FutureBrand

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When considering a luxury watch for an anniversary gift, do you mindfully look for the “Swiss-made” label? Do you find yourself aspiring for German engineering and performance in a sports car? Have you brought home a seemingly authentic, locally made treasure from your once-in-a-lifetime safari in Kenya, only to find out it was manufactured in Vietnam?

Country of origin is playing an increasingly more important role as a key driver of consumer choice around the world. Where a brand comes from can influence strength of perception, associations and ultimately, whether consumers choose to purchase a brand.

So, as brands influence the choices we make every day, the role of a brand’s country of origin factors more importantly as a determinant of our decision-making. It impacts not only what we buy, but also where we setup a company, buy a home, go to school, travel on holiday, and who we cheer for during the Olympics.

In many ways, country of origin shapes not only our habits, but also our own identities.

The new meaning of “Made In China”
1. FutureBrand’s “Made In” Report
FutureBrand’s “Made In” Report

This study – the most comprehensive of its kind – seeks to understand and explain the importance Country of Origin plays for the brands around the world, and how Country of Origin influences consumer preferences and choices.

FutureBrand drew on quantitative research from over 1,000 consumers and opinion leaders from around the world, including the United States, France, Brazil, India, China, Japan and Australia. Using adaptive conjoint analysis, we identified the most important drivers of choice, as well as the key attributes that comprise Country of Origin.

Additionally, we conducted in-depth interviews and workshops with branding experts, brand managers, and leading academics from Europe, Asia Pacific and the Americas, to understand key perceptions and attitudes toward Country of Origin, as well as the legal ramifications.

Lastly, FutureBrand leveraged its international network of agencies to crowd-source a global snapshot of how brands, labels, images and associations play a role in consumer preference.
2. What do we mean by “Made In”? 
The definition of “Made In” has evolved in the 21st century.

In a globalised economy, in which the value chain can span continents, oceans and cultures, the traditional concept of “Made In” is no longer sharp enough.

Today, “Made In” has multiple layers.

These include where raw materials are sourced, where the product is designed, where manufacturing takes place, where assembly is completed, and finally, where the company is incorporated. Additionally, despite these more concrete concepts, there is an additional, less tangible factor: country associations in the minds of the consumer (e.g. associating Thailand with hospitality or Australia with natural beauty).

Together, these factors drive consumer choice, and are leading determinants for how consumers decide which brands to purchase in different industries and categories, such as beauty, health and fashion.

Lastly, from this study, we identified the four dimensions that drive the world’s strongest Countries of Origin. They are:

1. **Authenticity**
   Producing unique products or services with unique standards that can be connected with the country’s history, people or geographical situation.

2. **Differentiation**
   Demonstrating difference from competitors through innovation, approach, heritage or culture.

3. **Quality standards**
   Showing commitment to safety, craftsmanship, manufacturing excellence and transparency.

4. **Expertise**
   Being identified as the ‘best’ in a category or having created or defined it.
3. Where do Asian Countries Rank in the Study?
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In FutureBrand’s 2014 “Made In” report, only three Asian countries entered the top-ten:

**Japan # 4**  
(ranked 3rd in the Country Brand Index, 2013)

**China # 9**  
(ranked 66th in the Country Brand Index, 2013)

**S. Korea # 10**  
(ranked 49th in the Country Brand Index, 2013)

China’s top-ten ranking demonstrates that the country is undergoing an evolutionary shift in how it is perceived as a Country of Origin. It is evolving from a centre of low-cost, low-tech manufacturing, to a global player in more high-skilled sectors, most notably technology, electronics and fashion.

In the 2014 “Made In” report, China ranked 9th in automotive, 5th in electronics and 10th in fashion. South Korea, China’s closest Asian competitor in the rankings, scored 8th in automotive and 4th in electronics.

There is ample evidence to support our finding that perceptions of China as a Country of Origin are evolving. Consider the following:

- In 2013, Chinese manufacturing output in computers, telecoms and electronics grew by 14.9% (*National Bureau of Statistics, China*).
- In 2013, while the global personal computer (PC) industry experienced an 11% decline in sales, Lenovo outperformed its global competitors for the seventeenth straight quarter (*Lenovo, 2013*).
4. Why is Country of Origin important to Asian brands?
First, Country of Origin serves as an important heuristic or shorthand that provides consumers with a frame of reference to guide their brand choices.

Second, based on our research, where a product “originates from” is more important to consumers than its price, availability or style. Consumers are willing to pay a premium for a brand that originates from a country that is associated with certain positive attributes. For example, in Chinese grocery stores, international brands command a 60-70% premium over domestic alternatives.

Third, Country of Origin also creates broader associations for brands, specifically in the area of trust. Consumers indicated a significantly higher degree of trust of those brands originating from specific countries, particularly in the food and beverage, and health and beauty sectors.

Fourth, although Asian businesses should incorporate Country of Origin into their brands, it needs to be done strategically. That is, it should be applied to specific stages of production, depending on consumer associations with each country and category. For example, a country associated with strong manufacturing processes, but weak environmental regulations, should not emphasise its Country of Origin at the sourcing of raw materials, and instead focus on production quality.
Example: Lenovo
In integrating the ThinkPad business into its own brand, Lenovo has not only maintained the quality of the ThinkPad range, but also evolved it. By expanding it into low-end tablets and server products for more developing markets, Lenovo has been able to apply a distinctive “Chinese value signature” to the brand.

This strategy has seen great results for Lenovo. While the global PC sector in 2013 fell 11%, Lenovo outperformed the sector – for the seventeenth consecutive quarter.

And as Asian businesses apply this thinking, it is important that they, like Lenovo, consider all stages of production when discussing Country of Origin. There are numerous examples of both individual brands and entire industries strategically leveraging upon Country of Origin associations.
Example: Apple
While designed in the United States, the iPhone is assembled in China. It was believed that consumers indicated a strong preference for technology brands designed in the US, specifically in Silicon Valley. In this case, it was believed that Country of Design is the driving factor, rather than Country of Assembly. Apple’s 2013 advertising campaign, “Designed in California”, was rooted in this insight, and the entire campaign sought to dispel rumours that Chinese manufacturing was affecting quality and environmental impact.

Example: Fashion Industry
While the dress is designed in Paris, the cotton is grown in India, the fabric cut and dyed in Bangladesh, and the final garment is manufactured in China.

In this case, Country of Design is the driving determinant of consideration and purchase. However, for high-end, luxury fashion, Country of Manufacture takes on additional importance, given associations of quality, expertise, and most importantly, authenticity. For example, having a dress handmade by skilled artisans in Italy is a key driver of consumer preference in this category.
5. What can Asian businesses do?
1. Build Chinese Global Power Brands as Origin Ambassadors

In order for Asian businesses to raise their stature relative to the global field, they must identify and support a select few "power brands" to serve as global ambassadors, both for the country and its portfolio of brands.

Example: Singapore Airlines

Singapore Airlines is a global power brand for the nation. Its excellent stature on a global stage has a ripple effect, strengthening other Singaporean brands, simply by association. In essence, success breeds success.

Like Singapore Airlines, other Asian businesses should focus on those categories that correspond to the strongest consumer associations. Singapore, a country known for its modernity, efficiency and attention to detail, is well aligned with consumer perceptions of Singapore Airlines. In many ways, Singapore Airlines is an extension of the country itself – a credible, profitable one at that.

In creating these select, global power brands, Asian businesses should focus on those categories that correspond to the strongest consumer associations.

For example, in China, based on current Country of Origin consumer preferences and associations, this would mean not focusing on aviation, hospitality, food or beauty. Rather, China should focus on luxury consumer goods, high-tech manufacturing, and high-end consumer electronics. This is especially relevant, given Asian consumers are projected to be the #1 consumer of luxury goods by 2015.

Lastly, as Asian businesses seek to build strong brands, they must consider the issues of legal protection. In the past, negative associations with patent and trademark violations have weakened Asian brands’ ability to develop consumer preference in key sectors, most notably technology.
Our findings revealed that consumers in emerging markets, such as India, statistically prefer brands associated with mature markets, such as the United States and France. This was especially true for luxury brands.

First, Asian brands will need to identify in which areas of Country of Origin are they strongest in the luxury sector (e.g. raw materials, manufacture, design, etc.).

Then, they must identify which components of high-demand, international brands can be “Made In” Asia. That is, for a preferred French, luxury brand, which aspects of production (e.g. raw materials, assembly or even design) can be delivered domestically?

Given that Asian nations will be the largest consumers of luxury goods in the world by 2015, what can Asian brands do to capitalise on this phenomenon?
3. Focus on three future growth drivers: increased expertise, authenticity and City of Origin

We identified the three future drivers of Country of Origin preference in China.

**First: develop a strong reputation for expertise.**

This has significant implications on a country’s workforce, requiring that Asian countries be able to develop, attract and retain highly-skilled individuals to drive the future of high-quality, technologically-advanced design and manufacturing. This will require both investments in training and workforce development, as well as considerable reforms to current education systems.

In the meantime, building up local talent requires attracting top-level foreign talent, like Hugo Barra, who joined Xiaomi Technology after being instrumental in developing Google’s Android system.

However, gaining expertise can take other forms, such as strategic acquisitions. Consider the following examples of recent acquisitions of Western brands by Chinese companies:

**Example: Shuanghui**

Shuanghui (now WH Holdings), China’s biggest pork producer, acquired Smithfield in 2013, thereby achieving a strategic imperative of gaining access to superior technology and knowhow to produce more pork more efficiently.

**Example: Geely**

Geely Motors acquired the Volvo Company in 2010 from Ford Motor Company for USD $1.8 billion – the largest automotive acquisition in history.

Ultimately, however, what lies at the heart of a reputation for expertise is developing a culture of innovation – China’s new competitive edge. And while China’s fast-paced incremental style of innovation is different to Silicon Valley’s, it is yielding results. For example, in 2013, BCG ranked Alibaba and Xiaomi Technology as two of the most promising innovators in the world.
Second: create emotional brands with a high degree of authenticity.

For future Asian brands, “authenticity” takes on a deeper meaning than just geography. It stands for the values, symbols and heritage of the country from which it originates. A brand lacking authenticity is perceived by consumers to be lacking “warmth” – the human element that acts as the key determinant of how consumers perceive brands – which results in lower consumer preference and purchase.

Example: Taobao
Alibaba’s Taobao site, is an online exchange platform modeled on the auction site, eBay. However, Taobao allows its sometimes conservative Chinese consumers the option to pay after they have received the product or to return it at no cost.

“Authenticity” in the Chinese market also means understanding the people and the culture. And while the Chinese identity is still being defined for the global consumer, domestic Chinese brands are offering innovative products and services that tap-into the deep-seeded, cultural preferences of its people.
Third: leverage the positive associations of individual cities or regions over those of your country brand.

In many cases, region and city of origin takes on higher degree of importance than Country.

For example, Apple’s association with Silicon Valley is arguably more important than its association with the United States. Consumer perceptions of the Silicon Valley – brilliant, innovative, cutting-edge, futuristic, intelligent, creative, pioneering – are driving forces in consumer preference for technology products. In many ways, Silicon Valley supersedes the United States in the consumer’s mind.

This is also true in Asia – but on a larger scale.

Individual cities like Shanghai have the opportunity to leverage positive associations as a cosmopolitan, diverse, modern city, and offset certain negative, consumer associations of China (e.g. corrupt, polluted, traditional).
6. What connection exists between China’s “Made In” ranking and its corresponding ranking on the “Country Brand Index”? 
In 2013, China ranked 66th on FutureBrand’s global Country Brand Index (CBI).

This low ranking was due, in large part, to relatively weak global traveller perceptions of strength in the following dimensions:

- Governance, freedom and stability;
- Good for business;
- Desire to visit and natural beauty;
- Infrastructure;
- Overall awareness and associations.

Of these factors, perceptions of China’s value system and quality of life were particularly weak.

However, despite this surprisingly low ranking as a Country Brand, China currently ranks 9th globally in FutureBrand’s “Made In” report – between Sweden (8) and South Korea (10).

What could account for this discrepancy between Country Brand and Country of Origin ranking?

Upon closer inspection of China’s Country of Origin ranking, it becomes immediately evident that China’s high ranking, in sharp contrast to its relatively low Country Brand Ranking, is due, in large part, to the sheer volume of its manufacturing base and a change in global perceptions. This is no surprise, given that in 2013, China’s manufacturing output was 123% of USA’s, 235% of Japan’s and 346% of Germany’s (Source: CIA Factbook).

Additionally, our research indicates that China’s high ranking in the “Made In” report is due to the fact that global perceptions of its enormous manufacturing base are evolving from “cheap, low-skill, low-tech” to “modern, sophisticated, high-tech” – effectively shrugging off negative legacy stereotypes.
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The new meaning of “Made In China”

With this shift, we noticed a dramatic increase in the willingness of consumers to consider purchasing Chinese-made products. For example, complementary research shows that 62% of Americans are more likely to purchase products from Chinese companies than five years ago. *(Source: Digital Li-Ning, 2012)*

But beyond China, there are other examples of strong nation brands, whose Country Brand Index ranking does not correspond with a high ranking in Country of Origin.

**Example: Australia**

In 2013, Australia ranked 6th globally in FutureBrand’s Country Brand Index, but ranked 16th in Country of Origin. Underpinning Australia’s 6th place ranking are consistently strong perceptions of the country’s value system, quality of life and natural beauty. However, these attributes do not guarantee a strong ranking as a Country of Origin, specifically in relation to Australia as a Country of Manufacture. Australia is seen as a great place to holiday and live, but does not enjoy strong perceptions as a place for manufacturing or designing brands in global consumer’s minds.
7. What is the present and future value of “Made In China”? ____
What is the present and future value of “Made In China”?

Our research revealed that while negative stereotypes are changing, they remain an obstacle to overcome. And while there are incredibly strong assets for China and Chinese brands to leverage, it still has significant opportunity for growth as a strong Country of Origin.

Unfortunately, much of the world tend to think in one-dimensional stereotypes about China, which, all too often, are reinforced by sensationalised and selective news coverage.

Outside China, perceptions of the country as the world’s “factory”, enjoying unprecedented industrial and economic growth, can sometimes be accompanied by more prejudicial and unsubstantiated ideas of labour exploitation, weak environmental credentials and political rigidity.

This view, combined with a “romanticised Orientalism” image of Chinese culture, paints a picture that is as frustrating as it is inaccurate.

These associations, whether valid or not, perhaps undermine China’s ability to promote itself as a strong Country of Origin in many sectors, most notably in food, health and beauty – sectors in which perceptions of safety, hygiene and quality standards are paramount.

However, despite these concerns and negative stereotypes, it is clear that the meaning of “Made In China” is evolving in the minds of consumers.
The new meaning of “Made In China”

Just like Taiwan before it, and Japan before that, perceptions of China are shifting – from low-cost manufacturing centre to a source of technological and corporate sophistication. Like Taiwan and Japan, China is becoming as much a knowledge-based economy as a manufacturing one. This finding was supported by both our quantitative and qualitative findings. To illustrate:

“China is upgrading from the world’s factory to the world’s engineer... This project (the Bay Bridge) will finish off the ideas that ‘Made In China’ stands for poor quality.”

Li Jianghua, Shanghai Zhenhua Heavy Industries, bridge fabricator for bridges all over the world, including the Bay Bridge in San Francisco

“The joint venture with VW and GM gave us access to sophisticated technology. We now independently continue to develop it. We strive to bring our technology up-to-date... through the collaboration with SMTC in England, while also hiring qualified engineers in China.”

Professor Fang Weirong, Transmission Vice-Director, SAIC Motor

With this transition comes the inevitable shift in consumer perceptions in the quality and safety of goods associated with “Made In China.”

“There is an increase in the quality of ‘Made In China’, it is indisputable. Today, a product that comes from China is safer than a product that is made in Europe, simply because they have to go through [tight controls at] European Customs.”

Frederic Rocher, Head of Asia at Laboratoire National de Metrologie et d’Essais
8. Final thoughts on “Made In China”.

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Final thoughts on “Made In China”.

Based on these insights, it is clear that “Made In China” is no longer synonymous with “poorly made”.

China is undergoing a period of dramatic transformation. In a coordinated effort between private enterprise, government and independent organisations, China is making the move from being known for cheap, inferior quality to an image of advanced technology, innovation, and superior product performance.

As this transformation takes place, powerful Chinese brands, like Lenovo, Alibaba and Xiaomi Technologies, will take the world stage, much as Sony, Toshiba, and Canon did in the 1980s.

To accomplish this, Chinese businesses will need to focus on delivering authenticity, a key driver of consumer preference, as well as understanding when and how to leverage its Country of Origin in its own future brands.

And as China writes its own unique and positive story, the future challenge will be to build not just corporations, but brands with real emotional appeal for consumers.
Thank you

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