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The perception of Italian Brands in Vietnam:

A survey on country of origin effect and linguistic impact of Italian sounding brand names on Vietnamese urban consumers

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Mattia Miani and Giovanni Maria Merola
RMIT International University, Vietnam

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Mattia Miani and Giovanni Merola may be reached at the following email address: mattia.miani@rmit.edu.vn, giovanni.merola@rmit.edu.vn.

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Executive summary

The research findings presented in this report refers to a quantitative survey of affluent Vietnamese urban consumers (in Hanoi and Ho Chi Minh City) directed by RMIT International University on behalf of Italian Embassy in Vietnam and Italian Trade Commission. Six hundred people were interviewed face-to-face in the months of October-November 2011.

The survey aimed at understanding the perception of foreign brands, namely Italian brands, by the most significant segment of Vietnamese consumers.

Key findings indicate that Vietnamese urban consumers:

- Hold a very positive image of Italy (in terms both of cognitive and affective attitude), no respondent declared to feel negative sentiments; only 15% of the sample declared to be indifferent, while the rest expressed positive or very positive feelings. They admit, however, to know very little about Italy (67.2%).
- Are very open to foreign brands. Of six countries tested, Italian, French and American brands consistently result more attractive than local brands and brands from China and Korea.
- Are very attracted specifically by Italian brands: 85.5% of respondents declared to be attracted or very attracted to them.
- Associate Italian brands with prestige (90%) and quality (93%) more than the brands of any other country tested.

Italy seems to enjoy a very high reputational capital among Vietnamese consumers. However, the research also showed a *behavioural gap*. Most respondents did not recall any purchase of Italian brands and, even more strikingly, the majority was not planning any purchase of brands from Italy in the near future.

The survey also unveiled a foreign brand name effect. Brands named in Italian, but also English, are more likely to elicit positive feelings and associations by consumers.

The research presents, therefore, opportunities and challenges for Italian business in Vietnam. The opportunity is represented by the high reputation enjoyed by Italian brands in the country. The challenge is represented by the current difficulty to turn the positive attitude in actual behavioural consumer choices.

The research also posed a new challenge for the protection of made in Italy abroad. If Italian sounding names may elicit an effect in terms of consumer behaviour, it is clear that the usage of Italian sounding brand names by manufacturers that have nothing to do with Italy may mislead customers, especially in developing economies where brand knowledge is sill limited.

The research question: from made in Italy to Italian brands

What do Vietnamese consumers think of Italy and Italian brands? This question has been the starting point of the research presented in this report. The question deserves to be answered because of its practical implications for Italian businesses in Vietnam. It is well known that the perception of the country of origin may influence the consumer behaviour and consumer attitudes toward a product. Hence, it is of great interest to understand what kind of perception of Italian brands is held by Vietnamese consumers.

To better understand this research's goals we must explain what we mean by Italian brands and by Vietnamese consumers.

The case for a country of origin effect

That Vietnamese consumers may have specific attitudes toward a country's brands is a hypothesis deeply rooted in consumer behaviour literature. The phenomenon is known as Country of Origin Effect (henceforth COO effect).

It has become a topos in the literature on COO effect to state, in the opening of every new article, that this is one of the most (if not the most) widely studied topic in international marketing and consumer behaviour (Tan and Farley 1987, Peterson and Jolibert 1995 just to name a few).

This line of research has a long history indeed. Verlegh and Steenkamp (1999) credit Ernest Dichter, the father of motivational research and an influential figure in the marketing practice in the 50s and 60s, as the first author to identify the phenomenon. In 1962 he suggested on the *Harvard Business Review* that a product country of origin may have a "tremendous influence on the acceptance and success of products" (p. 162).

The marketing community did not have to wait long for the first empirical test that was conducted by Schooler in 1965. He provided what has been for a long time the standard definition of the notion of COO effect: you can observe significant differences in the in the evaluation of products that are identical in all respects, except for the name of the country specified on a ``made in'' label. Basically, the same definition was still adopted 30 years later in Samiee (1994) widely quoted study.

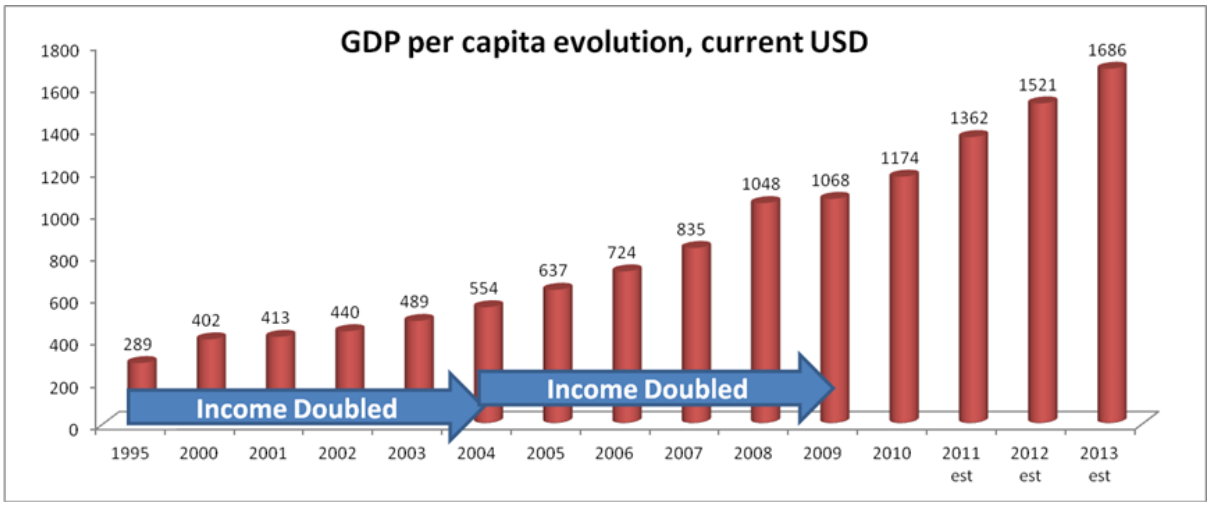
Incredibly this notion has not been subject to major criticism until recent times. It is clear that globalization of marketing and manufacturing practices has called into question many of the assumptions behind the original COO effect definition. In particular, in a globalized economy, country of design, country of manufacture and country of ownership of the brand may fail to overlap. You could have a supposedly Italian brand that is actually designed in France and owned by a multinational company with its headquarters in Asia. In this situation, it is clearly difficult to evaluate the salience of the country of manufacture in forming a COO effect.

More recent literature (see Usunier 2011 for a review) has therefore switched its focus from the study of the country of manufacture to the country of design or, simply, the country of brand. Congruently, in this study we have chosen to focus on Italian brands as those brands historically developed in Italy and/or by Italian companies. To our survey respondents we offered the following definition of Italian brands: "An Italian brand is a brand developed and designed by a company based in Italy. Italian restaurants are not Italian brands."

This definition is broader than the classical "made in" definition. We also include brands designed in Italy, but actually manufactured abroad, including in Vietnam.

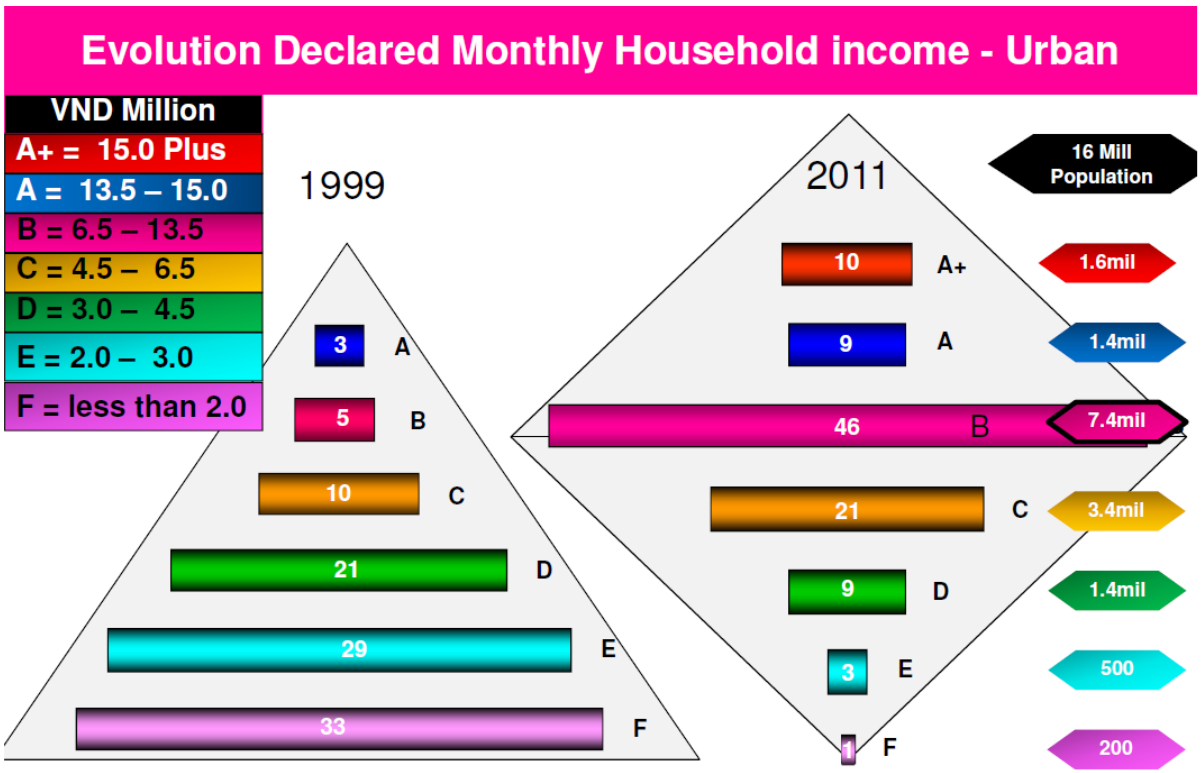
Vietnamese consumers

Vietnam's GDP doubled between 1995 and 2003 and again between 2005 and 2009 (see figure below).



Source: Government Of Vietnam Statistics Office – 1995-2010.

This result profoundly modified the socioeconomic stratification of Vietnamese households. Using the classification developed by TNS in its VietCycle study, as shown in the figure below, we can see the outstanding change in income distribution. What in 1999 was still a country with only a minority of affluent households (A, B, and C income segments), in 2011 is a country with an emerging strong middle class, at least in the major urban areas.



Source: TNS VietCycle 2011 – HCMC, Danang, Can Tho, Hanoi only. 1 USD = 21.000 VND as for February 2012.

While only a minority of the population can be classified as urban in Vietnam (27,8% according to World Bank 2011), it is the urban population that drives consumption especially of imported and foreign branded products.

This situation is reflected in what we define as Vietnamese consumers in this report. Trying to represent an "average" would be just a fiction given the high disparity between rural and urban areas. For this reason, we have chosen to focus our attention on urban consumers in the two major cities of the country, Hanoi, the political capital, and Ho Chi Minh City (former Saigon), the de facto economic capital of the country.

In particular, the survey presented was limited to people aged 18-64 living in Hanoi or HCMC in "ABC" households (that is, households comprising of families earning more than 4.5 millions Vietnam Dong per month, roughly equivalent to 220 USD at the prevailing exchange rate of that time).

According to 2009 census data, population of 18-64 year old (both genders combined) accounts for 1,830,857 people in Hanoi and 4,304,128 in HCMC. ABC households accounts for 57.2% of the total households in Hanoi and 55.4% in HCMC. Hence, we can estimate that population in ABC households in the two cities is 1,047,250 people in Hanoi and 2,384,487 in HCMC. The latter figures are just an estimate since the socio economic classification is based on households, not individuals. However, these numbers give a clear idea of the first limitation of our study: out of a population of roughly 90 million people, our sample just reflects the behaviour and opinions of 3,400,000 people, living in the two major cities of the country. The reason of this focus is simple: this small subset of the population represents the main target of corporate marketing efforts and makes up the advanced ranks of the Vietnamese consumer society, including the individuals more interested in non essential consumption and paying more attention to the evolving retailing landscape.

To simplify, we will refer to this group as *Vietnamese urban consumers*. We can expect that in the future, as more and more people increase their income level, the picture we paint in this report might be expanded to include a larger subset of the population.

Research methodology

To answer our research question, thanks to the financial support of the Italian Trade Commission and Italian Embassy in Vietnam, we designed and commissioned a quantitative survey.

The survey consisted of a structured questionnaire administered in 600 face to face interviews (300 Hanoi and 300 in Ho Chi Minh City) conducted in between October and November 2011. The fieldwork was conducted by the market research firm TNS that applied its considerable experience in surveys of the Vietnamese population. A random sampling schema was applied and the survey was limited to people aged 18-64 living in Hanoi or HCMC in ABC households as explained in the above section.

The questionnaires and the script for the in-depth interviews underwent length testing in order to fine tune all the linguistics variables. The questionnaires were developed in English and then translated into Vietnamese by specialized personnel of the contracted research firms.

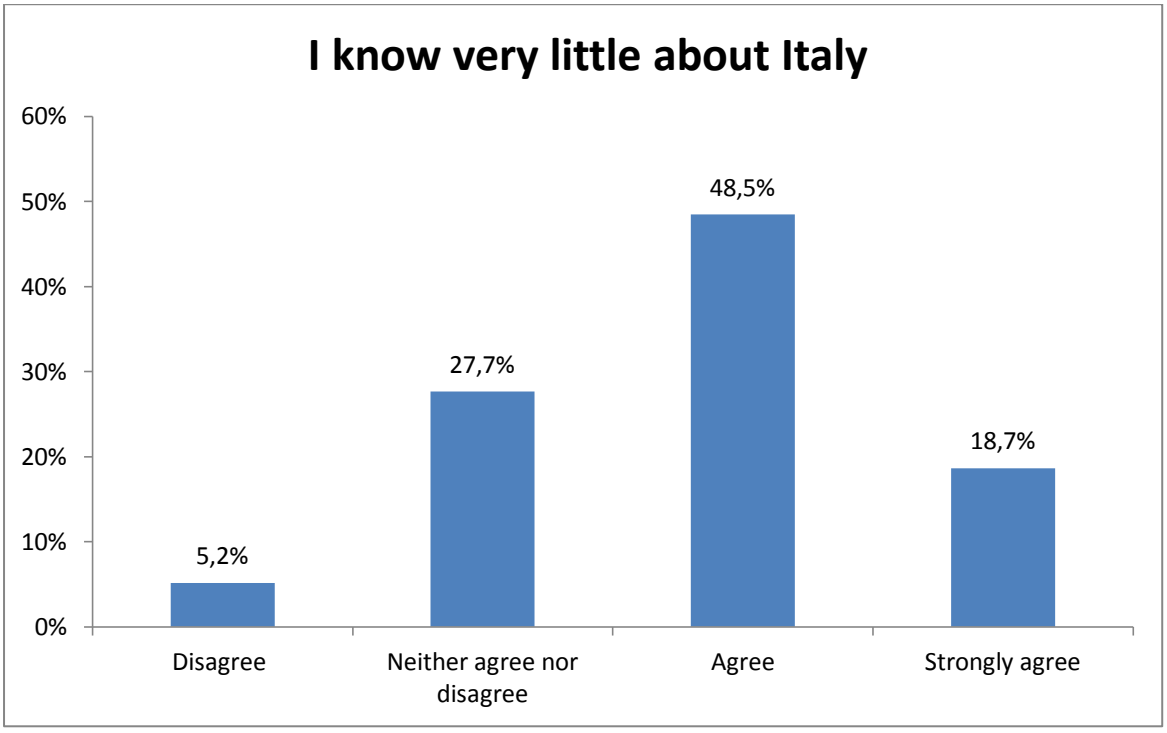
In particular, the survey questionnaire was designed to last around 35 minutes and comprised of three main sections, in addition to the opening standard demographics questions: 1) perception of foreign brands, 2) perception of foreign sounding brand names and 3) specific perceptions of Italy as a country and other behavioural variables (such as level of ethnocentrism). Specific questions about Italy were placed at the end of the questionnaire to minimize priming in the respondents.

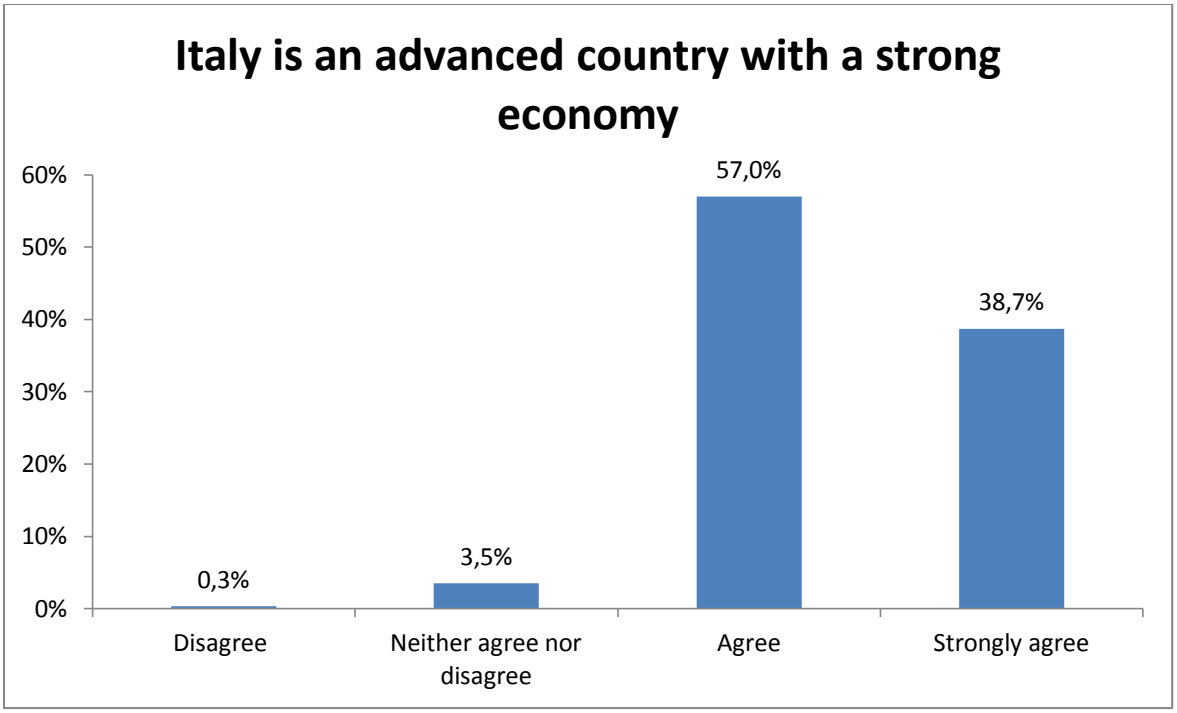
Distance and fascination: Vietnamese perception of Italy as a country

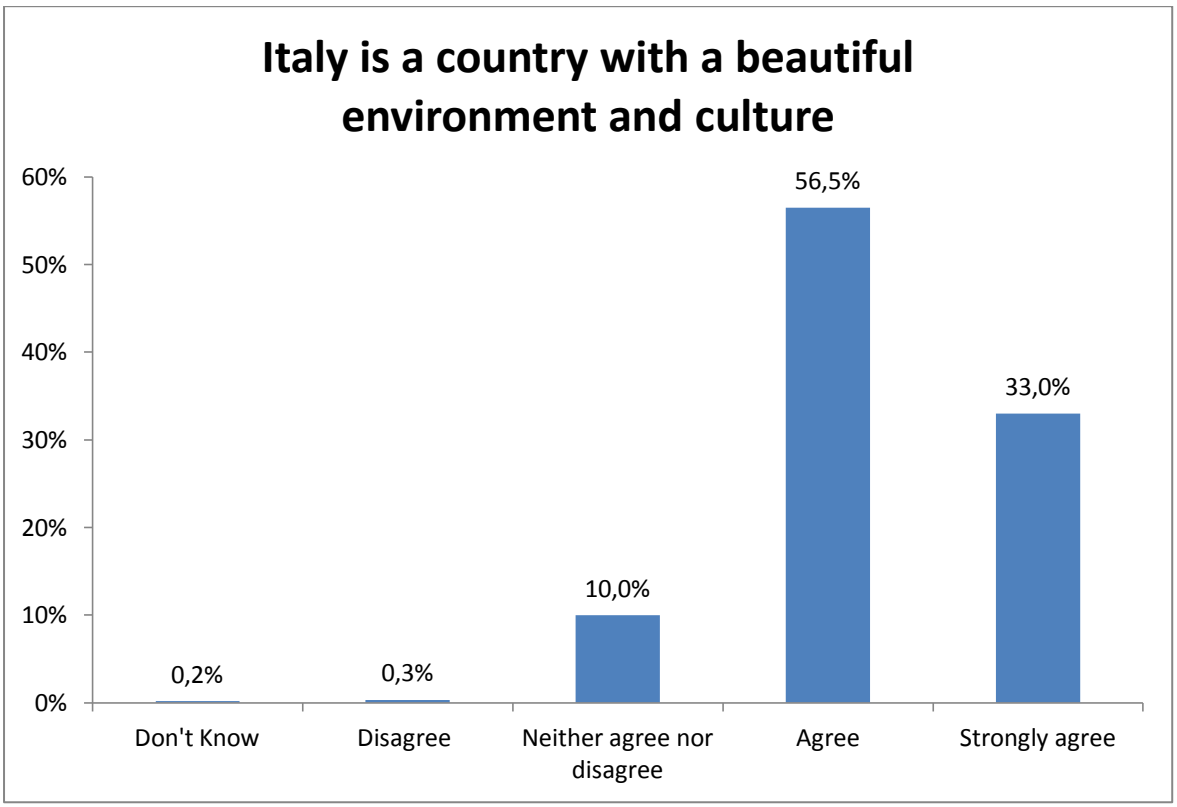
"Distance and fascination": these words can egregiously summarize the image of Italy held by Vietnamese urban consumers.

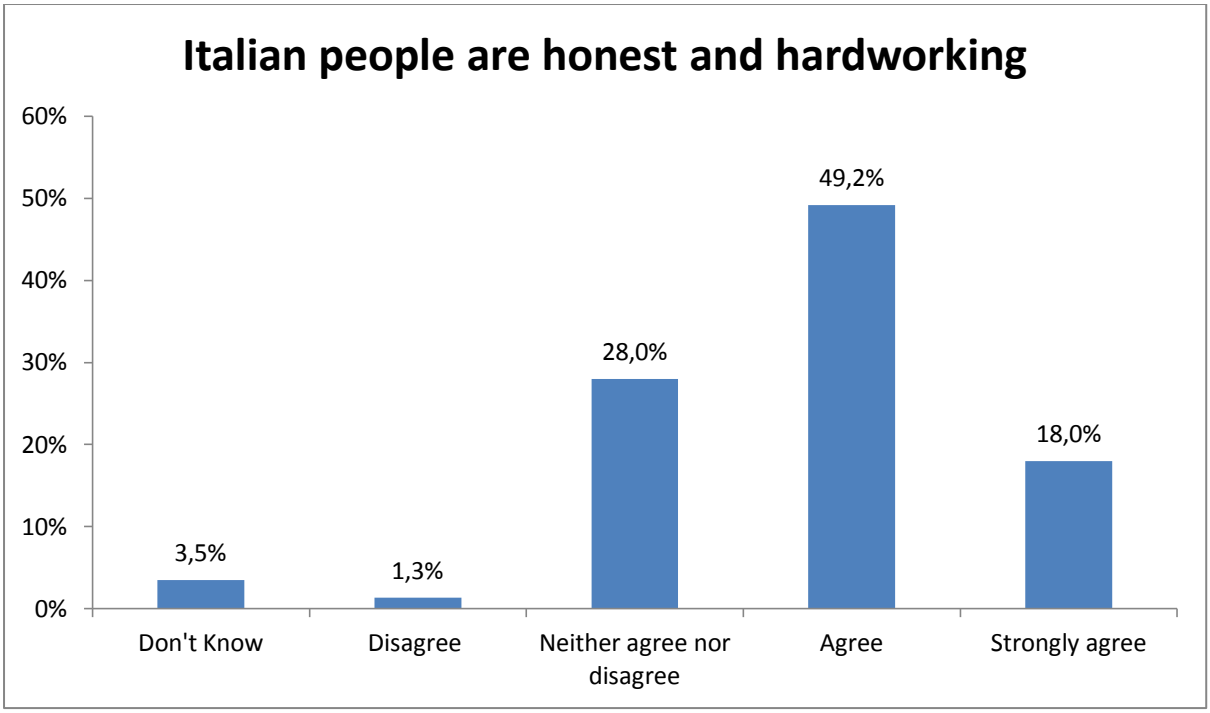
According to their answers, they hold Italy in very high esteem, they show positive feelings for the country and its inhabitants, and they attribute to Italy the role of an advanced economy and a contributor to the world's arts and culture. However, the majority of the respondents admit that they know very little about Italy. The results of the questions relating to the perception of Italy as a country are shown below.

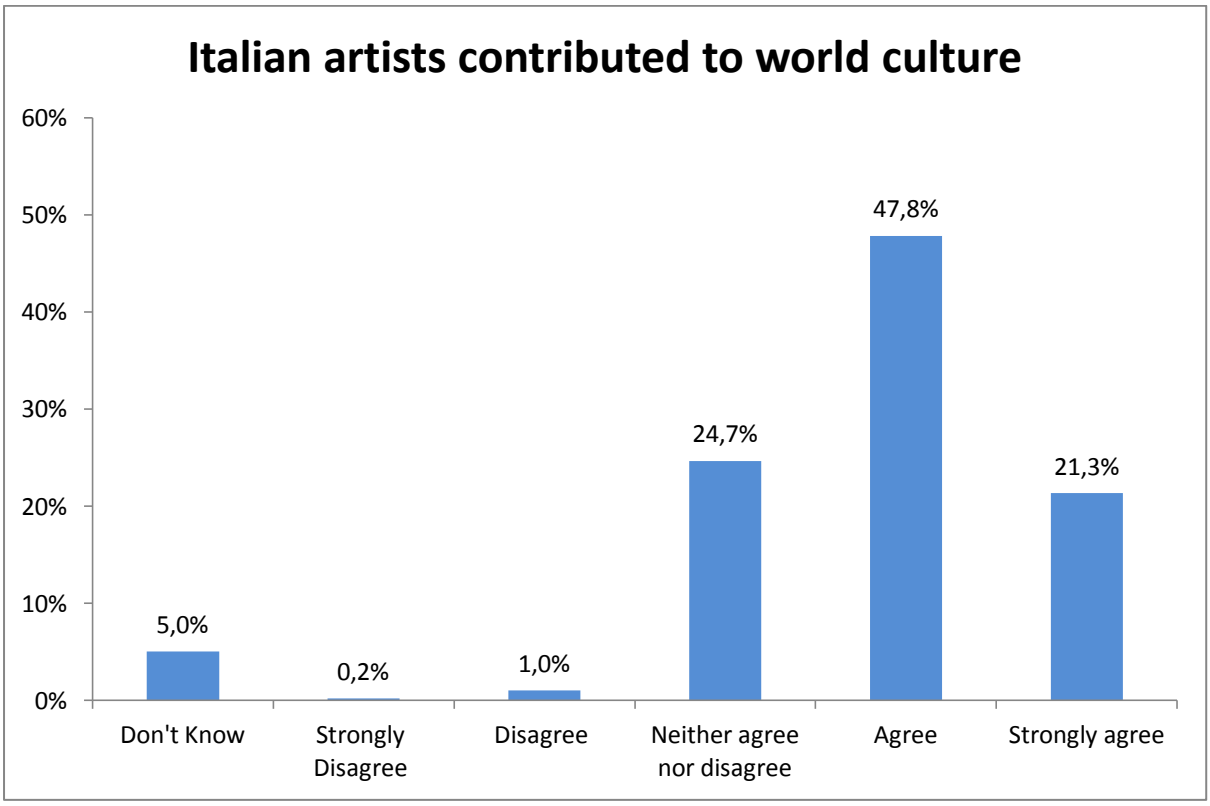
The positive attitude is shared by people of different age groups and place of residence (Hanoi and Ho Chi Minh City). However, the greater the educational level, the stronger this attitude results.



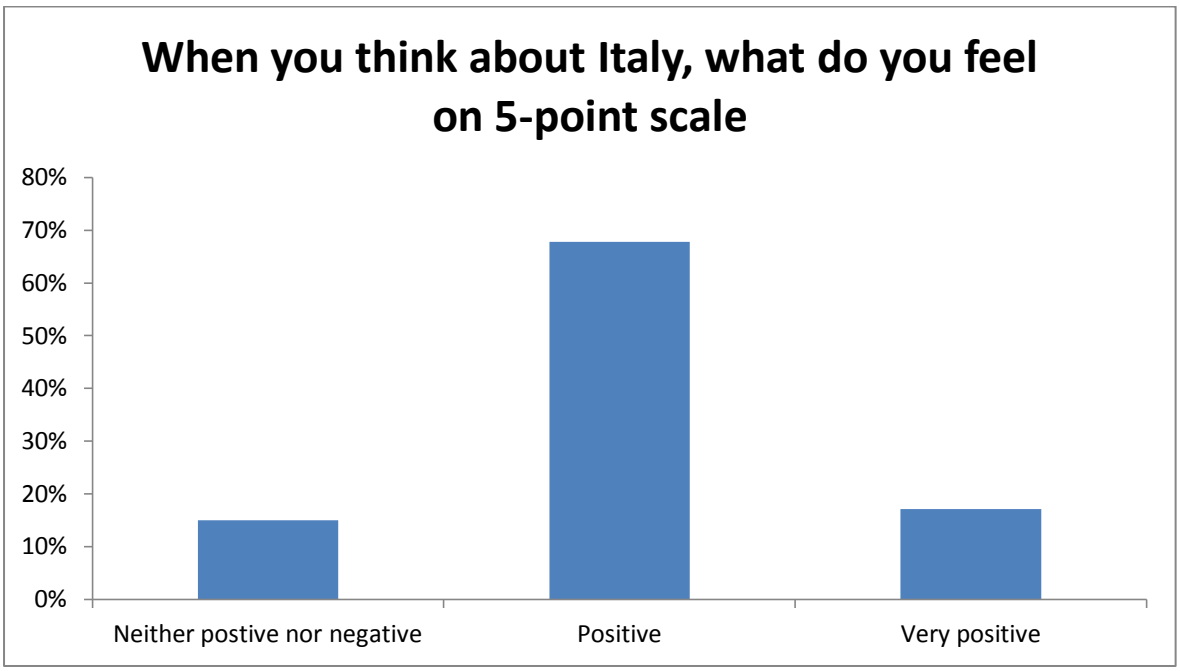

Italy is an advanced country with a strong economy
60%
50%
40%
30%
20%
10%
0%
0,3%
3,5%
57,0%
38,7%
Disagree
Neither agree nor disagree
Agree
Strongly agree


Italy is a country with a beautiful environment and culture
60%
50%
40%
30%
20%
10%
0%
0,2%
0,3%
10,0%
56,5%
33,0%
Don't Know
Disagree
Neither agree nor disagree
Agree
Strongly agree


Italian people are honest and hardworking
60%
50%
40%
30%
20%
10%
0%
3,5%
1,3%
28,0%
49,2%
18,0%
Don't Know
Disagree
Neither agree nor disagree
Agree
Strongly agree


Italian artists contributed to world culture
60%
50%
40%
30%
20%
10%
0%
5,0%
0,2%
1,0%
24,7%
47,8%
21,3%
Don't Know
Strongly Disagree
Disagree
Neither agree nor disagree
Agree
Strongly agree

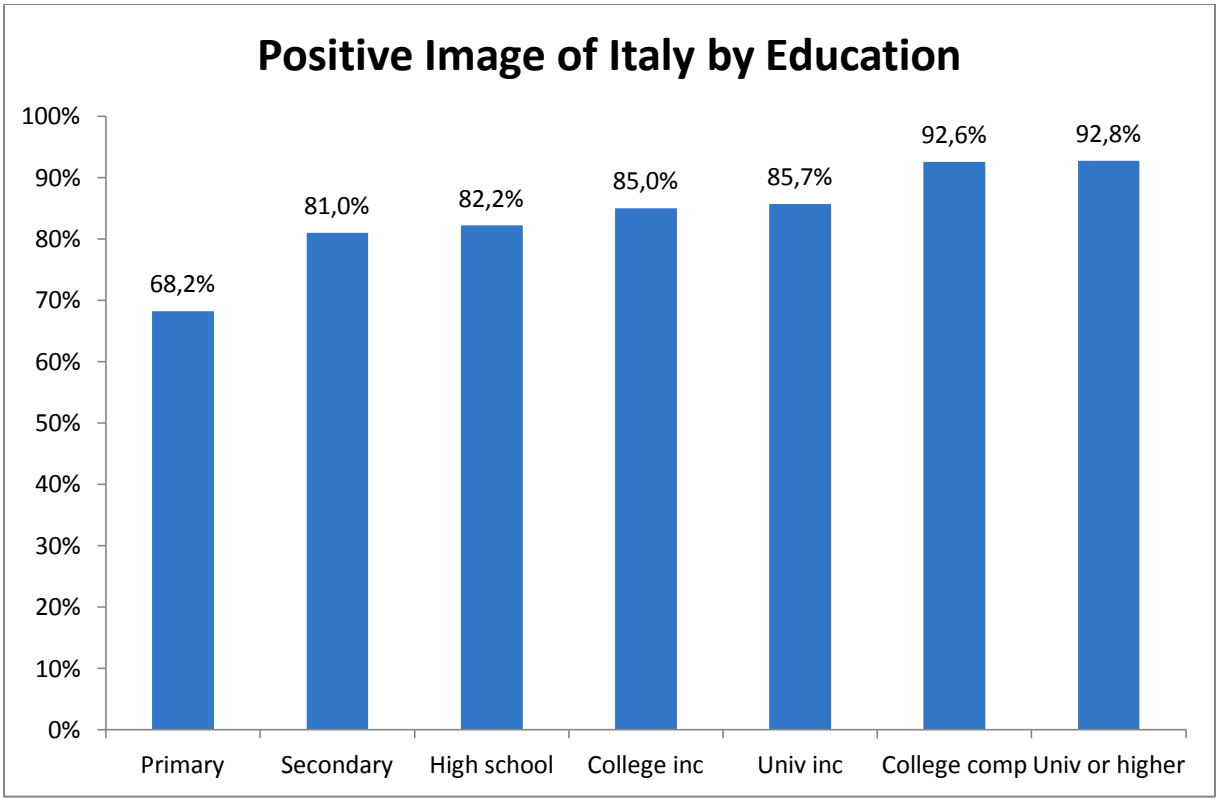
A good way to synthetise the attitude toward a country is to investigate the affective component. We asked respondents to tell us if they felt “positively” or “negatively” about Italy on a five point scale.

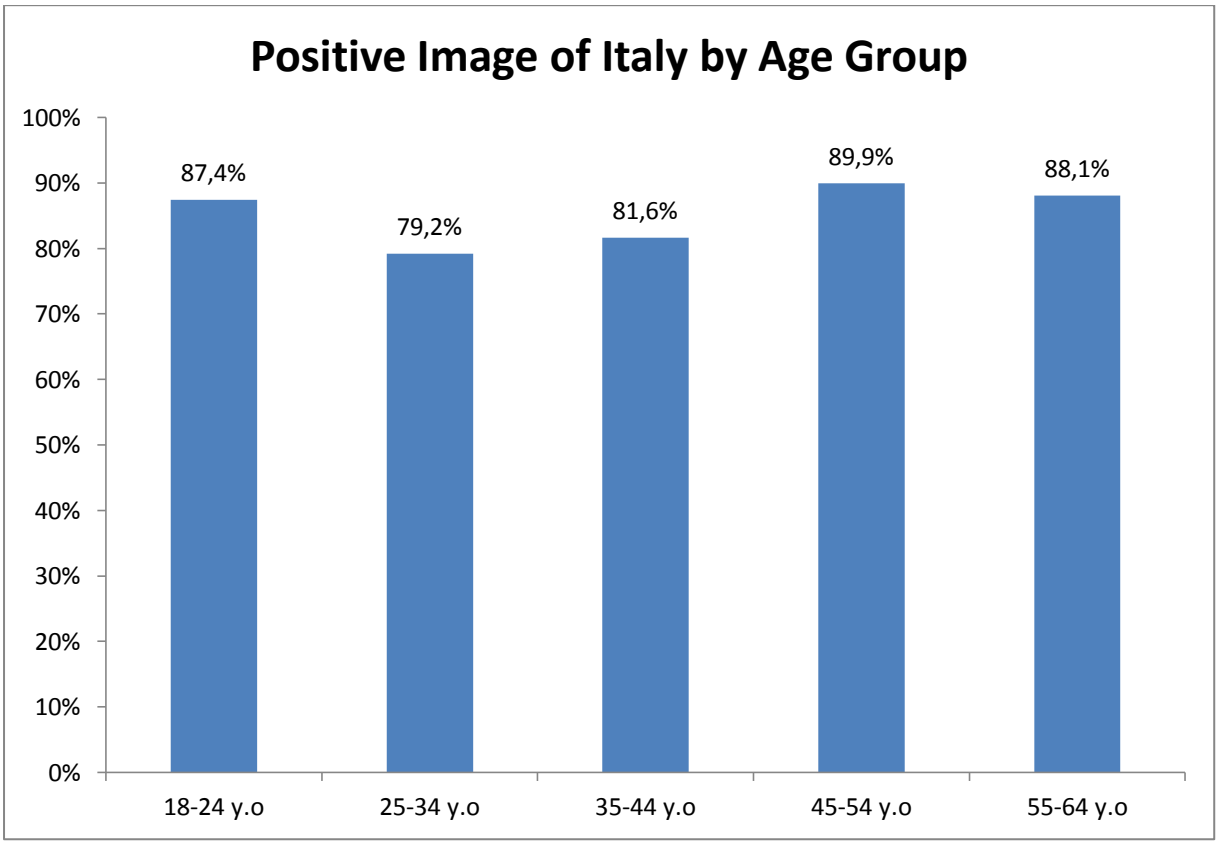


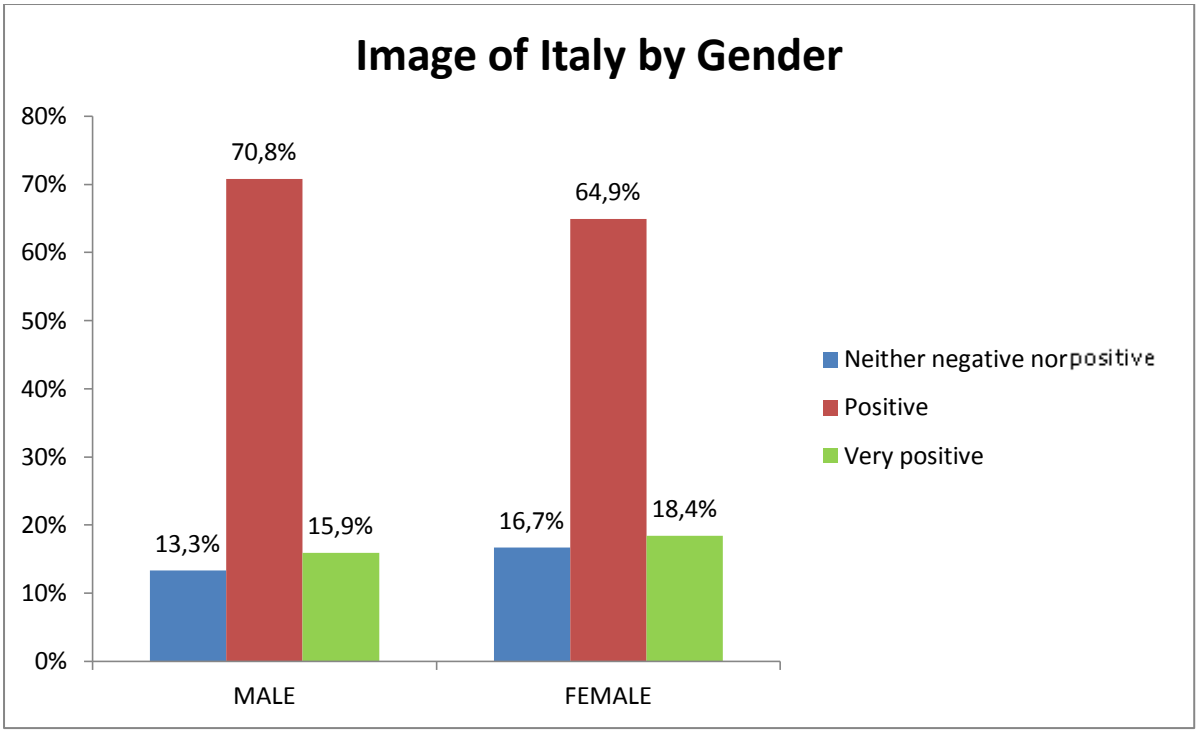
No respondents declared to feel negative sentiments. Only 15% of the sample declared to be indifferent, while the rest expressed positive or very positive feelings.

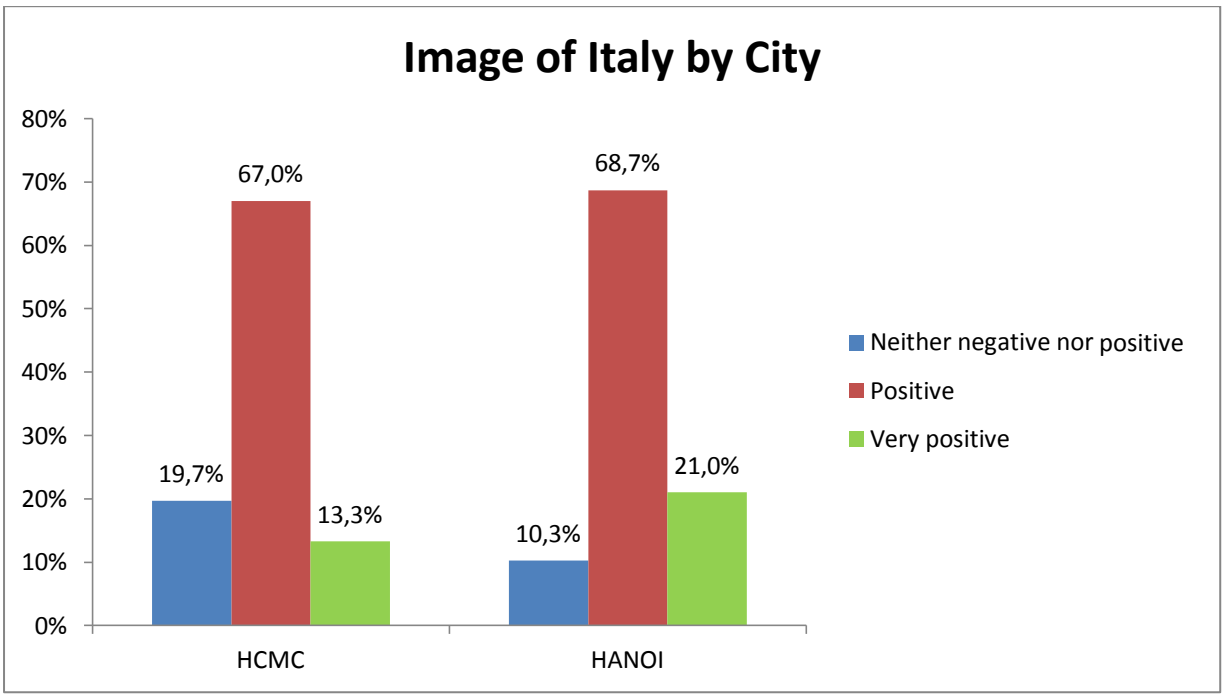
This single answer, more than anything else, shows the level of reputational capital that Italy as a country, even if so far away to defy the direct knowledge of the most, can enjoy among Vietnamese urban consumers.

The next charts show the percentage of respondents that can be considered to have a positive image of Italy because they said that they feel “positive” or “very positive” broken down by education, age group, gender and city of residence.


Positive Image of Italy by Education
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
68,2%
81,0%
82,2%
85,0%
85,7%
92,6%
92,8%
Primary
Secondary
High school
College inc
Univ inc
College comp
Univ or higher


Positive Image of Italy by Age Group
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
87,4%
79,2%
81,6%
89,9%
88,1%
18-24 y.o
25-34 y.o
35-44 y.o
45-54 y.o
55-64 y.o





The break down shows a few significant variations in the positive attitude toward Italy in terms of demographic variables. Education seems to play a role. People with less education (just primary school) are way less likely to express positive sentiments. The more the education, the more the positive attitude increases. We can assume that in this case education may be linked to factual information about the country, but also to more openness toward the external world.

The level of positive feelings for Italy is quite stable when age is taken into account, with a drop in the population between 25 and 44 year old. It is difficult to explain this drop, it might be due to a major level of criticism displayed by the young working generation.

Female respondents are slightly more favourable than male toward Italy, being more extreme in their judgements (female respondents display a significant larger number of people says that they feel very positive feelings toward Italy).

Finally, respondents from Hanoi show much more favourable feelings toward Italy than respondents from HCMC.

This part of the survey plays a central role in our model: we are assuming that a positive image of Italy is linked to a positive attitude toward its brands. We will show the connection between country and brand perception in the next section.

Perception of foreign brands

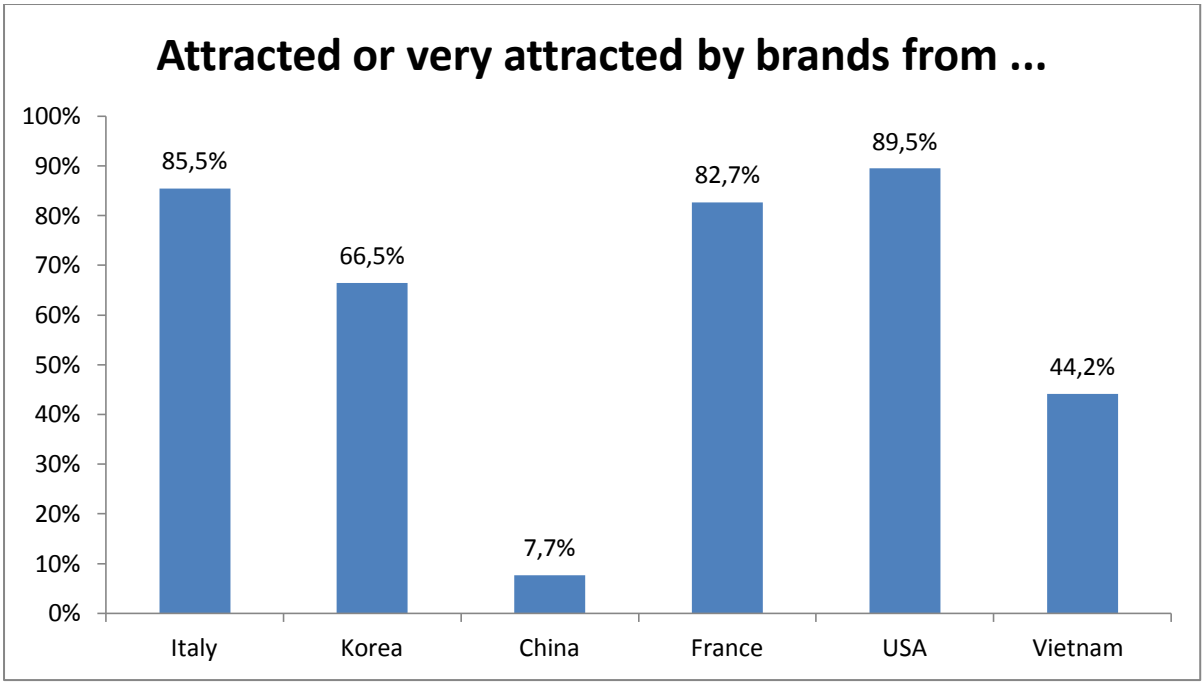
To test a COO effect among Vietnamese consumers we chose to primarily test the affective component of their attitude toward foreign brands. We then complemented this approach by asking additional questions pointing toward the cognitive and behavioural component of the attitude toward Italian brands.

In testing affective attitude toward foreign brands we chose to compare the "attractiveness" of six countries:

1) Italy (our main concern in this study)
2) France (another major European country, a perfect benchmark because on the contrary to Italy it has a long history in Vietnam)
3) USA (a major commercial partner after the lift of any embargo left by the war)
4) Korea (another major commercial partner from the region, comparable to Japan in terms of quality)
5) China (another Asian country, to be contrasted to Korea as having a reputation for less quality attached to its label).
6) Vietnam, as a benchmark to be contrasted with foreign brands.

We explored three levels of attractiveness: general attractiveness (without any qualification), attractiveness in terms of quality or prestige associated with the brand and, finally, attractiveness associated with specific product categories.

To compare the attractiveness to brand in different countries we present in the graph below the cumulative percentage of respondents that expressed to be "attracted" or "very attracted" by brands from a specific country on a five point scale.



The results show an overwhelming attraction toward USA, Italian and French brands. It is also striking the negligible number of respondents that feel attracted by Chinese brands. In general, Vietnamese urban consumers seem to be very keen on foreign brands, even more than on local ones. The only exception to this trend is represented by Chinese brands.

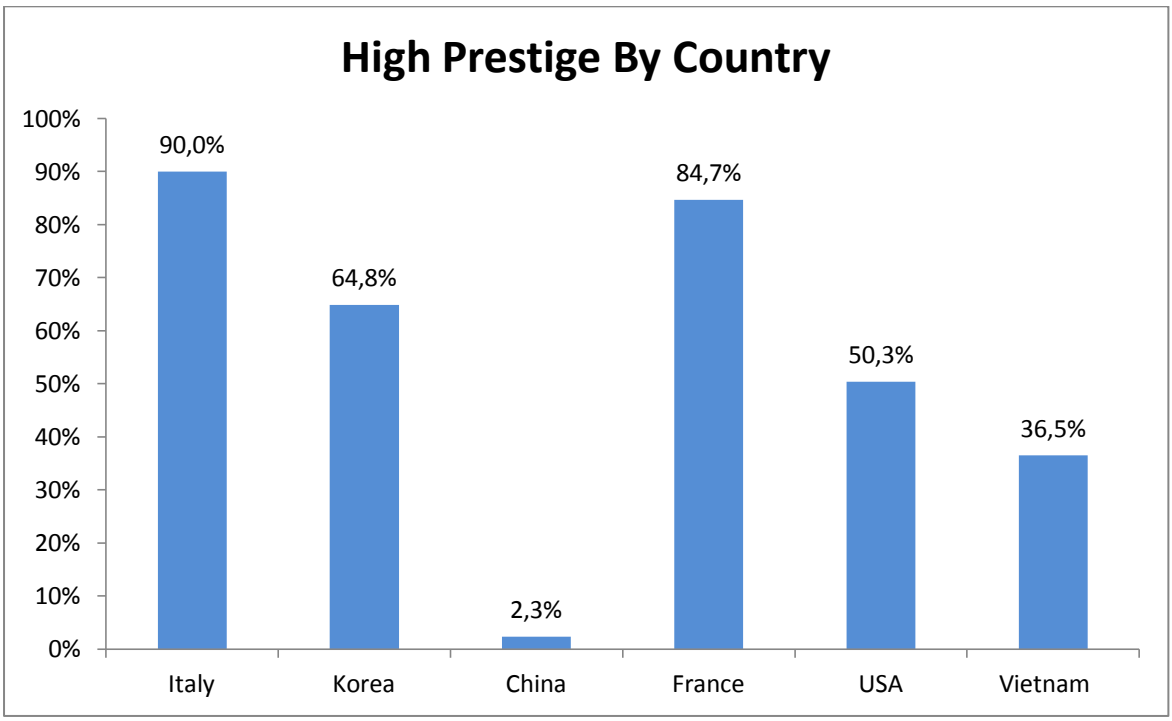
The comparison between France and Italy is particularly interesting. Both countries are European of course, but they are very different in terms of the relationship with Vietnam. France–Vietnam relations started as early as the 17th century with the mission of the Jesuit father Alexandre de Rhodes. France was heavily involved in Vietnam in the 19th century until it formed French Indochina in 1887. France continued to rule Vietnam as a colony until France's defeat in the First Indochina War and the proclamation of Vietnam's independence in 1954. Still today, many old people speak French and the French business community is among the most active ones in the Vietnamese economy.

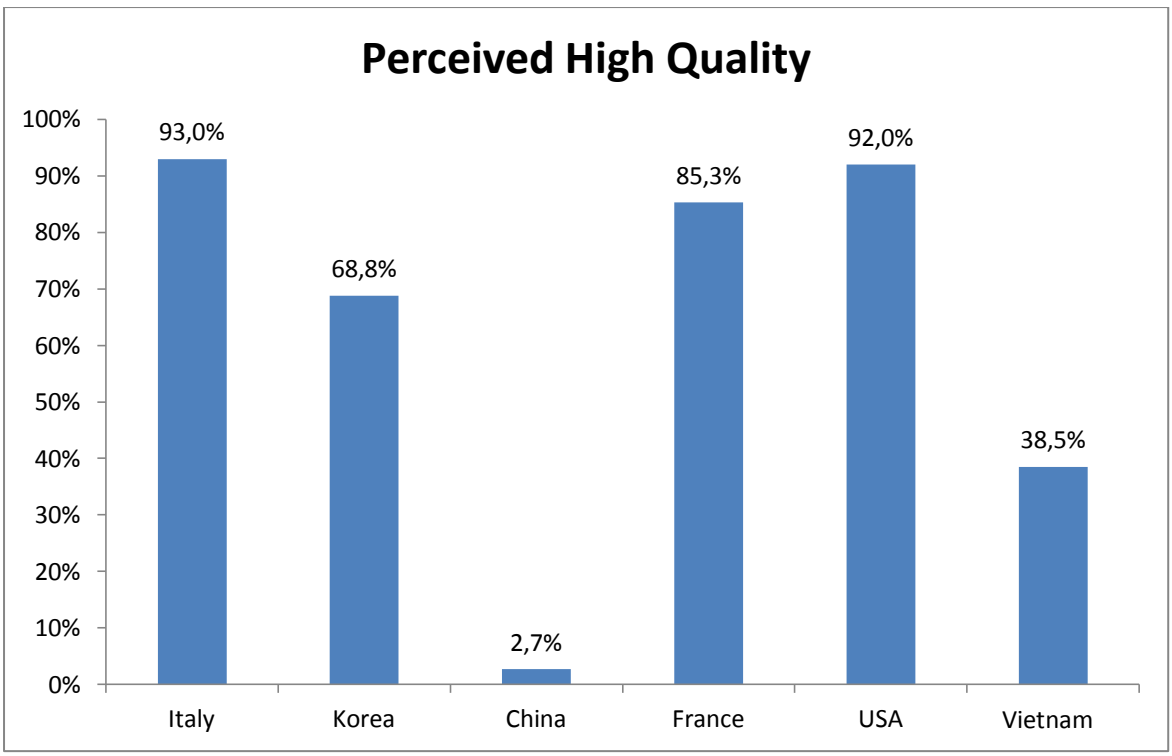
By contrast, Italy never had historical interests in the area and its economic role in the country is very limited. Trade with Italy accounts for approximately 1% of Vietnam's Foreign Trade whereas the share of Foreign Trade held by France is around 2% and by USA up to 11%. Countries such as USA and Australia benefit from free trade agreements that enormously facilitate commercial exchanges.

So, the fact that the level of attractiveness between Italian and French brands is almost the same (with Italian brands actually leading) is noteworthy. From a more theoretical point of view, positive attitude does not seem to be necessarily connected to actual experience.

It is also noteworthy the level of attractiveness toward American brands: such a level of attractiveness shows no animosity toward the country that was heavily involved in military operations in Vietnam until 1975.

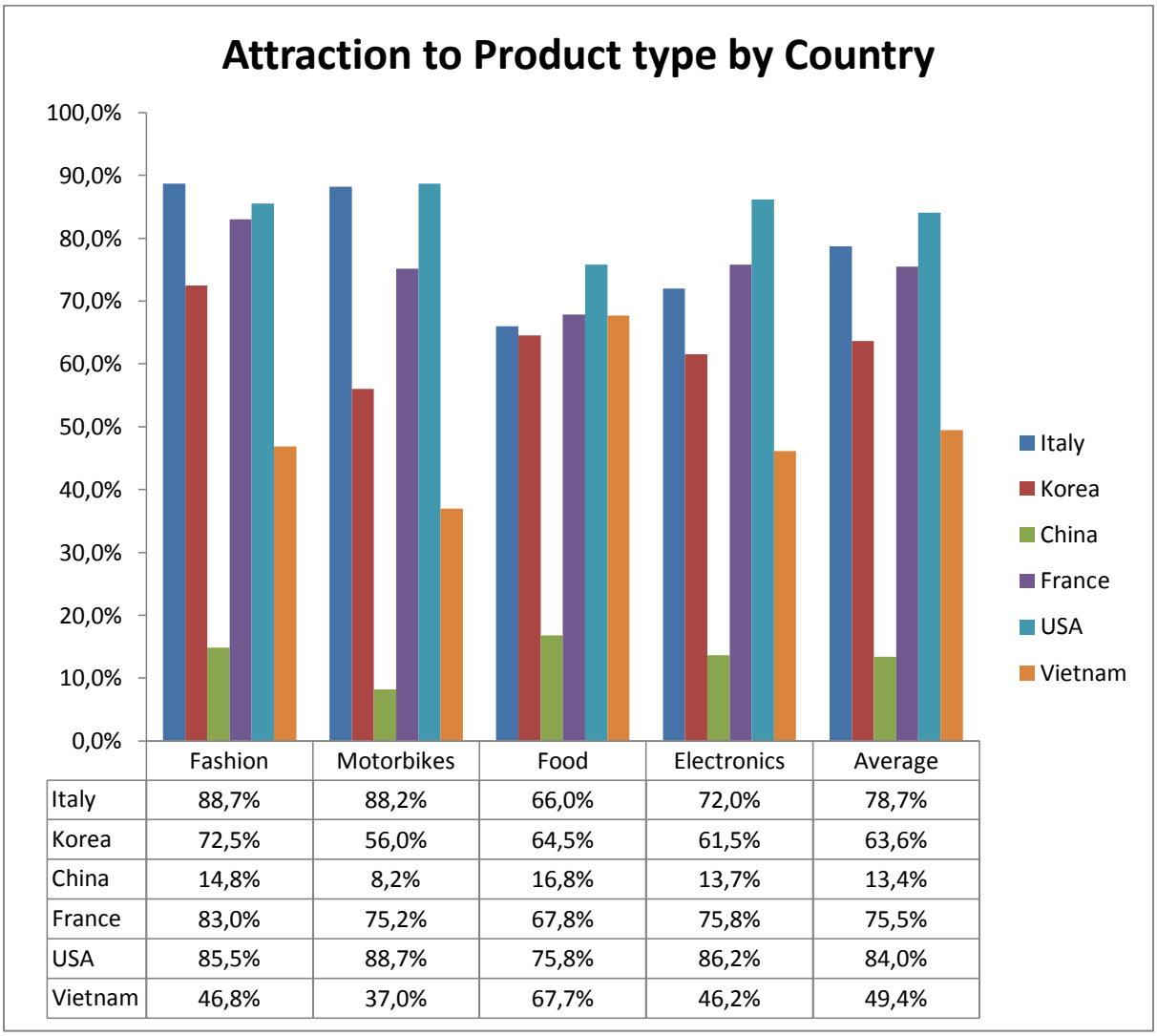
When we qualify the level of attractiveness in terms of quality and prestige we witness some interesting variations. In the charts below, again, we present the percentage of respondents that agreed that brands from a country confer prestige (or high prestige) or have quality (or high quality). Basically, the percentages show the cumulative respondents on the two extremes of a five point scale.



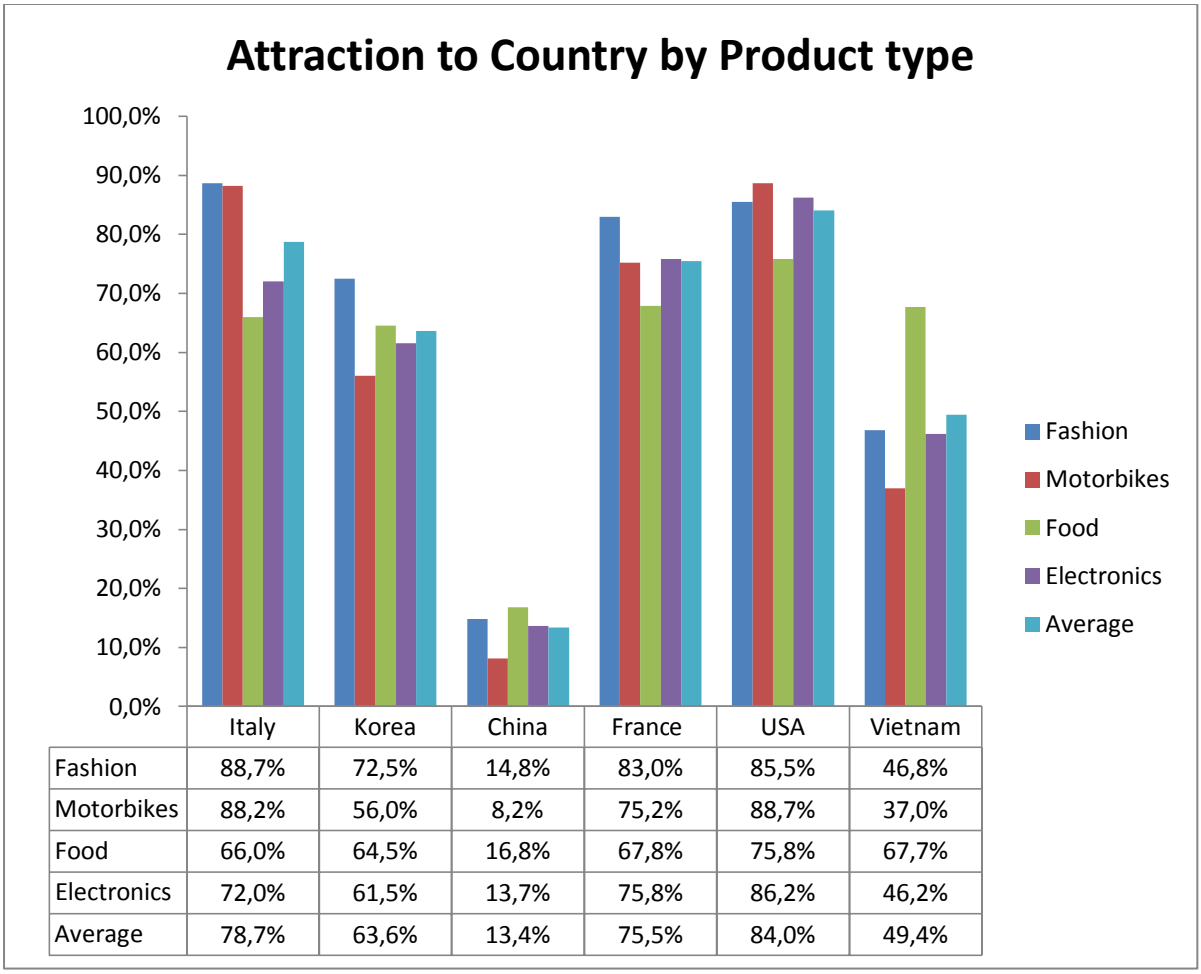


Italy carries the highest proportion of respondents that perceive its brands to be of high quality and prestigious. By contrast, US brands score almost as high as Italy in terms of quality, but are considered attractive in terms of prestige barely by one respondent out of two. Using a widely used categorization, we can say that Italian brands score high in terms of hedonic and utilitarian values, while American brands are just well reputed for their utilitarian value.

The data on attraction associated with product category may be read in two different ways: contrasting our six countries by product type or contrasting each product type by country. The results are shown in the following two charts:

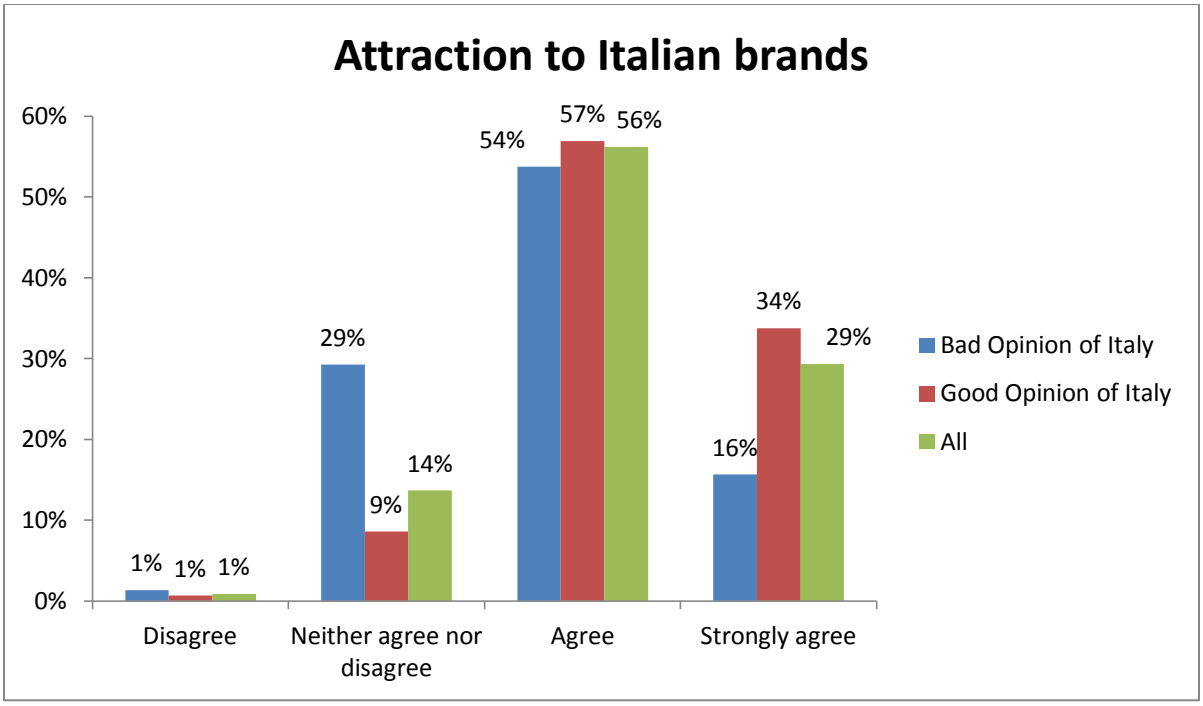


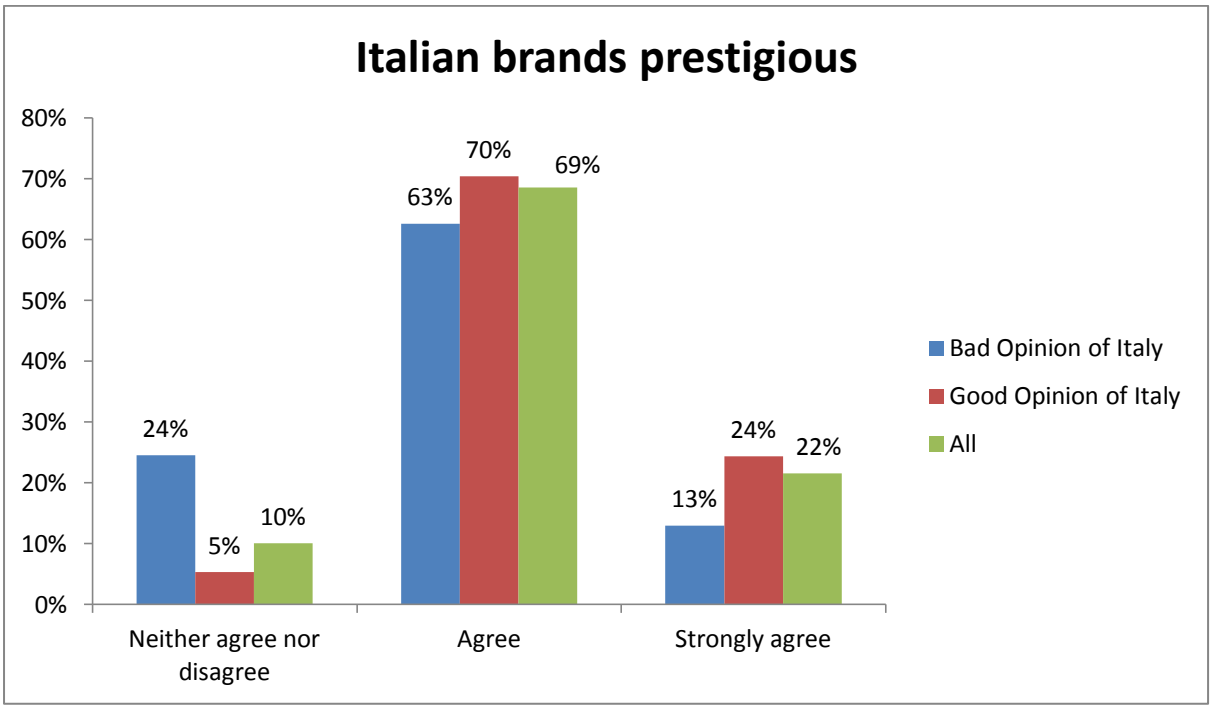
	Fashion	Motorbikes	Food	Electronics	Average
Italy	88,7%	88,2%	66,0%	72,0%	78,7%
Korea	72,5%	56,0%	64,5%	61,5%	63,6%
China	14,8%	8,2%	16,8%	13,7%	13,4%
France	83,0%	75,2%	67,8%	75,8%	75,5%
USA	85,5%	88,7%	75,8%	86,2%	84,0%
Vietnam	46,8%	37,0%	67,7%	46,2%	49,4%



	Italy	Korea	China	France	USA	Vietnam
Fashion	88,7%	72,5%	14,8%	83,0%	85,5%	46,8%
Motorbikes	88,2%	56,0%	8,2%	75,2%	88,7%	37,0%
Food	66,0%	64,5%	16,8%	67,8%	75,8%	67,7%
Electronics	72,0%	61,5%	13,7%	75,8%	86,2%	46,2%
Average	78,7%	63,6%	13,4%	75,5%	84,0%	49,4%

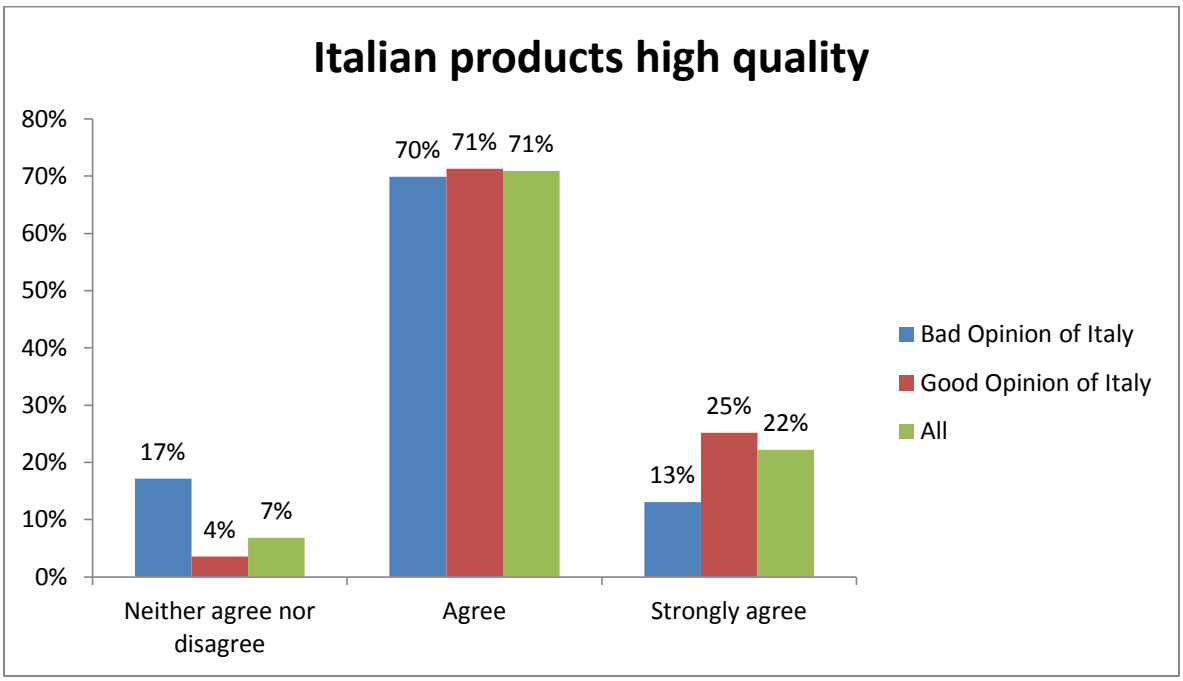
If we contrast countries in terms of product categories some interesting variations do emerge. Italy leads in terms of fashion and motors (we might connect this to the presence of Piaggio that, as we will see below, is the most recognized Italian brand in Vietnam), while US is leading in terms of electronics and even food products. Food products are actually the only ones in which Vietnamese local brands score as high as most of foreign brands suggesting a more traditional approach to food by Vietnamese urban consumers (at least at home, since we clarified that by food we meant items to buy at the supermarket).





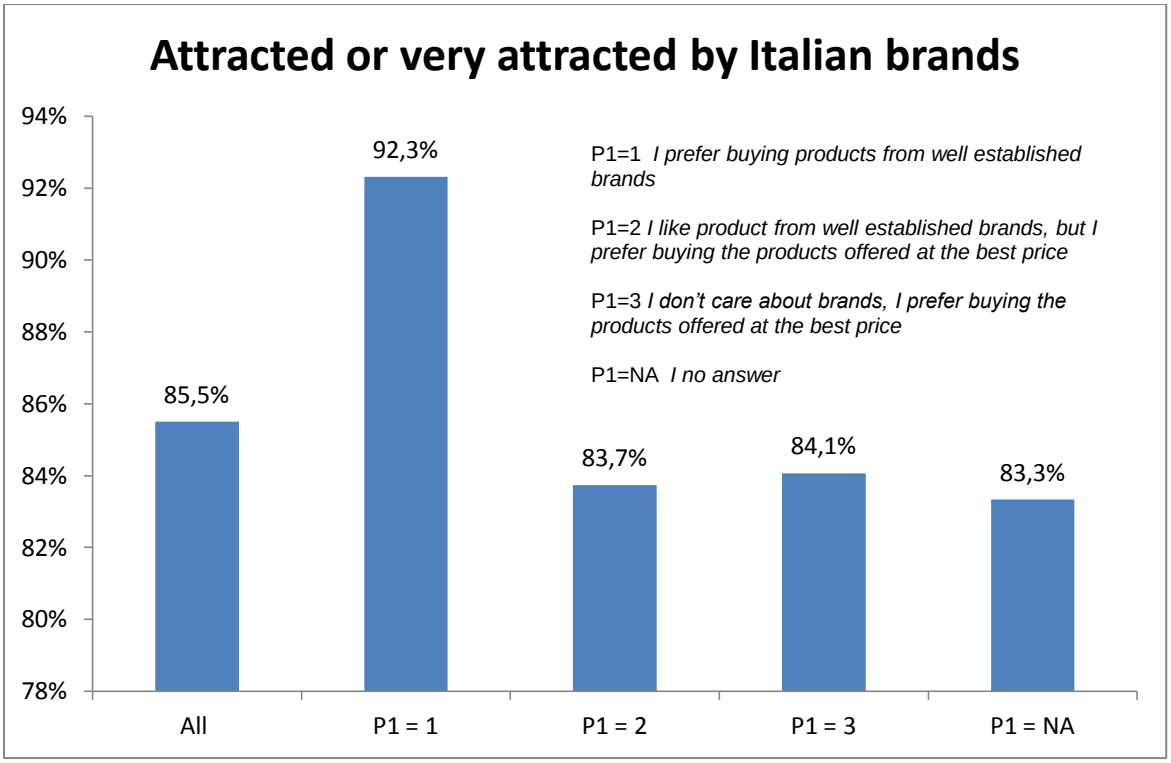
Through the above elaborations, we tried to assess the relationship between the perception of the country image and the perception of its brands. To achieve this goal, we created a simple dichotomous index (bad opinion vs. good opinion) in which people agreeing on at least three of the four positive statements about Italy discussed in the first section are falling within the category "good opinion". Almost 75% of the total respondents fall in the latter category.

A correlation is found: as one might expect, people *holding a positive opinion of Italy are more attracted by Italian brands* (in particular, are less likely to show a neutral or negative opinion) and they are considering Italian product as carrying more prestige and quality.



The correlation is clear if we compare the opinion of people holding a good opinion and a negative opinion in extreme categories. People holding a positive opinion of Italy are twice as much more likely to be very attracted by Italian brands, or to associate Italian brands with quality and prestige.

In other words, country's image does matter. Positive opinions toward the country translate into better attitude toward the country's brands.

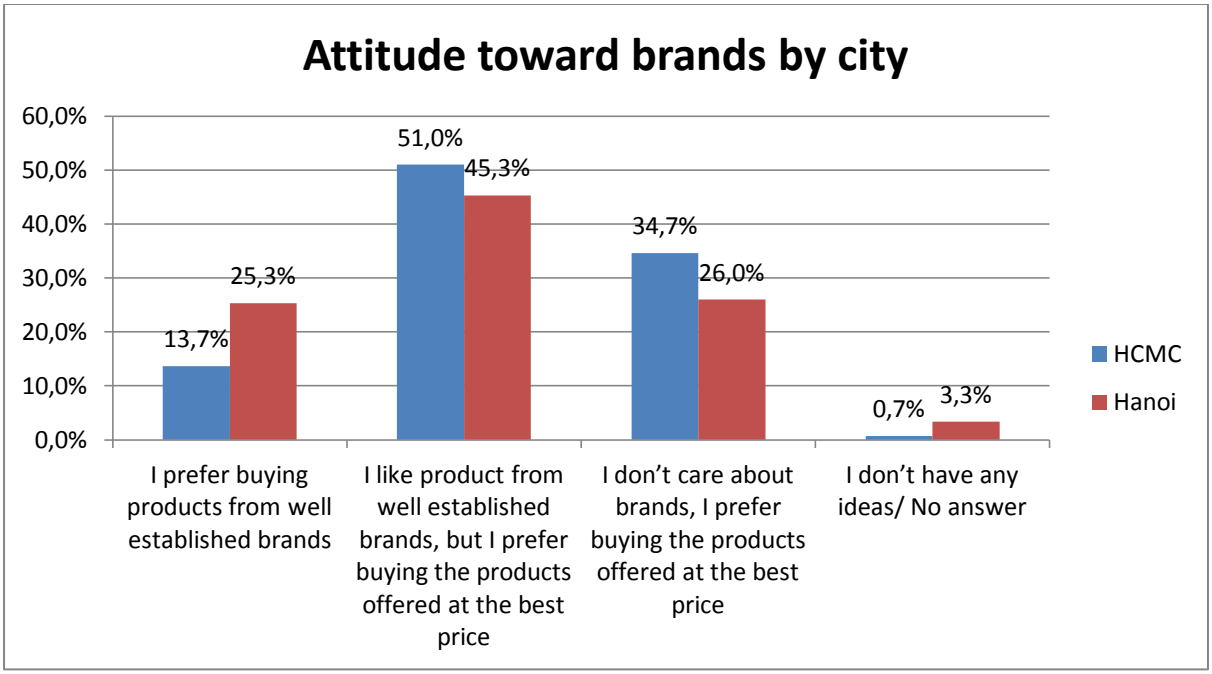


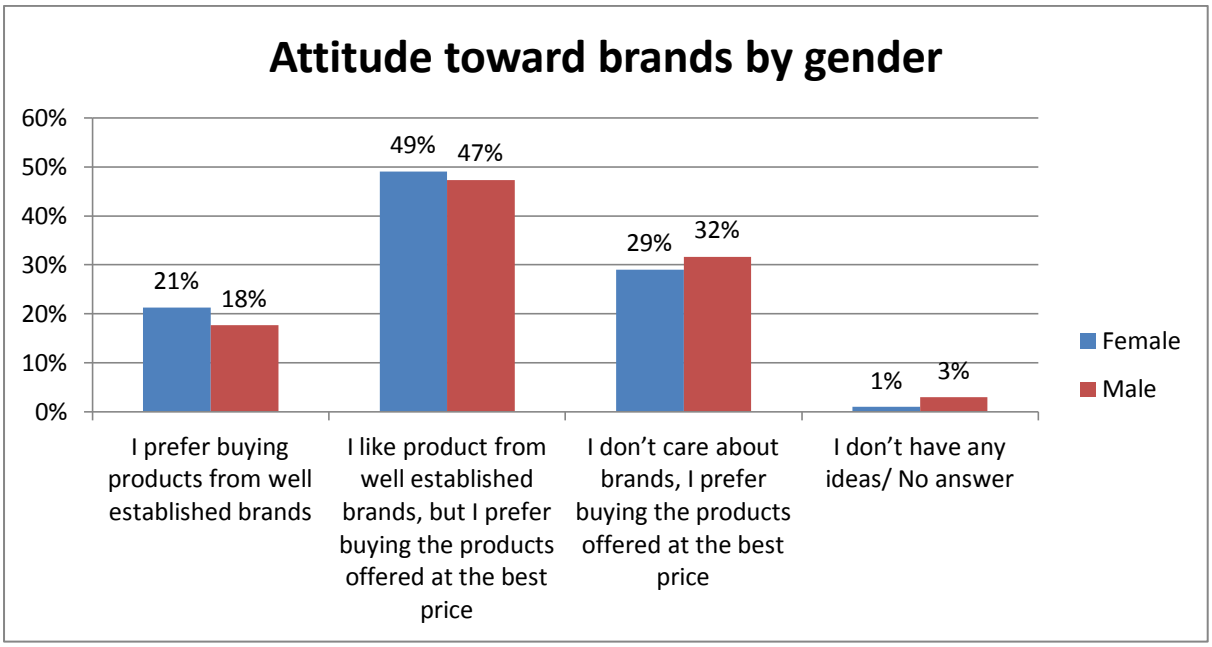
But who are the people attracted by Italian brands? While there is little variation in terms of basic demographic variable, we found an interesting variation in terms of lifestyle and general attitude toward brands.

In the survey, we asked respondents to position themselves in one of three groups: 1) people that only buy from established brands, 2) people looking for a compromise between reputable brand and price, 3) people looking just for the price. All in all, 19.5% of respondents fell into the first category (brand fanatics), 48.2% into the second (good-value hunters) and 30.3% into the third group (price-driven), with a further 2% not answering the question.

First, this result shows that Vietnamese consumers are becoming more sophisticated; the price is not the only motive behind their consumer choices. Second, the result shows that there is a special group of consumers, accounting for around one fifth of the entire sample, that can be considered as brand fanatics and value the brand over price (at least in their projected self image in the interview). Of course, this group is very important for marketers (those are the ones willing to pay for premium prices and possibly more loyal to a brand value proposition).

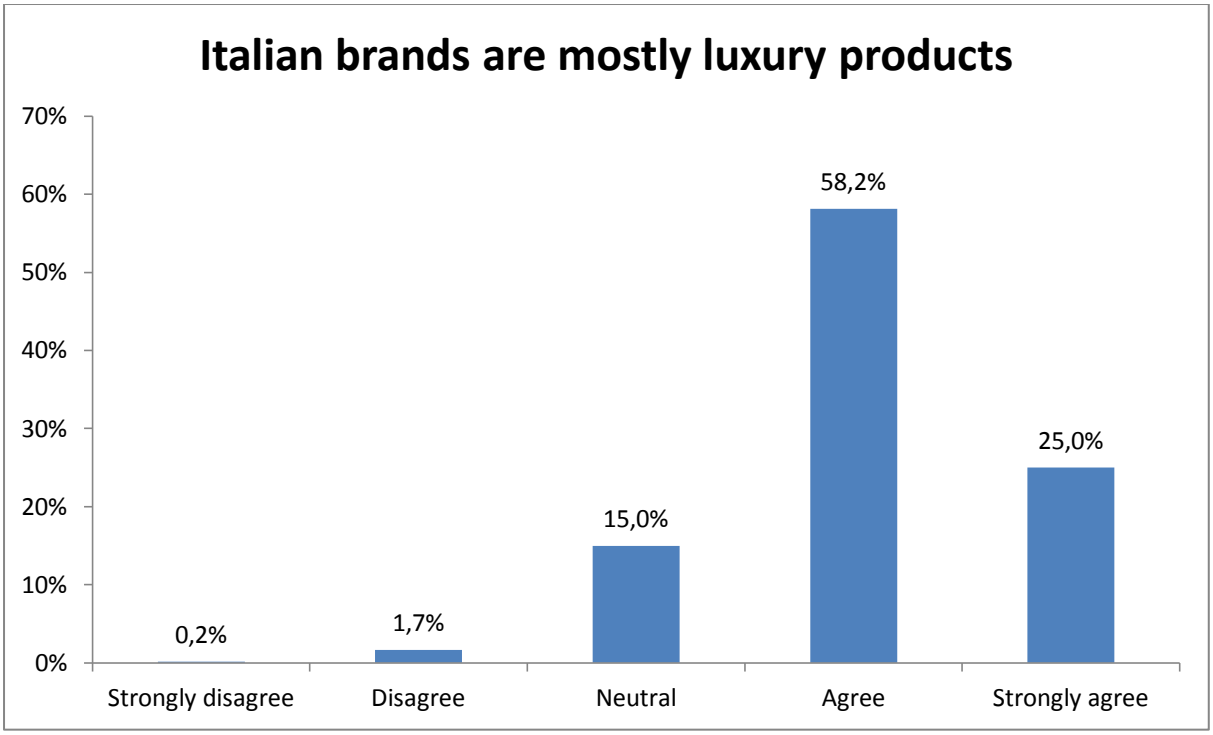
Within the group of brand fanatics, Italian brands are considered even more attractive than the average, with a staggering 92.3% of respondents declaring to feel attracted or very attracted to them (as compared to 85.5% average result).

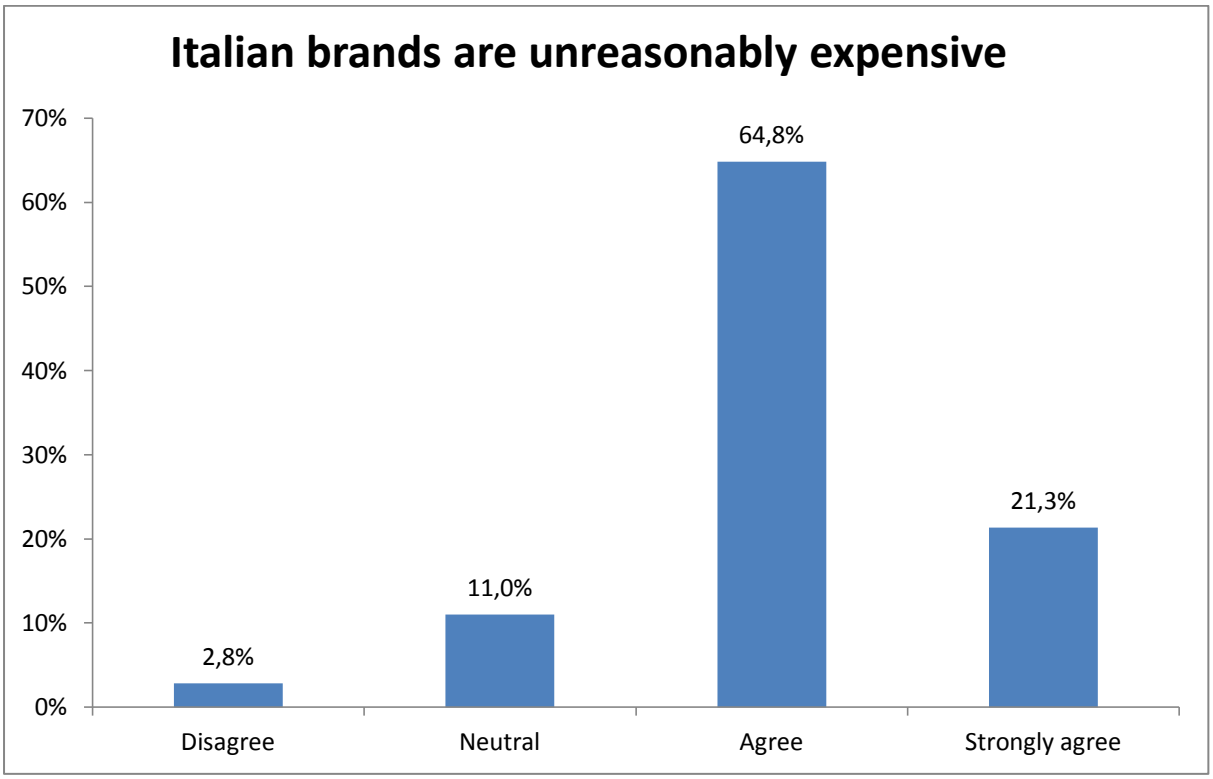


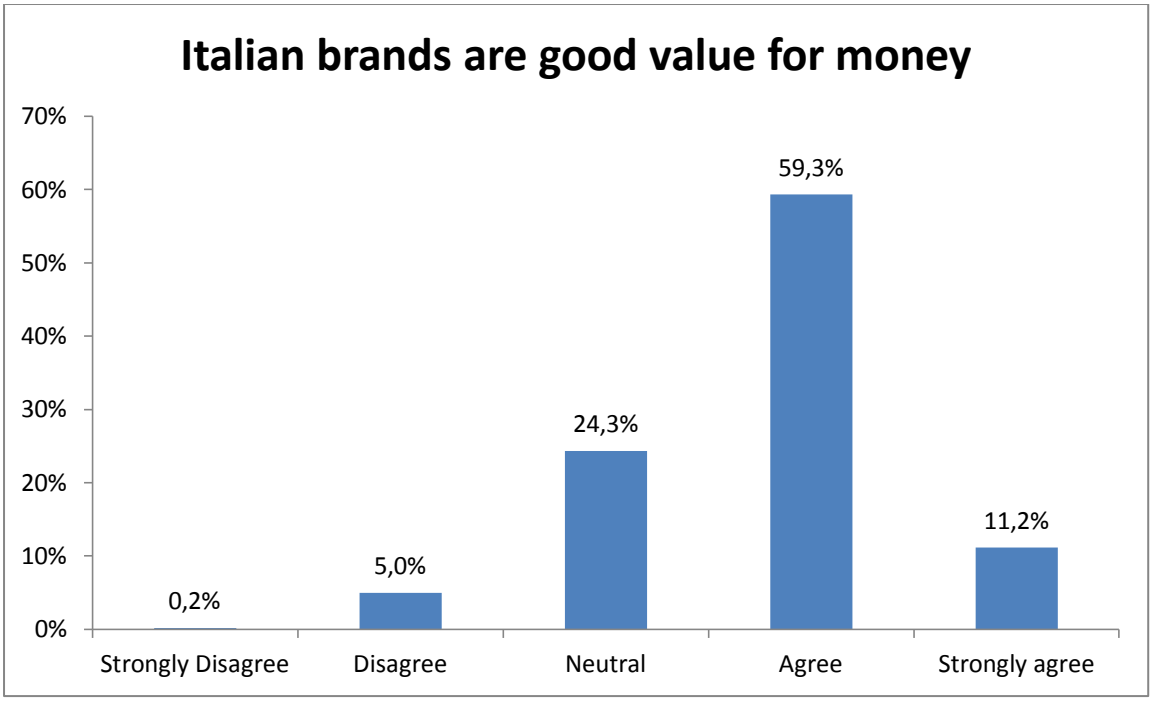


The question about the general attitude toward the brand allows us to trace some interesting social variations in the role played by brand-oriented consumption among Vietnamese urban consumers.

The two graphs above clearly show that consumers in Hanoi are more brand conscious that those in Ho Chi Minh City: the percentage of those declaring to buy just from well established brands in Hanoi is almost twice as much the same percentage in Ho Chi Minh City. In the second place, female are relatively more "brand-driven" than male consumers.

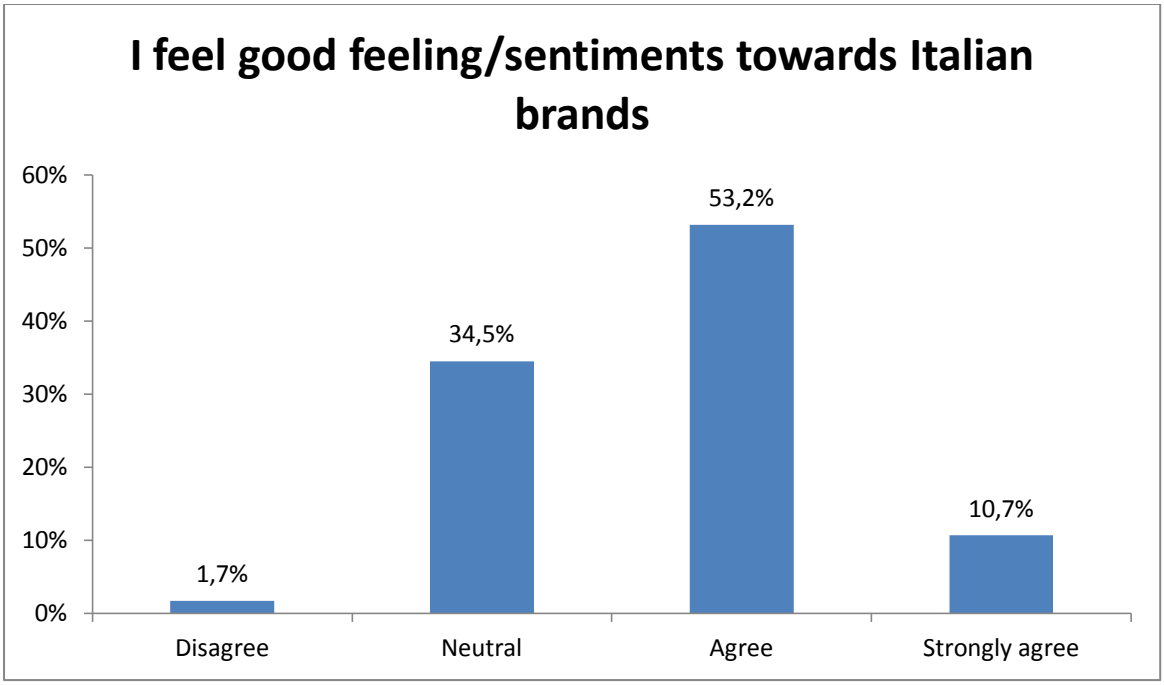

Italian brands are mostly luxury products
70%
60%
50%
40%
30%
20%
10%
0%
0,2%
1,7%
15,0%
58,2%
25,0%
Strongly disagree
Disagree
Neutral
Agree
Strongly agree


Italian brands are unreasonably expensive
70%
60%
50%
40%
30%
20%
10%
0%
2,8%
11,0%
64,8%
21,3%
Disagree
Neutral
Agree
Strongly agree

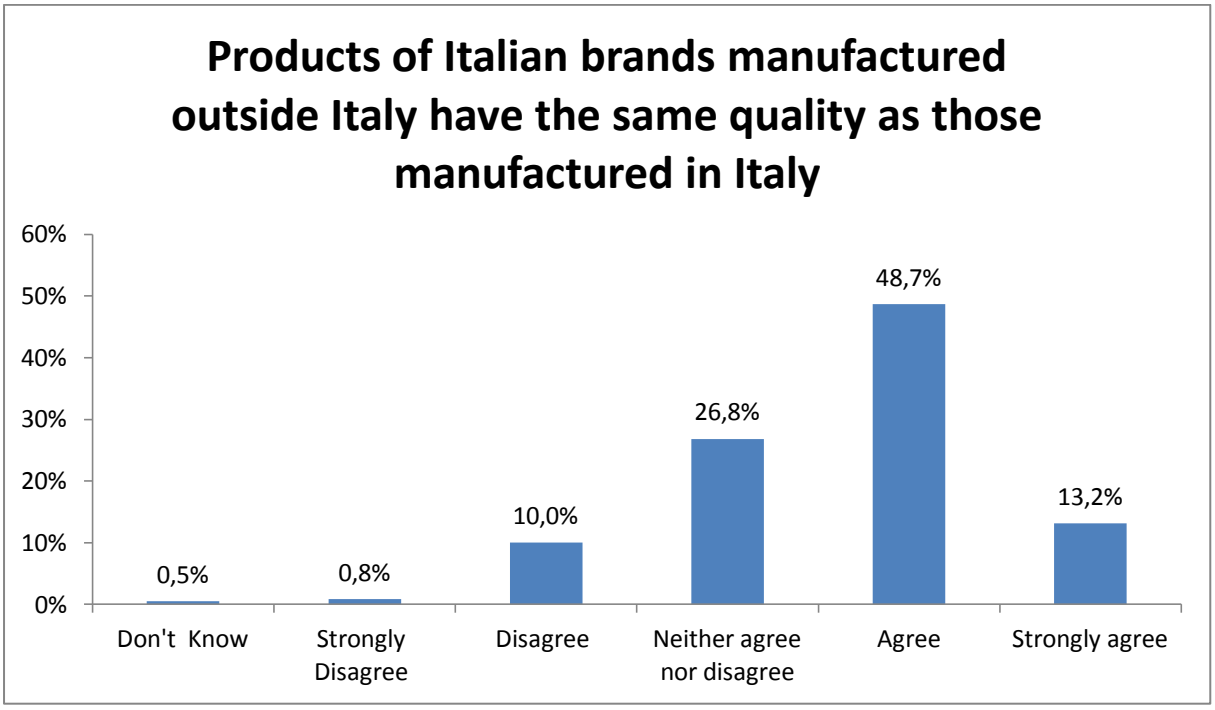


When asking consumers on more specific attributes linked to Italian brands, we discover a number of stereotypes and possible contradictions. First of all, Italian brands are considered expensive, basically luxury products. But at the same time, they are also considered good value for money! In a follow up we asked qualified respondents to explain this paradox and their answer was quite convincing: this is not really a contradiction; actually Italian brands are associated to high quality luxury products that may be good value for money if you have enough money to afford them!

This finding is clearly a challenge for marketers aiming at penetrating the mass market in Vietnam. Consumers may feel very attracted to Italian brands, but they may seem them as distant and too expensive.



Finally we tested the affective attitude toward Italian brands and we found that 63.9% of the respondents feel positive feelings toward Italian brands. This figure is below the number of people being attracted to them and shows another interesting gap to be filled in the future by skilled marketers. Consumers are overwhelming attracted to Italian brands, but not all of them may feel strong positive sentiments because they may feel Italian brands as distant and beyond their reach.

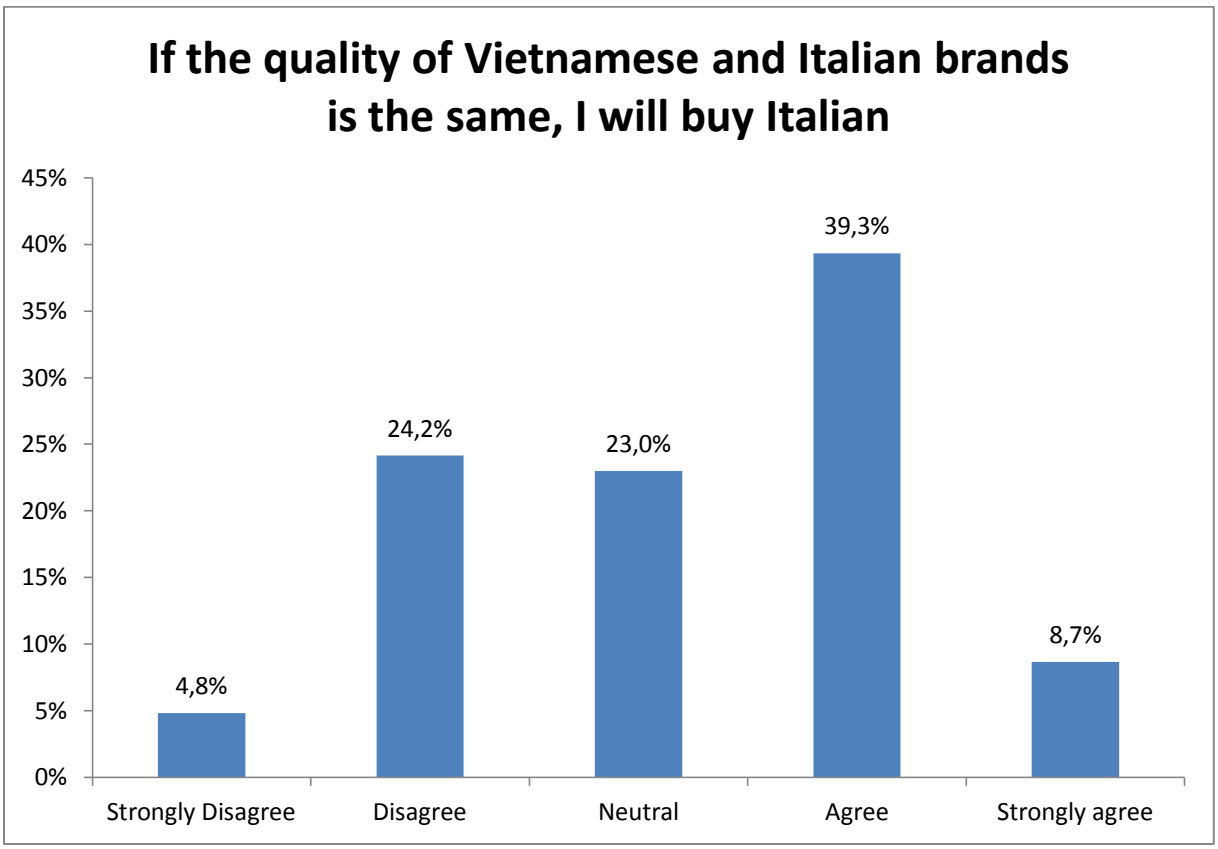


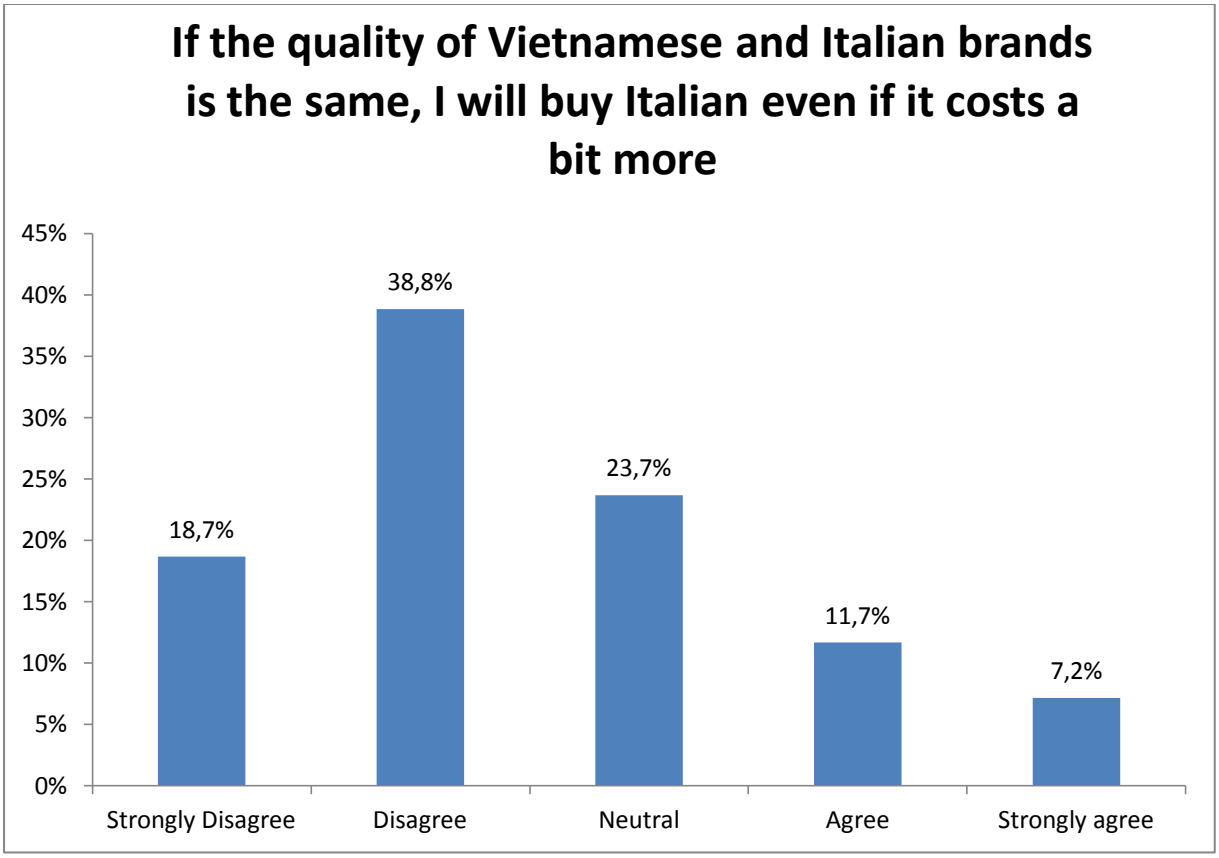
We asked respondents if they agree that Italian bands manufacturing their products outside Italy are as good as those actually made in Italy. The answers to this question carry a

number of practical implications. Basically, Vietnamese urban consumers are ready to accept an Italian brand manufactured outside Italy as carrying the same quality as the same brand manufactured in Italy: 61.9% of them agrees or strongly agrees.

What seems to count more to today's consumer is the brand as the guarantor of the quality and not the country of manufacture.

The Behavioural gap





The two charts above clearly show the behavioural gap in relationship to the positive attitude toward Italian brands.

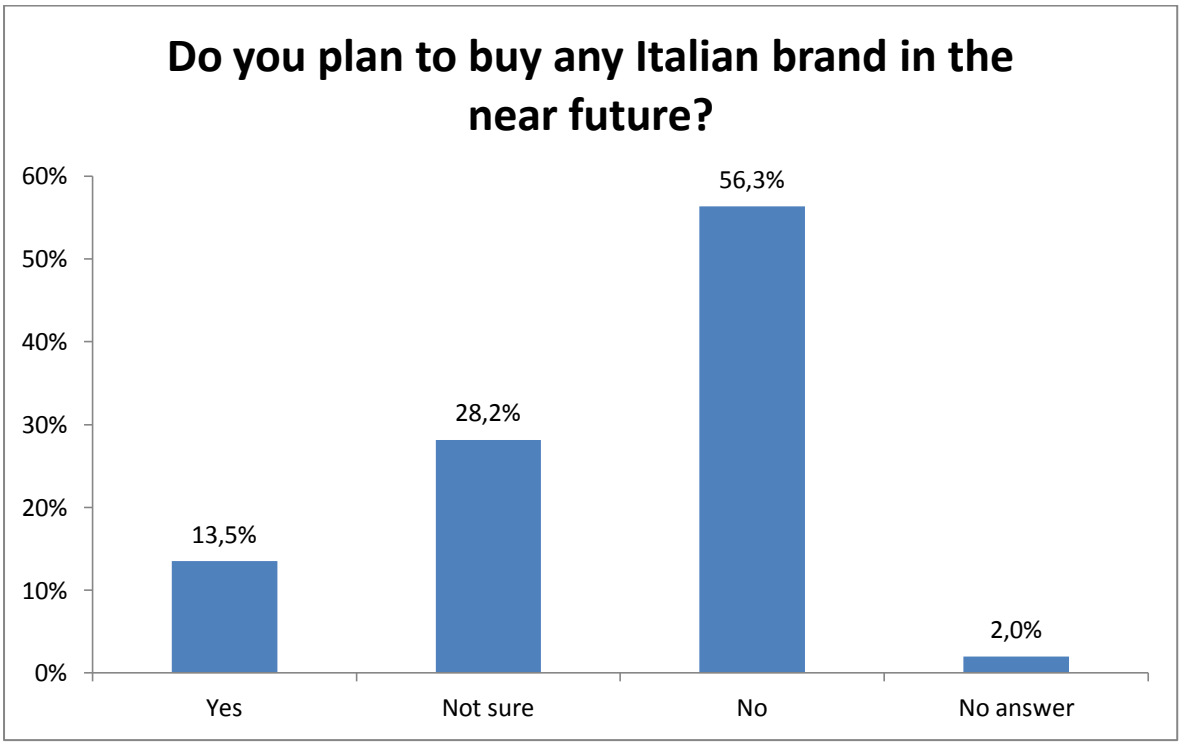
Italian brands fail to pass the price test. Most urban consumers are not willing to recognize a premium price to Italian brands in comparison to local brands. Only 18.9% of respondents is willing to spend a bit more for a brand if it has the same quality as a local alternative. If the quality is the same, the sample is split: 48%, not even the majority, would prefer Italian brands over local alternatives.

This means that on one side the prestige associated to Italian brands is not enough to offset the premium price for most consumers. On the other side, this might mean that a direct comparison re-activate ethnocentric sentiments (i.e. preference for local brands) in the consumers (that otherwise do not seem to be strong in the rest of the survey).

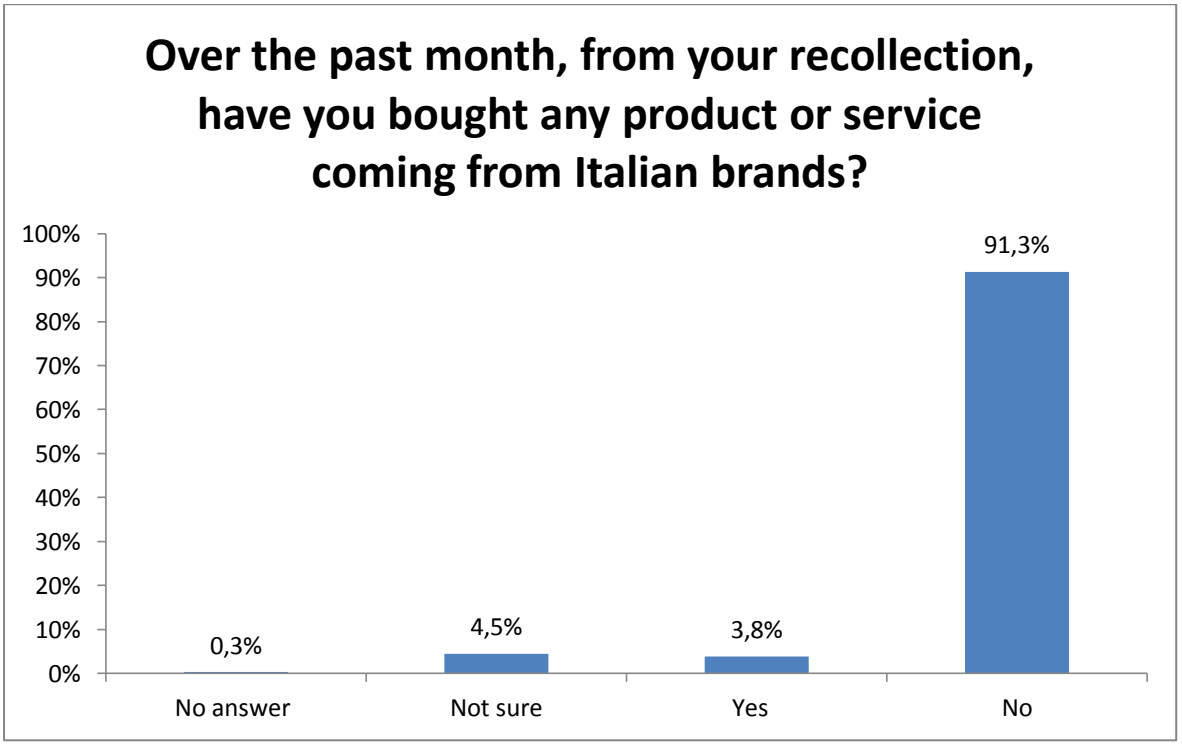
Another interpretation is possible. Since Italian brands are associated with more quality (see above), actually most consumers will not be in doubt and will certainly choose Italian brands when they are seeking the highest quality.

Finally, we must note that such a comparison elicit a rational response, while many consumer decisions occur at a more emotional level.

The behavioural gap is even more stunning if we look at future purchase intentions and recollection of past behaviour.

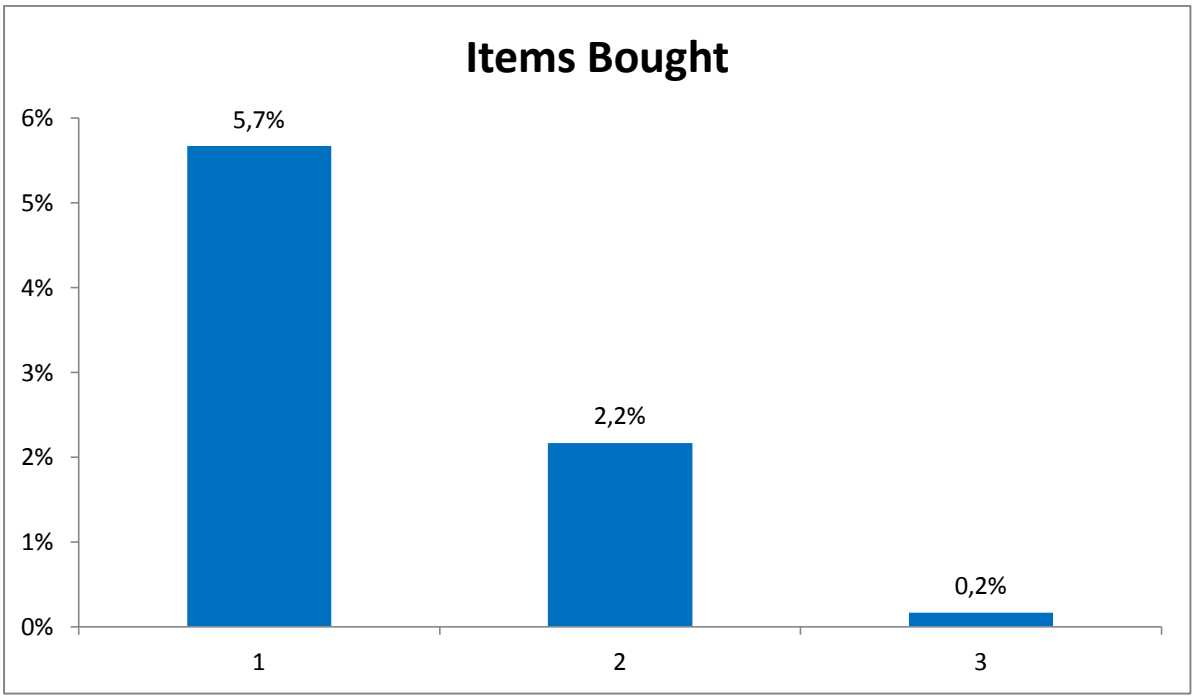


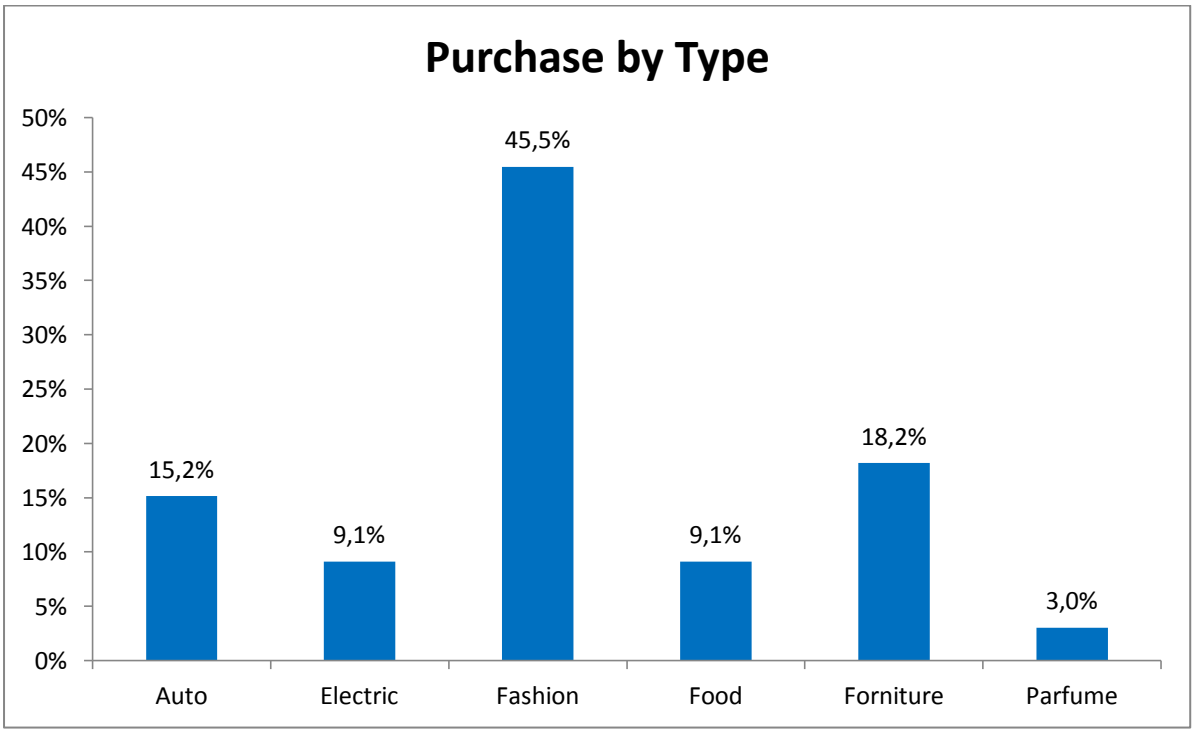
The majority of the respondents, 56.3%, answered that does not plan to buy any Italian brand in the near future. Only 13.5% of them is positive on planning a purchase.



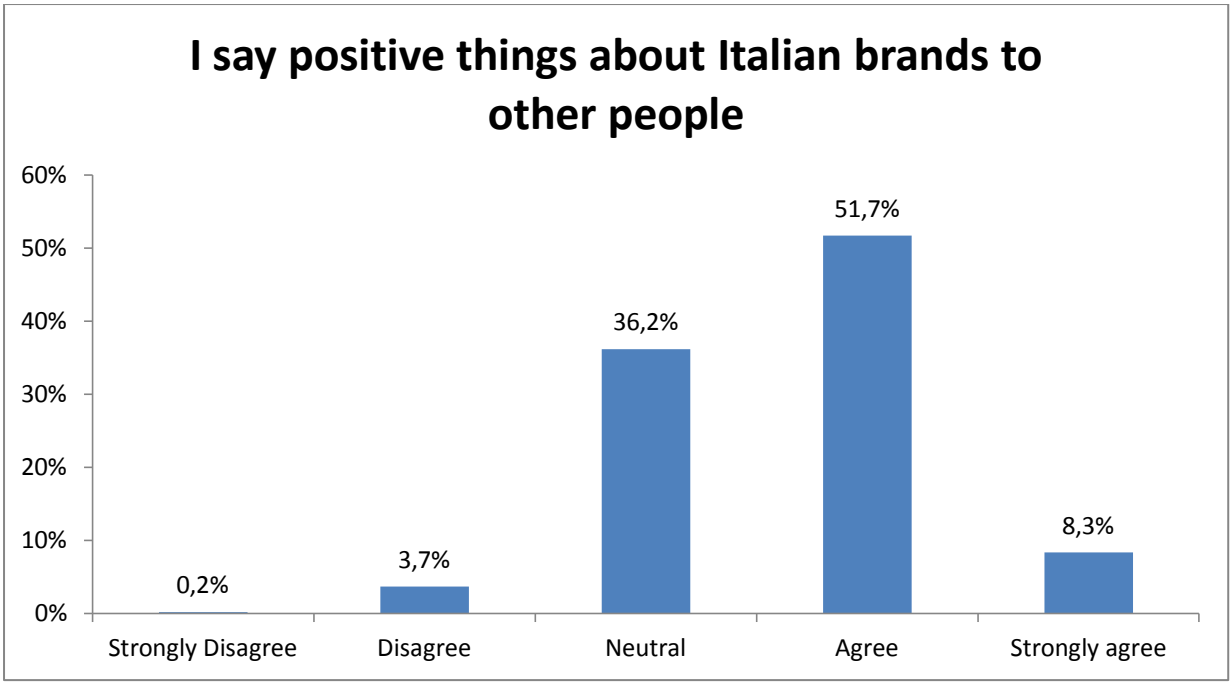
This data matches answers about recollection of purchase of Italian brands in the very near past (one month). The striking majority of the respondents, 91.3%, did not recall any purchase (we stress that we are speaking of recall only, but this is significant because Italian brands should be expected to be linked to high involvement purchases that should elicit a certain degree of recall).

Among the respondents that did recall a purchase, the majority bought just one item.





When asking what kind of purchase they recalled, almost half of them indicate fashion products, but also automotives, electrical appliances, food and furniture play a significant role.



Partially counter these data, Vietnamese urban consumers seem to have a good predisposition on including Italian brands in their conversational agenda: 60% of them declare to say positive things about Italian brands in their daily conversations.

To summarize, Vietnamese consumers seem to be very attracted to Italian brands, talk about them, but only rarely buy them.

Ethnocentrism

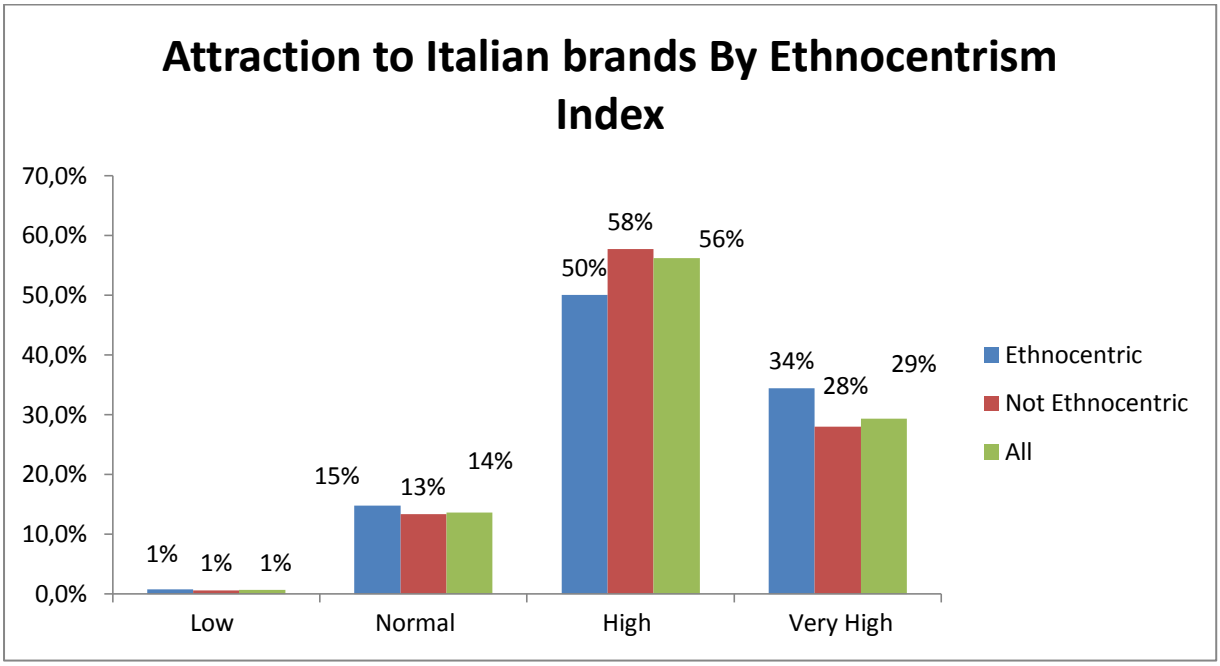
Studies on ethnocentrism can be considered as a spin-off of COO effect studies. Ethnocentrism indicates the consumers' preference for local/national brands.

Since its inception (Shimp and Sharma 1987), the construct has been solidly and consistently tested in a variety of settings, giving birth to a widely used scale.

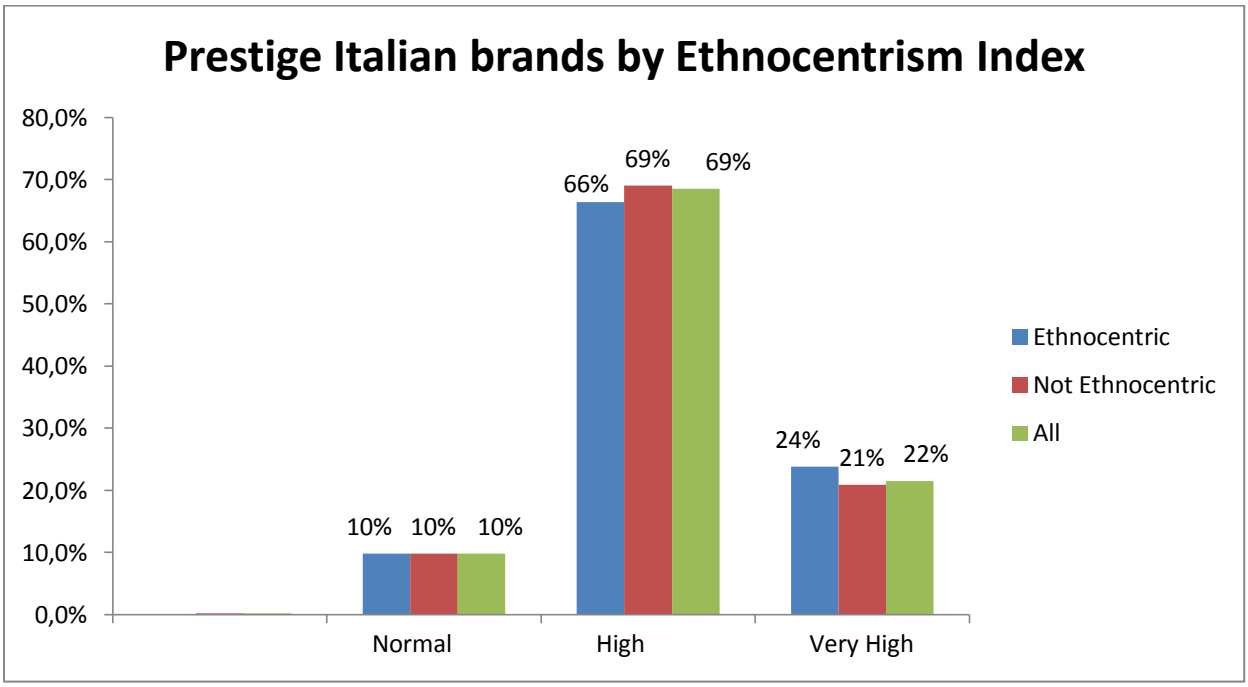
We adopted a three item variation of the scale to assess the level of ethnocentrism in Vietnamese urban consumers.

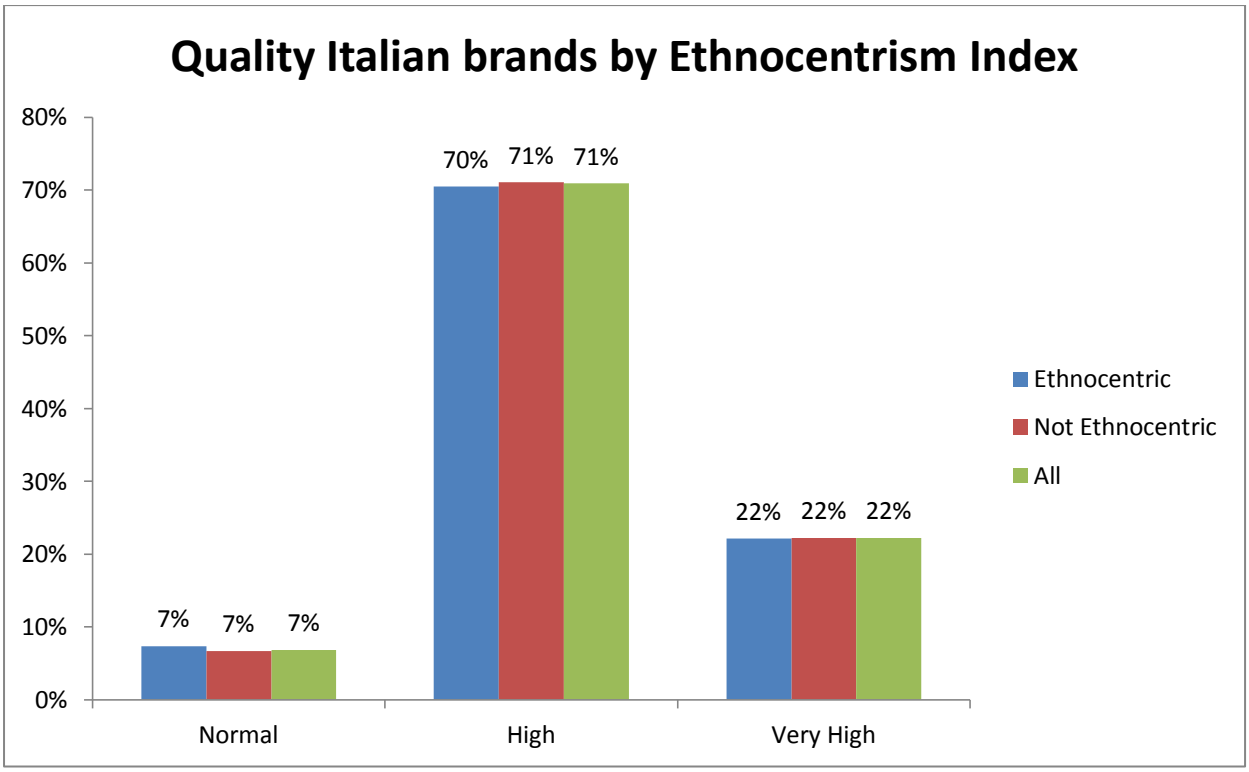
As one might expect from the data presented above, Vietnamese consumers do not show high levels of ethnocentrism and seem to be very open to foreign brands. Only 20% of the respondents held strong ethnocentric beliefs.

What is more interesting is that the difference in terms of attraction to foreign brands (and Italian in particular) between ethnocentric and non-ethnocentric consumers not large and in some cases not even linear in its effects (this last situation may be explained from a technical point of view by the small number of cases falling in some extreme categories). If we group consumers that are attracted or strongly attracted to Italian brands, we find in this category of favourable individuals 84.4% of ethnocentric consumers and 85.7% of non-ethnocentric. As we see the difference is negligible.



Similarly, there is no significant difference in terms of perception of prestige and quality as shown in the next two charts.





Brand knowledge and recognition accuracy

The behavioural gap that we have identified is further corroborated by the level of recall of actual brands.

In the survey we asked the respondents to recall the first three Italian brands that came to their mind (with no aid). 58% of the respondents were able to freely recall at least one brand name and only a minority were able to recall a second or third one. In total we got 615 responses that clearly show Piaggio and Gucci as top of mind in the surveyed population. The result of Piaggio is quite remarkable: 28.3% of respondents indicated Piaggio as an Italian brand, but an additional 14.4% of respondents indicated Vespa or Liberty, two Piaggio's leading products.

Table 1: Italian brands freely recalled by respondents

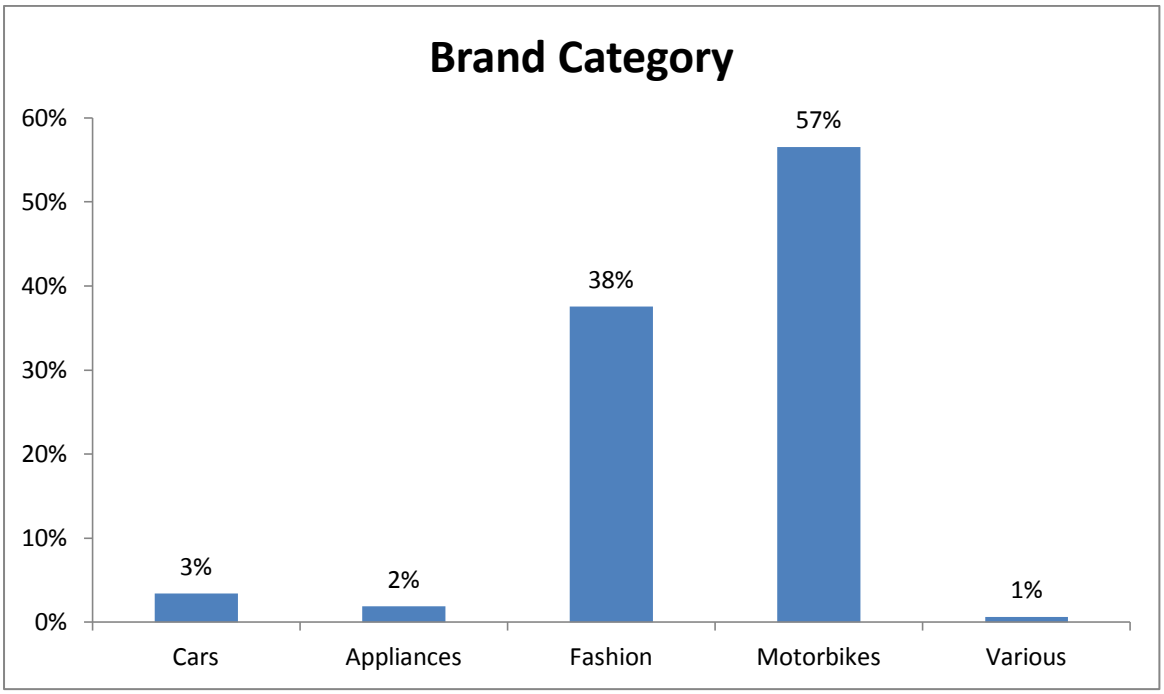
Answer	Freq	Perc
Piaggio	174	28.3%
Gucci	138	22.4%
Vespa*	66	10.7%
Liberty	23	3.7%
Ferrari	16	2.6%
D&G	10	1.6%
Ariston	9	1.5%
Versace	7	1.1%
Cavalli*	6	1.0%
Armani	5	0.8%
Robe di Kappa	5	0.8%
Valentino	4	0.7%
Fiat	3	0.5%
Campagnolo	1	0.2%
Guzzi motorbike	1	0.2%
Ducati	1	0.2%
Fila	1	0.2%
Iseo	1	0.2%
Moschino	1	0.2%
Perla	1	0.2%
Picenza	1	0.2%
Unidentified Brand Names	36	5.9%
Generic product category	54	8.8%
Non Italian Brand Names	51	8.3%
Grand Total	**615**	100.0%

Note: asterisk (*) indicates that also variant of the name have been included

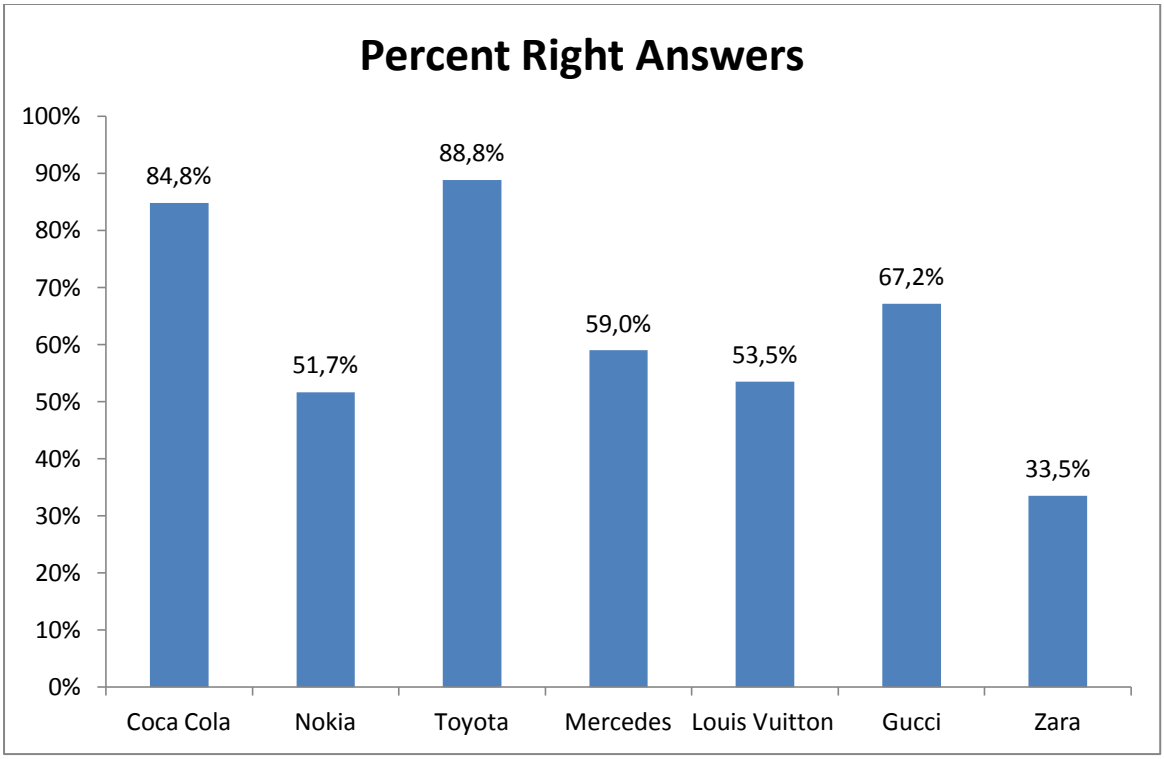
Overall, just 5.9% of respondents indicated a brand name that was not intelligible (this may also be due to the inherent difficulty to correctly annotate answers by interviewers). Quite a few respondents indicated generic products including "spaghetti" (!) and Italian jewellery

(that alone accounts for 2.3% of the total). Among non Italian brand names freely recalled by respondents, some Italian sounding brand names (see next section) were accounted for, such as Bonia, Giordano and Milano (it is difficult to say if respondents were thinking of Milano as a city or were indicating a retailing outlet, or other local businesses, that use "Milano" as a brand name – we also documented a "Milanno" in Ho Chi Minh City).

Another way to look at this result is represented by the graph below:



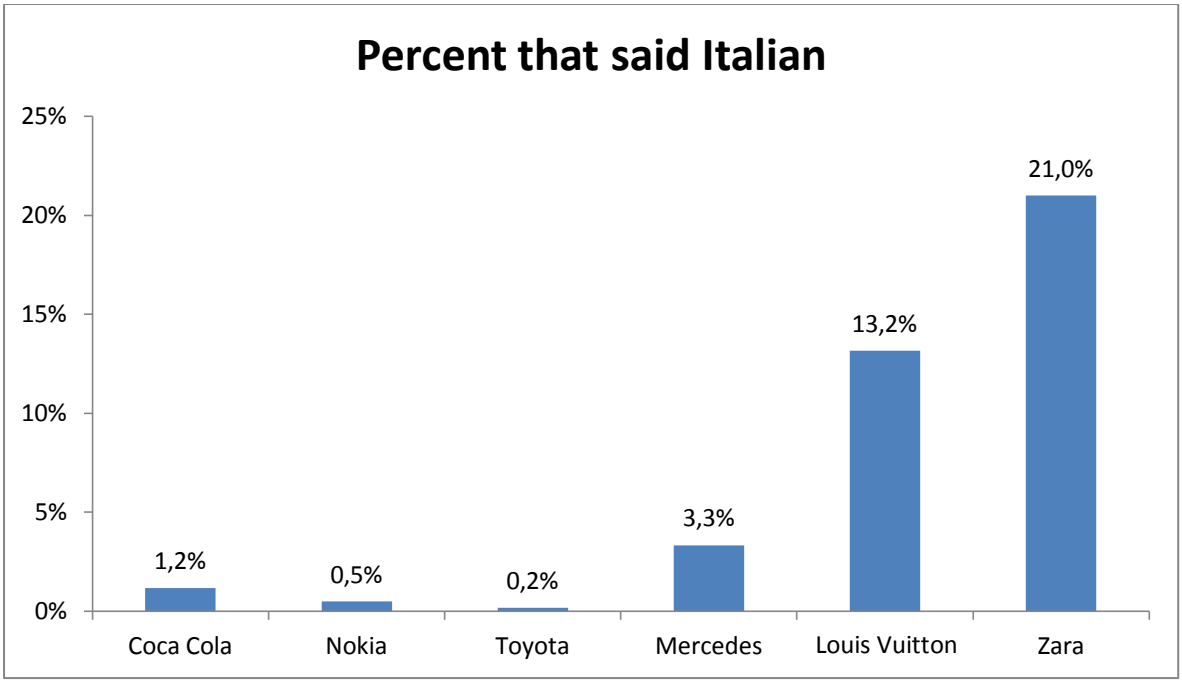
If we aggregate recalled brands by category, it is visually clear that it is fashion and motorbikes that drive the actual experience of Italian brands in Vietnam.

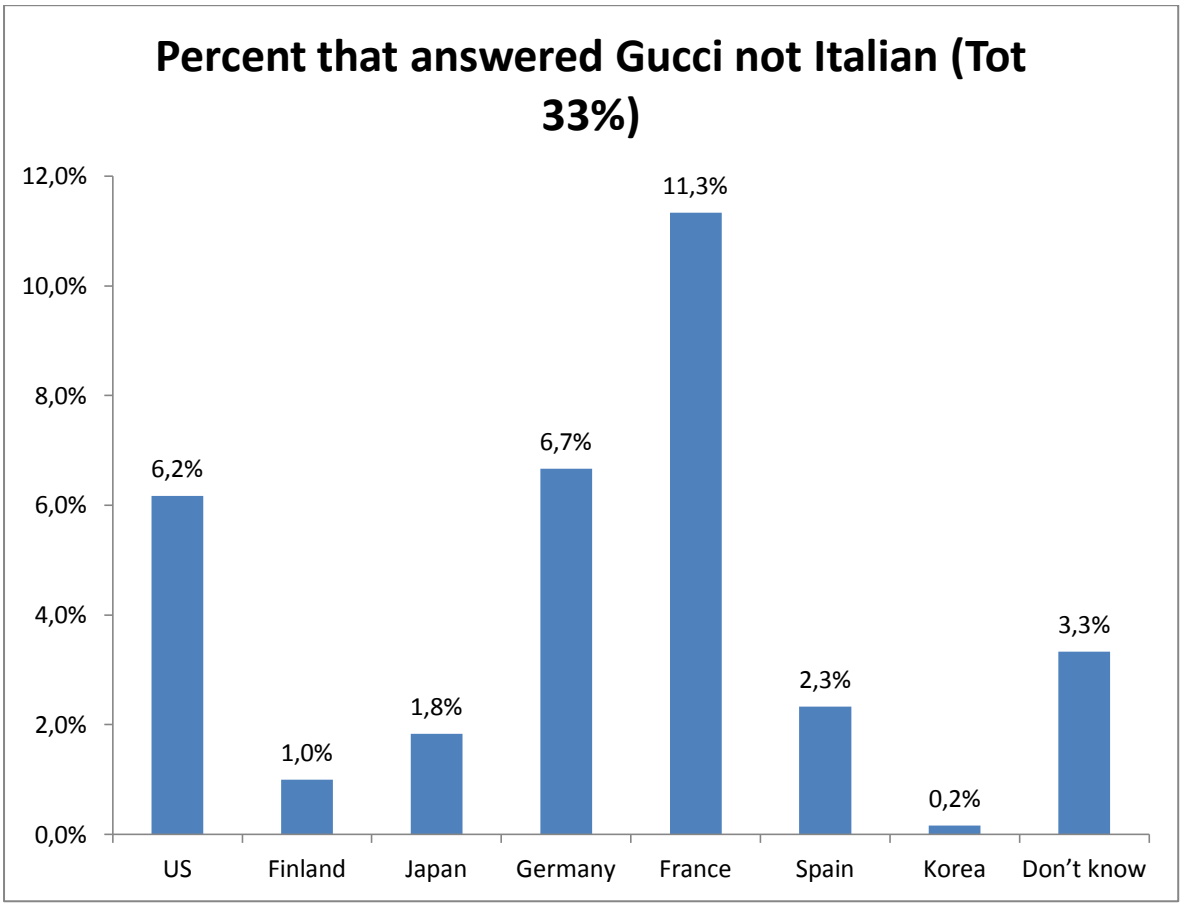


We also tested the ability of Vietnamese urban consumers to correctly link famous brand names with countries. Similarly to surveys conducted in other countries, we found that this ability is actually limited.

We tested the top brands of seven countries in Interbrand index (at time if writing, the 2010 ranking was available). While the overwhelming majority of respondents was sure to associate Coca Cola with the US and Toyota with Japan, less correct answers were provided for Nokia (Finland), Mercedes (Germany), Louis Vuitton (France), Gucci (Italy), Zara (Spain).

Interestingly, a significant percentage of respondents indicated Zara and Louis Vuitton as Italian brands. In the first case the confusion may be both linguistic and due to the product category (fashion), in the second case chances are that the luxury status of Louis Vuitton created an association with Italian brands. Conversely, 33% of respondents did not recognize Gucci as an Italian brand.


Percent that said Italian
25%
20%
15%
10%
5%
0%
1,2%
0,5%
0,2%
3,3%
13,2%
21,0%
Coca Cola
Nokia
Toyota
Mercedes
Louis Vuitton
Zara


Percent that answered Gucci not Italian (Tot 33%)
12,0%
10,0%
8,0%
6,0%
4,0%
2,0%
0,0%
6,2%
1,0%
1,8%
6,7%
11,3%
2,3%
0,2%
3,3%
US
Finland
Japan
Germany
France
Spain
Korea
Don’t know

Italian sounding

It is a fact that marketers choose, in many circumstances, foreign sounding brand names to promote their products, even if they have nothing to do with the country of origin (Leclerc 1994). In this research, we tried to answer a basic question: is this practice effective? Are consumers – Vietnamese urban consumers namely – willing to pay more attention or being more influenced by a brand name in a certain language?

We came out with these research questions because in Vietnam it is enough to take a walk in any major commercial street or shopping mall in Hanoi or Ho Chi Minh City to see how ubiquitous this practice is.

Italian sounding brand names are very common in retailing. Different naming strategies can be found:

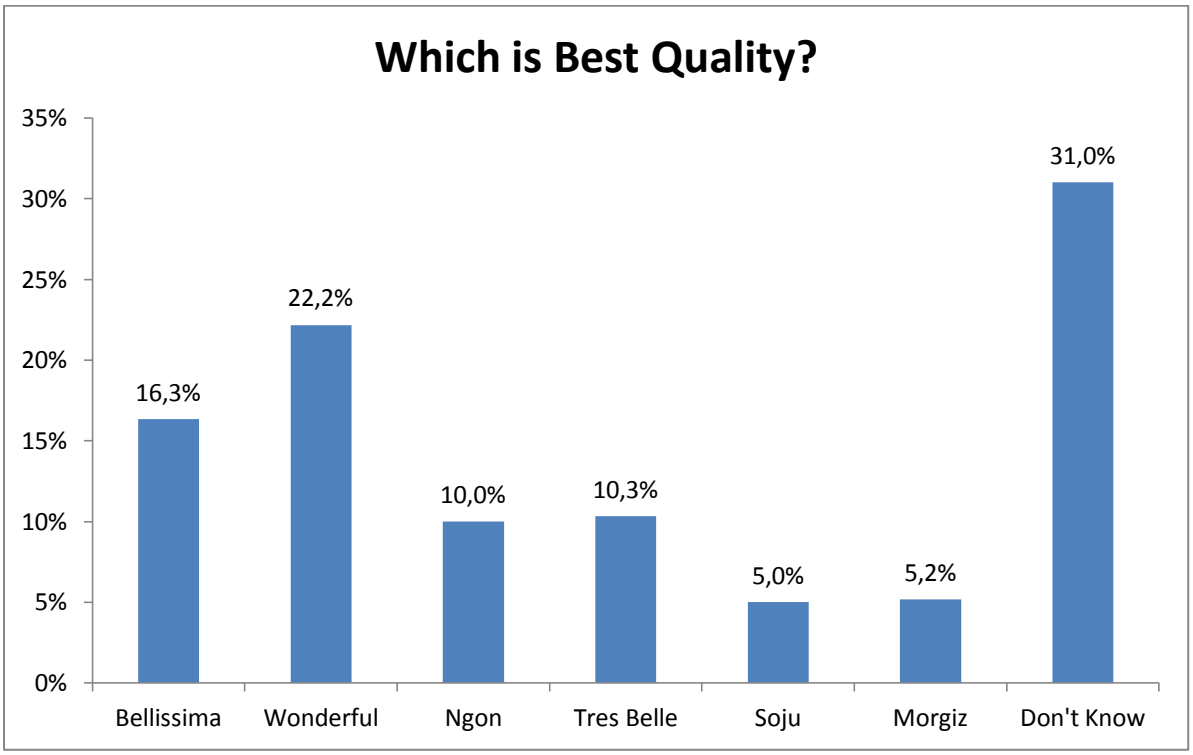
1) Some companies adopt generic Italian expressions, sometimes in combination with verbal cues from other languages: i.e. a furniture store called Bella Vita, while another furniture store of Korean origin uses "Casa" in its name: Olive & Casa Deco. A Thai company producing tiles and bathroom products called itself "Cotto".
2) Some companies adopt Italian personal names: i.e. Giovanni, Giordano or the Singaporean company Bassini.
3) Some companies adopt Italian topographic names, in particular cities' names: i.e. a well known Vietnamese fashion company named itself Bolzano.
4) Some companies adopt Italian names in grammatically incorrect formations: for example a Thai fashion company selling children clothes named its retailing outlet TutiBella. The expression is clearly Italian sounding but the first part is grammatically incorrect (Tuti is a typo for Tutti, all) and the concordance between the two parts is also incorrect (the correct version would be Tutti Belli). One might wonder if this happened by mistake or on purpose.
5) Some companies adopt more sophisticated sound configurations that may be connected to the Italian sound system, but are not found in the lexical repertoire of Italian language. An interesting case is high end fashion and leather company Bonia. Bonia is a brand belonging to a Malaysian company. The connection to Italy is made clear in the company's history presented on the corporate website. The founder visited the Leather Trade Exhibition in Bologna in the Seventies and was inspired to register a trademark that appears to be a contraction of the Latin name of Bologna, Bononia. The genesis is quite sophisticated, but that the aim is to create an Italian sounding effect is corroborated by other cues found in Bonia merchandise: the usage of the Italian name "collezione" ("collection"), black and white images reminiscent of Italian Sixties in the store decorations, etc.
6) Finally, in some circumstances the linguistic connection remains indefinite: in a name such as Aino Sofia, Sofia seems to be Italian and the company, based in Vietnam, claims to bring together "the elements of European influenced fashion and

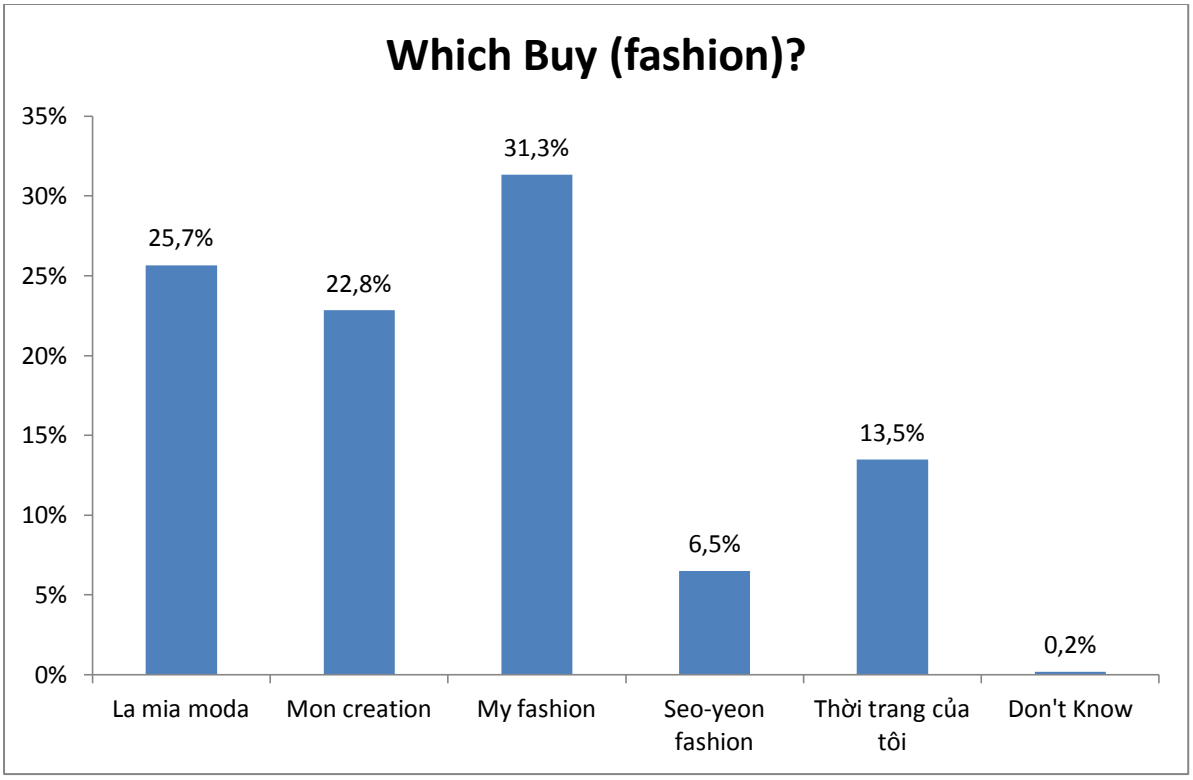
Japanese influenced fashion into one store" and in its pay off claims "designed in Tokyo and Paris".

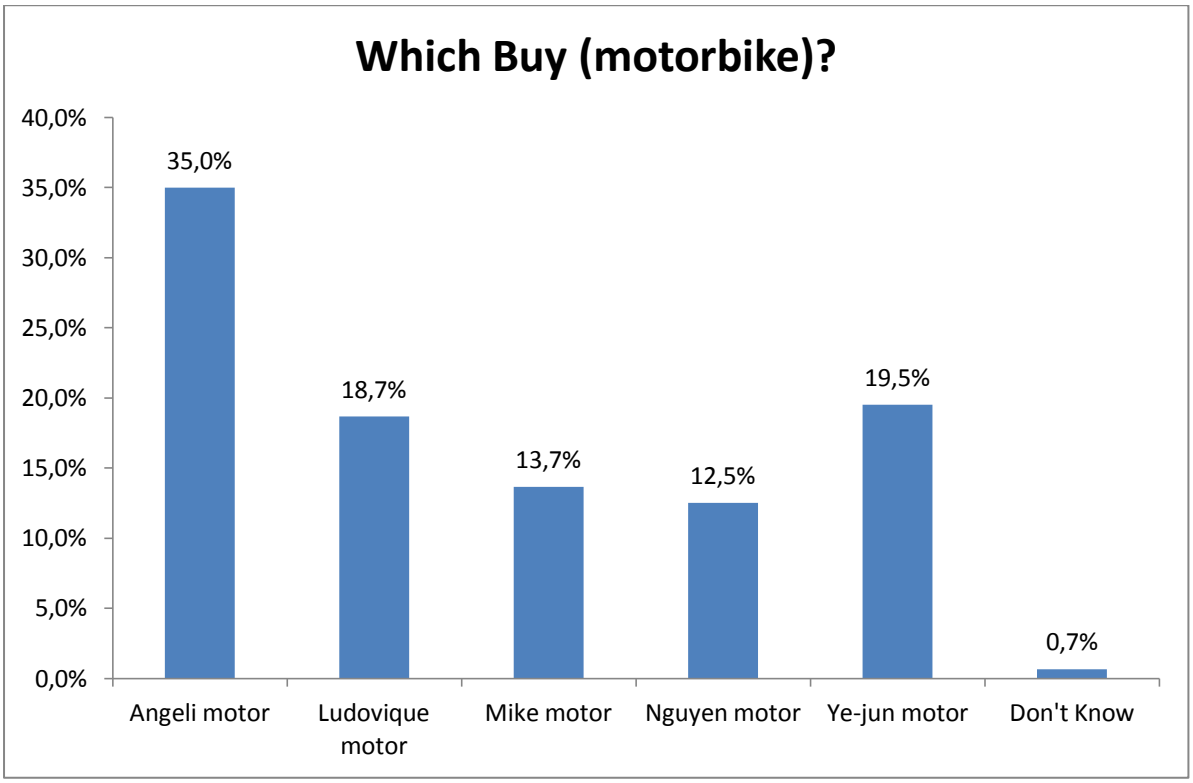
In our tests, we found that Italian sounding brand names are, along with English ones, almost always preferred over similar brand names in other languages. *In other words, a foreign sounding effect seems to exist and it is specifically relevant to Italian brand names*.

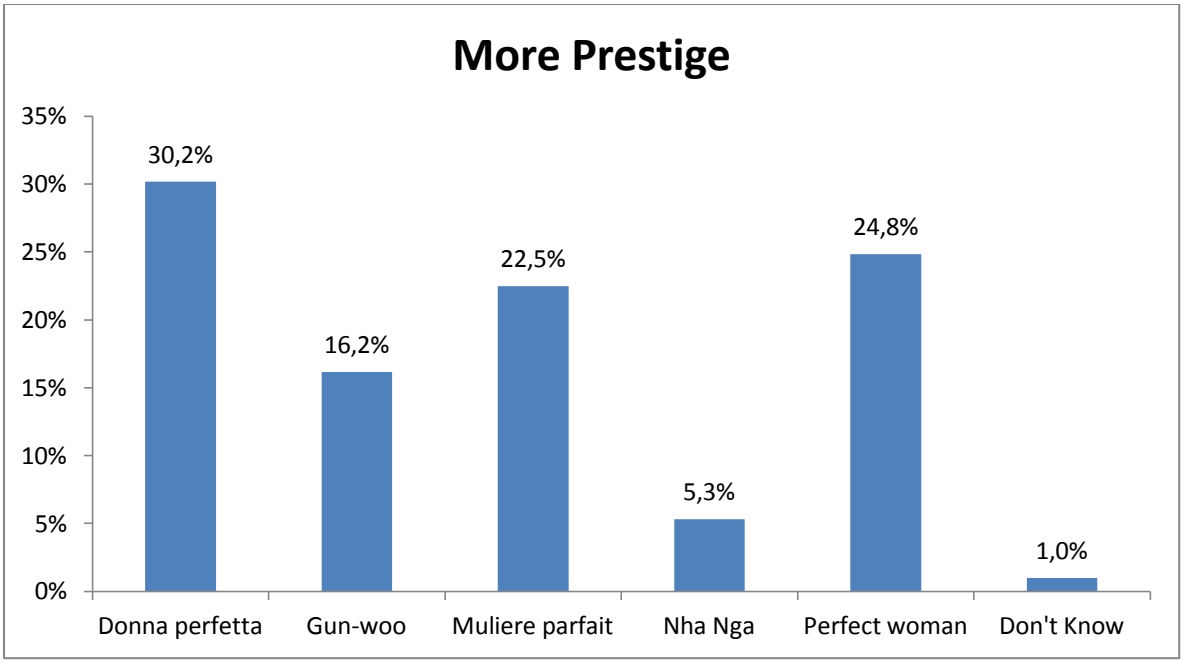
To test this hypothesis we presented a number of linguistic stimuli to our respondents utilizing fictitious brand names. This way, the knowledge of an actual brand name should not have compromised the final judgment.

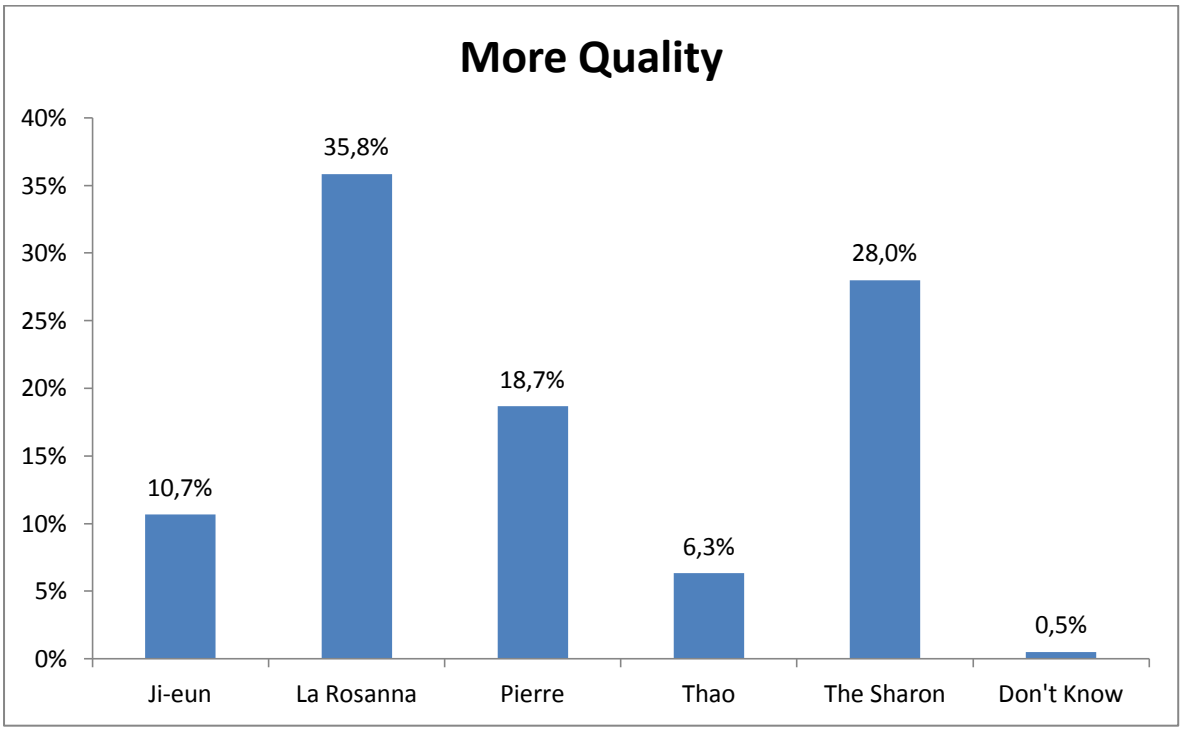
In our first question, we asked respondents to indicate the best brand in terms of quality just by looking at a list of names. While 31% of respondents did not venture in this kind of guessing, the majority of the sample had no problem in identifying the best brand from a list comprising of six options: Italian (Bellissima), English (Wonderful), Vietnamese (Ngon), French (Tres Belle), Korean (Soju) and completely invented (Morgiz).




Which Buy (fashion)?
35%
30%
25%
20%
15%
10%
5%
0%
25,7%
22,8%
31,3%
6,5%
13,5%
0,2%
La mia moda
Mon creation
My fashion
Seo-yeon fashion
Thời trang của tôi
Don't Know


Which Buy (motorbike)?
40,0%
35,0%
30,0%
25,0%
20,0%
15,0%
10,0%
5,0%
0,0%
35,0%
18,7%
13,7%
12,5%
19,5%
0,7%
Angeli motor
Ludovique motor
Mike motor
Nguyen motor
Ye-jun motor
Don't Know





A foreign sounding effect consistently associated with English and Italian is confirmed by other tests conducted with respondents.

When asked which fashion brand name they would buy, English and Italian brand names come first, closely followed by French: 31.3% for “My fashion” and 25.7% for “La mia moda” (Italian).

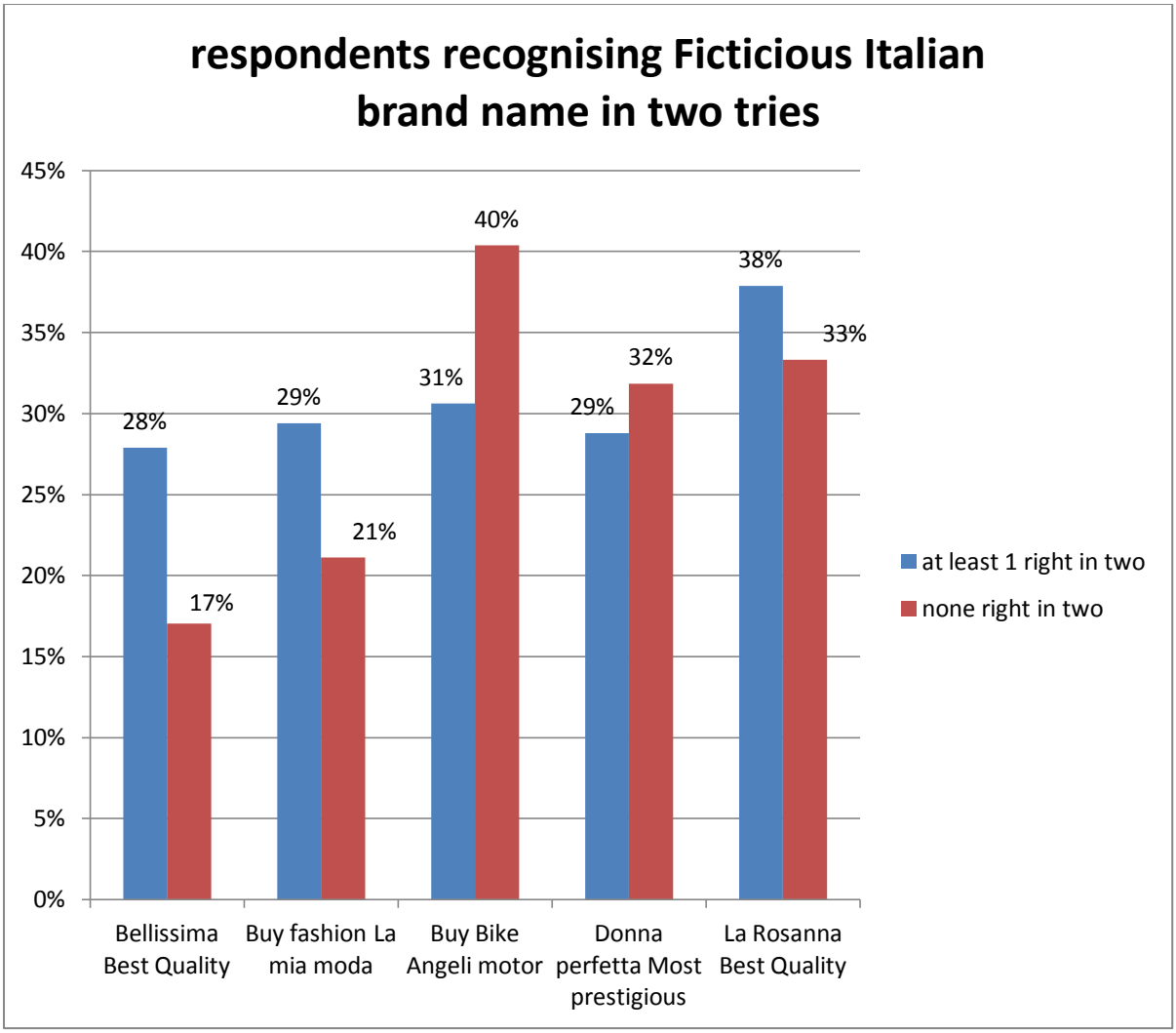
We also tested compound brand names, comprised of and English part (shared by all the stimuli) and a second part declined into a specific language. In this case, the Italian brand name was preferred over all others options: Angeli Motor got 35% of preferences.

Interestingly, in this case the brand names comprising a Korean part came second, on par with the French one, while the all English brand names got only 13.7% of preferences. We may explain this in two ways. First, a specific product category, such as motorbike, seems to advantage certain countries over others. Second, the use of a compound brand name comprising of an English part seems to annihilate the positive effect of the English sounding names when a comparison with non English names is established.

But when quality and prestige are factored in, Italian brand names come into prominence. When asked to indicate the brand name associated to the highest prestige, respondents choose the Italian brand name (Donna perfetta) 30.2% of times (followed by the American and French brand name). Similarly, when asked about the brand name associated with the highest quality, 35.8% answers La Rosanna, the Italian brand name in the list and again French and English brand names follow.

In all of these tests, Korean and Vietnamese brand names consistently received fewer preferences.

Overall these results seem to be consistent with what we found in the discussion of the perception of foreign brands: Vietnamese urban consumers seem to carry a solid preference for American and Italian brands. But do these preferences directly translate also into the preference for brand names? The answer is not so straightforward.



But to what extent the branding effect is linked to the recognition of the language of origin of the foreign brand name? It is logical to expect that respondents that were able to link the foreign brand name to the country of origin could display a stronger effect.

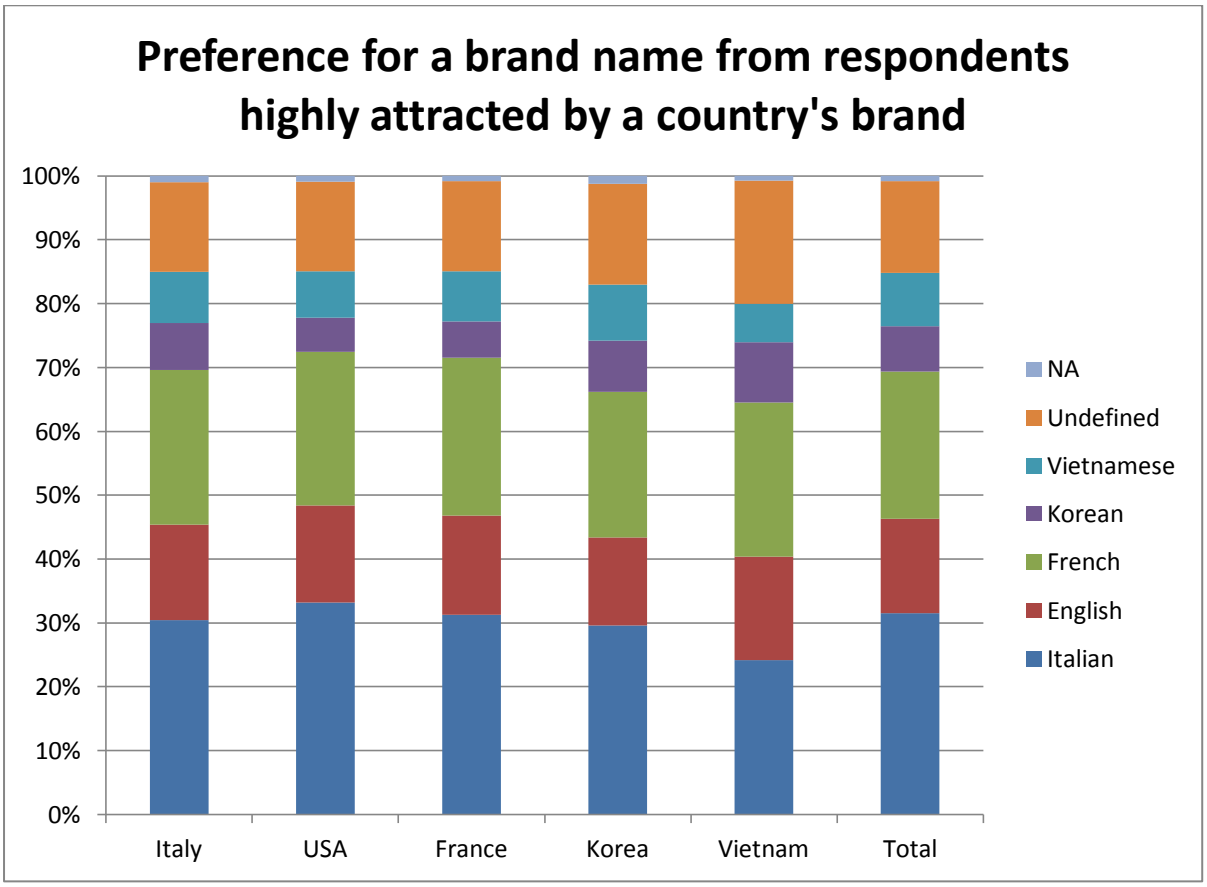
To test this hypothesis, we asked respondents to recognize fictitious Italian brand names from a list. This way, we can identify in the sample the people that, reasonably, we can expect able to recognize an Italian sounding brand name.

By comparing the preference for Italian brand names among people that were able to recognize at least one of the two Italian brand names in the list and those that were unable to recognize at least one, we find some interesting differences. In terms of Italian brand names associated with quality and fashion, people that were able to correctly recognize Italian brand names are more influenced. In other instances the correlation is not so strict and it even points in the opposite direction (in the case of the preference for the compound brand name associated with motorbikes).

Leaving apart the case of the compound brand name (where opposing linguistic stimuli may create a peculiar situation), it is clear that the simple ability to recognize the language of

origin is not the only determinant in guiding name preferences. In this specific case our analysis is limited because we actually don't know the ability of the participants to recognize the origin of foreign brand names in languages other than Italian. And also, we cannot disentangle the linguistic ability to recognize a linguistic system from the overall attraction toward the country.

We actually tried to tackle this last question by correlating preference for a foreign brand name and attraction toward a country. The graph below show which brand names were indicated as more attractive by people indicating one country as attractive or very attractive. No strong correlation can be found.



Conclusions and recommendations

Implications for Italian business community

The reputational capital of Italy and Italian brands in Vietnam is high, even if the level of Italian presence in the marketplace is not comparable to other Western countries such as France, USA or Australia.

This represents a remarkable opportunity for Italian business in Vietnam: the country of origin does influence the perception of the products and in case of Italian brands, the influence is predominantly positive.

Italian business community should also collaborate to promote the overall image of the country. Indeed, a correlation between positive image of the country and positive image of the brands was found. Italy is still seen as a country far away of which people know very little. Any action to bring Italy closer to Vietnamese consumer can be very beneficial to the overall acceptance of Italian brands. One special role could be played by linguistic education that could possibly boost the Italian sounding effect we found in the survey.

One possible challenge for Italian brands in Vietnam is to reach the mass market. Italian brands are mostly associated with expensive luxury brands, so it might take a while to convince consumers that Italian brands can also be good value for money, in terms of accessible price and good quality.

The major challenge for marketers presented by this report is to transform the positive perception of Italian brands in actual purchasing behavior. Even if a significant minority of consumers is already moving beyond price-driven purchasing choices, for the majority of the respondents the positive perception of Italian brands seem disconnected from their consumer choices. They like Italian brands, they even talk about it, but they consider them as to be too expensive or out of reach. It is clear that something has to be done to address this gap between the affective-cognitive component of the attitude and its behavioral dimension.

Implications of Italian sounding for policy makers

Italian sounding phenomenon as shown in this report poses new challenges to regulators: can we consider a foreign sounding brand name not associated to a product coming to the expected county as an example of consumer deception? Or is it just another form of puffery? Or, simply, we cannot pose limits to the freedom of a company to choose its brand names?

The situation becomes even more complicated. While a brand name like “Giovanni” or “Jeneuve” is clearly connected to a language (i.e. Italian or French), sometimes brand names may be completely invented but still recall a specific linguistic system (Yamaha launched a

scooter named “Nozza”, not an Italian name – the closest would be “nozze”, plural, that means wedding – but very close). Even misspelled foreign brand names are not uncommon and one would wonder if they are a typo or the result of a conscious choice.

From this point of view, even Panzani, a leading French company specializing in sauces and pasta, could be considered an example of use of foreign sounding brand name to positively influence customers. The assumption is that pasta is clearly connected to Italy and an Italian name could help the company to sell its products as “authentic”.

In this case the story gets even more interesting. Actually the founder of the company was named Panzani and he was Italian, but of course the company is now by all means French and no connection with Italy has been retained. It is clear, that people moving abroad cannot be prohibited from using their foreign sounding family names to start a business outside their home country. It would be honestly unpractical, but the problem for regulators remains.

This is a field where consumer protection laws have not been tried into courts yet, but in the past, something American courts condemned on grounds of consumer deception companies trying to use country of origin cues without having any connection with the specific country. For example, in one case, a fashion company was using the name “Milan” in its pay off with no connection to the Italian capital of fashion (Preston 1996). This is an important precedent because it shows that common low courts are willing to protect consumers from deception related to the country of origin insinuated with subtle cues and symbols.

Even if Italian sounding practices may be considered, at least sometimes, deceitful, regulations is complicated by the transnational dimension of the phenomenon. Enforcing protection outside a home country may be virtually impossible.

If legal protection may be difficult, what could it be done? Some solutions actually are available. Government and business institutions should work hard to find ways to promote the knowledge of real Italian brands and to enable consumers to distinguish real Italian brand names from companies taking just advantages of the sound of the brand name.

The decision makers' point of view

The quantitative research was supplemented by a set of 10 in-depth qualitative interviews (one hour long on average). The interviews were conducted in Vietnamese by senior research associates of Axis Research on the basis of a semi-structured script provided by us. The list of the potential respondents was provided by the Italian Embassy and represented a number of influent decision makers in the private and public sector that may affect the outcomes of Italian business in Vietnam. All of these contacts already had significant interactions with Italian business in Vietnam. The contacts with the interviewees were developed independently by the contracted research company, in order to preserve the confidentiality of the interviews. The analysis of the qualitative data resulting from the 10 interviews is based on transcripts translated into English.

The 10 interviewees include key decision makers from the following organizations: 1) an investment advisory firm, 2) a distributor of Italian products, 3) a multinational hotel chain, 3) Ministry of Industry and Trade (International cooperation department), 4) Vietnam Chamber of Commerce & Industry, 5) an architectural studio, 6) General Department of Customs (International Cooperation Department), 7) a manufacturing and trading group, 8) Foreign Investment Agency, 9) Ministry of Planning and Investment, 10) an investment and production company.

The interviews revolved around two main topics: the general perception of foreign business in Vietnam on the one side and the specific perception of Italian business. Also, five of the interviewees were provided with some preliminary result of the quantitative research to get insights useful for the interpretation of the data from a local perspective.

The following is a list of the major trends emerging from the qualitative interviews:

- Our stakeholders agree that, generally speaking, foreign businesses are seen as bringing prosperity and improvements in the Vietnamese economy. However, Vietnamese decision makers don't expect just capital investment, they see foreign business also as a source for a behavioral change in the local management and workforce. Even more important, foreign business is expected to actively transfer technology into the local industry.
- Not everything is good about foreign investors. Four interviewees quoted the problem of price transfer (the trick to report losses in one country while transferring profits in another). Also, interviewees expressed dissatisfaction about the level of technology transfer attained, there is clearly an expectation for more on this subject.
- The decision makers interviewed show high expectations from managers and entrepreneurs coming to Vietnam from abroad. They expect them to do their homework: they should carry out extensive market research before starting a business and being sensitive to local culture and traditions. A Leitmotiv in the

interview is the search for trustworthiness and professionalism in the foreign partners.

- The interviewees have no doubt that understanding the local culture is key to be successful in the local country.
- In the interview we asked if there was any difference in the approach to business by managers coming from different countries. Only one interviewer was skeptical in determining any difference. Most of them, would be inclined in find some distinctive "characters". The sketches drawn by the interviewers generally confirm widely held stereotypes. Of course we know that stereotypes most of the time fail to reflect reality, but they may have a consequence on the way people interact and develop expectations.
- Interviewees seem to be aware that Italy is a country of small and medium enterprises and a common issue is that they do not invest much in market research and in promotional campaigns.
- The decision makers interviewed also confirm the stereotypes associated with Italian brands that emerged in the quantitative survey. Italian brands are seen as carrying quality, exceptional design and creativity, good reputation, but are also seen as expensive. The interviewees are aware that Italy is not just fashion brands. They are also confident in quoting other industries as associate with Italy such as wine, culture and arts, heavy machinery.
- On the other hands our 10 stakeholders show more complex thoughts about the quality of Italian brands manufacturing outside Italy. While some interviewees are ready to accept that an Italian brand can maintain the same quality if it brings its manufacturing operations outside Italy, most of them are skeptical and mention a number of potential problems.

To conclude this overview, we wish to quote a last passage from one of the interviews. This passage sounds, simultaneously, as an invitation and a piece of advice for Italian business:

> *There are many Italian products that have gained value and trust by Vietnamese consumers such as Piaggio motorbike, Ariston water heater, water pump and hacksaw. Those were the most difficult sectors but Italy was the first foreign investor and Italian companies all have created value and reputation. Therefore, if Italian investors really want to invest in Vietnam, they can be successful as long as they study the country carefully.*

Afterword

By Martino Castellani
Head of IPR Desk Vietnam
Trade promotion section Italian Embassy

The Intellectual Property Rights Desk - IPR Desk in Vietnam has had among its main duties the collection of information on the Vietnamese market. In order to carry out this task the IPR Desk has carried out various activities, chief among these has been the commissioning of yearly studies or reports, starting with 2009.

In 2009 we asked The Nielsen Company to carry out a survey on "Presence and Perception of counterfeits in Vietnam". In 2010 BizConsult was selected to write "Counterfeiting of Italian products – A report on Vietnam". In 2011 we decided to sponsor, under the auspices of the Italian Ambassador to Vietnam, H.E. Lorenzo Angeloni, to whom I would like to extend my sincere gratitude for his support, the project "The perception of Italian brands in Vietnam" by two Italian professors of RMIT.

This last research was based on data provided by TNS and AXIS and with the elaboration of this data by Mr Mattia Miani and Mr Giovanni Merola of RMIT.

The research offers a sizeable amount of "food for thought". The first impression one receives from it is that both Italy and Italian products have an excellent reputation and are well liked. The second and third impressions are that even though Italy has an excellent reputation details about Italy are not too well known, but Vietnamese people do like and recognize Italian or Italian sounding names.

To market and sell our products we should be well aware of the competitive advantage, which derives from a good reputation. It is an excellent advantage and moreso if we consider the relatively small amount of Italian consumer goods available on the market. As we have seen Vietnam's foreign trade with Italy amounts to about 1%, which, everything taken into account (distance, size of our companies, trade agreements, etc.), is good but still below the level achieved by some of our competitors (e.g. among EU countries only Germany, with over 3%, and France around 2%, do better than us, while among other "Western countries" the US with 11% and Australia with around 3% do better than us).

Italy's exports to Vietnam have been and are still led by capital goods, mostly industrial machinery, of excellent quality and high reputation. Still, trends are changing and the quota of capital goods on total exports has been falling over the years mostly because consumer goods are on the rise, sometimes sharply. We should not forget that the sale of Italian consumer goods increased markedly with the increase of GDP/capita in Vietnam. In some sectors like wine, interior design products, cosmetics (+24,3% jan-sept 2011 on 2010) and fashion products (+33,5% jan-sept 2011 on 2010) exports grew at a higer than average rate (+21%) .

So all is well for Italy? Perhaps yes, but Italy should be careful not to squander this advantage, therefore we suggest good planning and joint (public-private) action to keep the appeal and reputation of Italian goods high. This could be achieved by doing the utmost to insure the high

quality of goods marketed in Vietnam and perhaps to give special support and attention to high quality goods, e.g. the government could put forward special funding for promotional events supporting “Italian excellence” (the best of our high quality products) or more broadly all goods of higher quality offered by Italian companies.

Italy cannot compete anymore with the emerging economies through price, our advantage on them, as shown by this research lies in reputation and appeal, which are dependent on quality. Price is relevant in Vietnam, but most of our high-quality products are much more expensive than those produced by emerging countries. Price, to us, should still be a factor in a competition with industrialized conutries, but this is anyway a competition at the higher-ranges of the market in Vietnam. A good example of a high-reputation consumer good is the Vespa motorbike by Piaggio, which has become something of a “dreambike” for the Vietnamese user. Not everybody can afford it but almost every motorbike user knows about it and most would like to own one. It has to be noted that Piaggio’s Vespa maintains a qualitative edge on competing motorbikes and is vastly superior to any copy or look-a-like product.

Piaggio’s results in Vietnam have been outstanding with sales overshooting targets by years and production being increased. Quality pays off.

We should carefully foster the idea that our brands have quality, but this idea should be fostered through real quality and not just wishful thinking or good advertising. To cut production costs by moving outside of Italy or even the EU could be reasonable, but it should not be done at the price of lowering the quality of one’s products. It might prove profitable in the short term, but could backfire in the mid- to long-term. The average Vietnamese customer might be unable to afford expensive Italian goods and have to go for lower priced copies from the Far East but he can still prefer good products over bad, worries about quality and safety and his buying power is on the rise.

If it is true that most of the persons interviewed for this research had not bought and did not plan to buy anything Italian in the short term, it is also true that in Vietnam many persons do buy look-a-like products, those that copy the design of Italian goods without any Italian quality. This is mostly because they like the design but could not, yet, afford the genuine Italian product.

Still, quality seems able to hold its own. As an example we will supply the wine sector. Like most Far Eastern countries Vietnam is a not a traditionally wine-drinking place, the alcoholic drink of choice was and still is beer, nonetheless, mostly through French influence, wine had a small market in Vietnam. In this market French wine was absolutely dominant, but over the years France went from being almost a monopolist to being the main player in an oligopolistic market (French exports amount to about 35 to 40% of the total wine market nowadays). New World wines managed to take a sizeable share of the market, but through all this France increased its exports to Vietnam. How did it happen? Basically the wine market grew hugely, trebling its size in the years from 2006 to 2010 (from about 17 to over 54 millions of USD). Wine became much more common as a drink, more people started to drink wine. A quota of the new customers had less money to spend on wine or were less confident on spending big amounts on somewhat they did not yet understand well, so the New World wines found their place in the market and their share of customers, but being French wine seen as the best and most expensive wine available (for many Vietanmese Bordeaux is almost synonimous with red wine) they were not displaced from their dominant position and have managed

to increase sales. Perhaps they even earned new customers among those who first started with lower cost wines from elsewhere and then upgraded their shopping to higher level products.

Being perceived as the producer of “the best available”, which means reputation, pays off.

The second part of the research focuses on Italian sounding and its value in marketing. In counterfeiting many products are copied but quite often only the most famous or desired products are copied consistently, from this we can assume that being consistently copied is also a sort of recognition of one’s own success. Far from suggesting to advertise one’s own brand as “the most copied brand of all” we should refrain from underestimating this recognition.

The practice of “Italian sounding” is not that far from counterfeiting. What is being “counterfeited” in these cases is the origin or perceived origin of the goods on sale. Producers from other countries are trying to either make their goods more appealing by giving them and Italian-sounding name or even trying to pass off their goods as Italian ones.

In the first instance they might be doing something legal, in the second they are definitely doing something illegal.

Italian companies could and should state very clearly the origin of their products on their labels. All too often the origin of products is either unclear or stated in the most obscure way and in the most remote corner of the label. This allows deceitful companies to profit from it, e.g. they sell cookies produced with the “original Danish recipe” which are made in South-Eastern Asia, or “Belgian style” chocolates made in China and so on.

Sometimes national legislation forces companies to state the origin of their products on the lables or packaging in other instances there is no such duty though it is still forbidden to state a false origin.

Companies selling genuinely “Made in Italy” goods should exploit to the fullest extent the laws that protect them and should do so by proudly and clearly stating the origin of their products on one side and by appealing to authorities against those who state falsehoods.

On their part governments should legislate to ensure that the origin of a product is clearly stated on the label and enforce such legislation. In most instances the welfare of their citizens is at stake.

Further, governments could support all tools which make the origin of products from their countries clear.

This could be done by offering certifications of “Made in Italy” in countries where laws do not impose a statement of origin and advertising or making these certifications easily accesible to consumers, perhaps through webpages offering officially organized or endorsed registries of “Made in Italy” products.

Whatever policy we may chose we have to always remember that if we want results we must work to get them and in the case of IP or unfair competition we must always be actively defending our rights.

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