6.87	26.86	28.76	36.02
Trends	3.82	1.11	3.75	8.21	27.59	26.57	33.88
Brand	3.28	1.23	10.89	10.79	34.65	22.92	20.75
COO (China)	2.87	1.30	21.80	11.64	36.19	16.93	13.44
COO (\neq China)	2.85	1.29	23.37	10.98	37.72	15.76	12.17
Tradition	2.73	1.28	26.47	11.42	37.03	14.94	10.14

4. RESULTS

Our first research question is aimed at exploring the main factors that influence consumer preferences when buying children's clothes in China. To answer this question, the analysis was conducted on the entire sample of 1110 respondents.

In Table 7.6, the factors that influence childrenswear purchasing behaviour are listed in decreasing order of priority: the main factors are connected with technical elements of the products (quality, conformity), followed by design factors.

At a first glance, other factors such as tradition, country of origin or brand are less important in the childrenswear market when compared to other segments of the fashion system (for example, luxury products). This impression is confirmed if we focus our attention on the attributes that, for the Chinese consumers, explain the term 'quality' in the childrenswear market (Table 7.7): again manufacturing or technical aspect (comfort, safety, green fabric, workmanship) are more important than intangible attributes (design). Despite this, if we consider the key Italy image characteristics, a different ranking emerges (Table 7.8): in this case design and workmanship (an attribute strictly connected with the craftsmanship capabilities of the Italian artisans) assume greater importance, more than prestige (as in the case of luxury products) or innovativeness.

Italy image seems to exert a positive influence on Chinese consumer preferences for childrenswear. This is confirmed by the willingness to pay a higher price for a 'Made in Italy' product (Table 7.9). More than one

Table 7.7 The attributes that explain the term quality in the childrenswear market in China

	Mean	St. dev.	Proportions %				
			1	2	3	4	5
Comfort	4.75	0.67	0.47	1.90	4.38	8.85	84.40
Safety	4.59	0.81	1.10	2.69	6.37	15.54	74.30
Green fabric	4.30	0.93	0.90	4.46	13.79	25.00	55.85
Workmanship	3.91	1.12	3.80	8.43	19.22	29.91	38.64
Design of detail	3.84	1.10	3.90	6.46	26.97	26.98	35.69
Long life	3.48	1.26	8.91	12.33	27.77	23.32	27.67

Table 7.8 Key Italy image characteristics

	Mean	St. dev.	Proportions %				
			1	2	3	4	5
Design	3.99	1.12	4.05	7.19	17.51	27.53	43.72
Workmanship	3.96	1.49	5.71	7.85	16.72	26.91	42.81
Innovativeness	3.78	1.23	7.02	9.00	20.28	26.01	37.69
Prestige	3.68	1.25	7.85	10.42	20.33	28.48	32.92

Table 7.9 How the Chinese are willing to pay more for children's apparel 'Made in Italy'

Premium price	Sample		Multibrand		Monobrand	
	n	%	n	%	n	%
0%	84	7.64	34	3.14	50	4.50
1%–10%	261	23.52	89	8.02	172	15.50
11%–20%	354	31.85	204	18.34	150	13.51
≥ 21%	411	36.99	294	26.48	117	10.51
Total	1110	100.00	621	55.98	489	44.02

third of the Chinese consumers interviewed would pay more than 21 per cent on top of a standard price.

Contrary to what we originally expected, the retail strategy does not seem to significantly influence the image effect in terms of price difference (Table 7.10). We thought that a monobrand retail strategy could better support a premium price policy than a multibrand independent store's

Table 7.10 Likert scale 'premium price'

	Mean*	St. dev.
Entire sample	2.98	0.95
'Multibrand' sample	3.22	0.89
'Monobrand' sample	2.68	0.95

Note: * The Likert scale ranges from 1 to 4.

distribution strategy. This result may be due to different reasons: city/regional differences, store locations, store management policies, which, as previously pointed out, are designed and implemented by the general manager of the equity joint venture (EJV) who is a Chinese shareholder who seems to be more interested in implementing his own vision than in following the Italian firm brand and marketing guidelines. Further researches are needed on this specific issue.

The second objective of our study was to investigate the relationship between country of origin (Italy), brand image, product image and consumer preferences with specific reference to the field of children's clothing in China. To answer this question, the analysis was conducted on the sample of 489 respondents that were interviewed in front of monobrand stores.

To test the proposed hypotheses, we conducted a hierarchical regression analysis after controlling for the variables gender, age, education level and monthly personal income. The control variables are all categorical and have been included in the model in the form of dummy variables. The results show that none of the control variables is significant in influencing the purchase intent. Table 7.11 shows the five regression models we developed.

Our first hypothesis predicts that the country of origin (Italy) exerts a significant positive influence on the intention to purchase. In this case, consistently with models 2 and 5 the change in R^2 is 9.0 per cent and statistically significant at $p < 0.001$. The standardized regression coefficient is positive (0.215) on the COO image, which supports H1.

Our second hypothesis is that the associations of (a) brand image and (b) product image have a significant positive impact on purchasing preferences. In the first case, according to models 3 and 5 the change in R^2 is 1.9 per cent and statistically significant at $p < 0.001$. The positive standardized regression coefficient (0.124) on the brand image supports H2a. The result is, on the one hand, confirmed in the literature (Wang and Yang, 2008; Baldauf et al., 2009), although it contradicts the work of Chen et

Table 7.11 Hierarchical regression analysis results

Variables	Mod. 1	Mod. 2	Mod. 3	Mod. 4	Mod. 5
<i>Gender</i>	–	–	–	–	–
<i>Age</i>	–	–	–	–	–
<i>Education</i>	–	–	–	–	–
<i>Personal income/month</i>	–	–	–	–	–
<i>Italy image</i>		(0.363) ¹ (0.309) ²	(0.243) ¹ (0.207) ²	(0.123) ¹ (0.105) ²	(–0.253) ¹ (–0.215) ²
<i>Brand image</i>			(0.216) ¹ (0.171) ²	(0.133) ¹ (0.105) ²	(–0.156) ¹ (–0.124) ²
<i>Product image</i>				(0.543) ¹ (0.501) ²	(0.528) ¹ (0.488) ²
<i>Italy image X brand image</i>					(0.099) ¹ (0.506) ²
Constant	3.202	1.844	1.446	0.734	1.800
<i>F</i>	1.37	116.76	71.34	192.50	150.01
	–	$p < 0.001$	$p < 0.001$	$p < 0.001$	$p < 0.001$
<i>R</i> ²	0.005	0.095	0.114	0.343	0.452
<i>R</i> ² change	0.005	0.090	0.019	0.229	0.109
Adj – <i>R</i> ²	0.001	0.094	0.113	0.341	0.447
Overall model <i>p</i> value	–	0.000	0.000	0.000	0.000

Notes:

1. Non-standardized regression coefficient;
2. Standardized regression coefficient.

al. (2004), for which the brand has little impact on the choice of clothing for children in China. A possible explanation may be related to the time lag between the two surveys. The contextual conditions in countries like China have changed a lot during the past five years. As already mentioned, more than one third of the respondents consider fashion as a significant motivator in the purchasing process. This suggests an evolution of consumption patterns towards market segments where consumers are more influenced by intangible variables, including brands. In the second case, according to models 4 and 5 the change in R^2 is 22.9 per cent and statistically significant at $p < 0.001$. The standardized regression coefficient is positive (0.488) on the product image, thus supporting H2b. The results are confirmed in the literature (Roth and Romeo, 1992).

Our third hypothesis is that the image of Italy tends to positively mod-

erate (a) the relationship between brand image and consumer preferences and (b) the relationship between product image and consumer preferences. In accordance with Model 5, the change in R^2 is 10.9 per cent and statistically significant at $p < 0.001$ and the standardized regression coefficient is 0.506, thus indicating that the interaction has a positive impact on purchasing preferences other things being equal. Thus, the country of origin image acts as a moderator between positive brand image and consumer preferences, confirming H3a. In this case the result is confirmed in the literature (Wang and Yang, 2008).

According to our hypotheses, the country of origin has a direct influence that is exercised by its image and an indirect impact through the interaction with brand image on the consumer preferences. The results reveal that the three factors considered individually have a significant positive impact on the willingness of Chinese consumers to pay a premium price, which is consistent with the literature (e.g., Roth and Romeo, 1992). At the same time, we found evidence that the COO image represents a fair moderator in the relationship between image and brand preferences. To reach similar results Wang and Yang (2008), considering brand personality instead of brand image, suggest that such a moderating effect may play an important role not only in one dimension of brand equity, but in all its components (Yasin et al., 2007). Finally, we did not find significant interaction between Italy's image and product image.

With regard to our third research question, Tables 7.12 and 7.13 show, respectively, the consumers' association between the X brand and Italy, and the consumers' association among store elements of the X brand and Italy. The data reveals that an effective retail sign policy can have a positive association between Italy and the brand; this result is consistent with the competitive strategy observed in practice where we see some Chinese competitors in the fashion business that are adopting Italian names in their brand strategies.

With regards to store management policies, the results show that none of the elements of store layout has a greater importance in the association between the X brand and Italy when compared to the others, but they are all equally important. This suggests that to effectively exploit the

Table 7.12 The association between the X brand and Italy

	Mean	St. dev.	Proportions %				
			1	2	3	4	5
Association	3.46	1.31	11.61	11.94	22.90	26.45	27.10

Table 7.13 The association among store elements of the X brand and Italy

	Mean	St. dev.	Proportions %				
			1	2	3	4	5
Poster and video	3.36	1.41	14.76	14.21	20.33	21.73	28.97
Catalogue	3.29	1.34	13.75	14.28	25.88	21.56	24.53
Sign (in Italian)	3.21	1.42	17.23	14.14	25.19	16.45	26.99
Interior design	3.17	1.31	15.25	13.56	29.10	22.60	19.49
Store window	3.12	1.36	16.48	17.31	23.35	23.08	19.78
Music	2.86	1.47	25.64	17.66	22.22	13.68	20.80

advantage offered by the country of origin in the perception of the Chinese consumer evaluation, it is necessary to provide integrated communication policies that involve the entire management of the store.

5. DISCUSSION, THEORETICAL AND MANAGERIAL IMPLICATIONS

The results reveal that the three constructs considered individually have a significant positive impact on the willingness of Chinese consumers to pay a price differential. This is in line with part of the literature (e.g., Roth and Romeo, 1992). At the same time, we found evidence that the COO image represents a fair moderator in the relationship between image and brand preferences. To reach similar results, Wang and Yang (2008), however, considering the brand personality and brand image, suggests that such a moderating effect may play an important role not only in one dimension of brand equity, but in all its components (Yasin et al., 2007).

The research also has interesting managerial implications. First, making the country of origin crucial in allowing differential pricing (premium price) may represent not only a lever to reach better economic and financial performance, but also a strategic factor when dealing with possible local partners (especially trade clients) as well as in the direct management of the store.

Second, the direct relationship between product attributes and consumer preferences suggests to the managers of companies operating in China that the expansion of the product range of features (notably the degree of novelty and quality) can be a discriminating factor for the consumer buying process.

Third, as COO image exerts a significant role in the relationship

between brand image and consumer preferences, it may be an additional factor that can differentiate and enhance their brand in today's hypercompetitive market and mature as is the fashion.

Fourth, we expected the retail strategy (monobrand vs. multibrand stores) to have a stronger influence on brand image when measured in terms of premium price perception. Our hypothesis was not confirmed. This result may depend on differences in the cities or in the store locations. The reason for this unexpected result may also lie on the type of strategy adopted by the Italian firm to enter the Chinese market. The decision not to or the inability to directly control distribution and retail marketing in China may depend on differences in the interests and visions between the Italian firm and the local partners in terms of brand image and positioning. A follow-up interview with company X managers highlighted how the retail strategy in China has so far been different than in other countries as a result of having a minority stake in the EJV that has made it impossible to orient the development in China consistently with its global brand positioning. This may have been sustainable until the Chinese market was close and poorer. Nowadays it may seriously undermine company X's future development in what is becoming the largest market for luxury products in the world. The case stresses the importance of maintaining a strict control on brand and marketing strategies in a foreign market. It also suggests that being a minority in an EJV in a foreign market without proper corporate governance rules that can ensure the alignment of the EJV decision making with the brand image may jeopardize or reduce the positive impact of the COO effects and of brand and retail management on consumer preferences.

6. LIMITATIONS AND FUTURE RESEARCH

We are conscious that our research has some limitations:

1. The study considered a single product category. The same analysis conducted in markets for different product categories may lead to different results. The problem is, however, endogenous to the country of origin concept itself: the impact of the geographic origin is known to be stronger for those categories of products the production of which is associated to countries known precisely for that specific production tradition.
2. We did not include in the model the degree of involvement with the product, although we believe that the purchase of children's clothing is not a high-involvement situation as the choice of an automobile or similar products.

3. Finally, we did not consider the possible level of uncertainty about the recognition of the origin of a particular brand that others have instead highlighted (e.g. Zhuang et al., 2007) with specific reference to China.

Further research could consider: The analysis could have possible future developments such as:

1. The opportunity to test the hypotheses in other countries such as India, Russia and Brazil that represent emerging markets not only for the main Italian large luxury firms, but also for many SMEs of the fashion system that are internationalizing their businesses.
2. The influence of retail strategy (monobrand versus multibrand stores) on brand image considering a wider number of variables.
3. Finally, a dynamic analysis by repeating the survey in the future to check if any changes in perceptions and purchase intentions of consumers have occurred with the increase of market maturity, which may be especially interesting when considering that the childrenswear market in China is currently in the early stages of its life cycle.

NOTES

1. The present work is the result of a joint effort. Nevertheless, Tommaso Pucci wrote sections 3 and 4, Christian Simoni wrote section 5 and Lorenzo Zanni wrote sections 1 and 2. The authors jointly wrote section 6.
2. Consorzio Bimbo Italia is an export consortium mostly specialized in the childrenswear industry.
3. The retail activities are managed through an equity joint venture (EJV) with a Chinese partner that decides and implements both product policies and stores layout. The store sign and brands are those of the Italian firm.
4. The X brand is not sold in multibrand stores in China.

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