

# When foreign brands appear local, and local brands appear foreign

Asymmetry  
in foreign and  
local brands

## The asymmetric effects of foreign branding in developing countries

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### Abstract

**Purpose** – Both foreign and local companies frequently name their brands in foreign language on the market of developing countries, and some of them choose to disclose the brands' country of origin to consumers. The purpose of this research is to investigate the joint effects between the practices of disclosing the actual country of origin of the brands and the language of the brand names on consumers' purchase intention for foreign brands and local brands in developing countries.

**Design/methodology/approach** – The proposed hypotheses were tested in two studies, namely an experiment and a field experimental survey, with stimuli from two product categories.

**Findings** – The results of the two empirical studies with Chinese participants consistently demonstrate that revealing the actual country of origin of the brands undermines consumers' purchase intention for local brands that use foreign brand names, but does not impact consumers' purchase intention for foreign brands that use local brand names.

**Originality/value** – This research first investigates the effects of adapting the brand names into local language of developing countries for brands from developed countries on consumers' purchase intention, which provides new insight into the literature on foreign branding and country of origin effects as well as practical implications for brand managers.

**Keywords** Country of origin, Foreign branding, Disclosure of brand origin, Developing countries

**Paper type** Research paper

### Introduction

Growing globalization has created tremendous business opportunities for companies to expand their market. As a result, brands or products from a large number of countries are entering consumers' choice set, which contributes to the complexity of their decision-making process. The "country of origin" of the brand or product serves as an important extrinsic cue in consumers' information processing (e.g. Han, 2016; Hong and Wyer, 1989; Miller, 2011; Phau and Chao, 2008; Phau and Prendergast, 2000). It is well established in the literature that consumers take the country-of-origin information into account when evaluating brands or products and making purchase decisions (e.g. Han, 1989; Verlegh *et al.*, 2005). Since certain countries may have gained cultural or social advantages in the past, brands or products from those countries are usually received more positively by consumers than those from countries at a relative disadvantage (e.g. Batra *et al.*, 2000; Chattalas *et al.*, 2008; Ivanic *et al.*, 2014). In particular, for some product categories, brands or products from certain countries are "stereotyped" of premium quality, such as watches from Switzerland, perfume from France, and chocolate from Belgium (e.g. Woo, 2019). For those categories, it is thus difficult for brands or products from other countries, especially the developing countries, to compete (e.g. Eckhardt, 2005; Gorostidi-Martinez *et al.*, 2017; Lotz and Hu, 2001).

A common strategy for companies from developing countries to overcome the negative "country of origin" effects is to conceive the information of country of origin in their marketing efforts, such as, intentionally naming their brands in a different language in order to entice consumers to associate the brand with countries that are more likely to be



perceived positively (e.g. Eckhardt, 2005; Leclerc *et al.*, 1994). For instance, on the global market, only a third of the brands with Italian names actually originate from Italy (Caselli *et al.*, 2015). This strategy is referred to as foreign branding, that is, spelling a brand name in a foreign language (e.g. Aichner *et al.*, 2017; Thakor and Pacheco, 1997). Despite a rich body of literature on foreign branding showing the effectiveness of foreign branding (e.g. Leclerc *et al.*, 1994), extant research on consumers from developing countries has focused primarily on the practices that local companies adopt foreign names to imply a developed country of origin (e.g. Melnyk *et al.*, 2012). Nevertheless, another type of foreign branding, namely foreign companies adopt local brand names for the emerging market, is still in lack of investigation.

In the current market of developing countries, it is quite common that brands from developed countries adapt their brand names and marketing efforts in local languages (e.g. Zhang and Schmitt, 2001; Zhou and Belk, 2004). For example, findings from Francis, Lam and Walls's (2002) research demonstrated that only 10 percent of 49 Fortune-500 companies on Chinese market used purely English brand names, while most foreign companies either created a local brand name or adapted their brand names in the local language to a degree. Though increasing the localness of a foreign brand may be conducive to gain local consumers, it will also sacrifice the positive effect of its foreign origin (e.g. Özsumer, 2012). To make better branding decisions in emerging markets, it is thus of crucial importance for managers to understand consumers' reaction and behavioral intention toward the two different types of foreign branding.

Furthermore, one of the reasons that foreign branding could be effective on the global market is that many consumers are not able to correctly identify the real origin of the brands that they purchase (e.g. Magnusson *et al.*, 2011; Tjiptono and Andrianombonana, 2016), especially for the brands with foreign names (e.g. Balabanis and Diamantopoulos, 2008; Zhuang *et al.*, 2008). According to a survey on Chinese consumers by McKenzie (2017), the Chinese dairy brand "Beingmate" was perceived to be a foreign brand by 51 percent of the respondents, simply because the brand name is in English, while 44 percent of them considered the American skin care brand "Olay" to be a Chinese brand due to its well-adapted Chinese brand name ("Yu Lan You"). This ubiquitous misidentification makes it possible for companies to benefit from adapting their brand names in order to associate their brands with a different country or culture.

Although it may involve ethical issues, at least implementing foreign branding strategies seems to enable companies to take advantage of a "deceptive" country image at the early stage. However, since consumers are exposed to a huge amount of information nowadays, the true origin of the brand may be eventually revealed to consumers through various information channels, such as the "Made in" labels (e.g. Bilkey and Nes, 1982). Because of that, although brand names may be spelled in a foreign language, many companies still choose to disclose the actual country of origin at the very beginning (e.g. Aichner *et al.*, 2017; Liu *et al.*, 2006). When the true origin contradicts with the false perception, how consumers will cope with such incongruence becomes a critical issue for companies in the long term. Although prior research has demonstrated that a false country of origin implied by the foreign name may backfire brands from developing countries when the actual origin is disclosed (e.g. Melnyk *et al.*, 2012), whether it will also affect foreign brands using local names still needs further examination.

This article intends to show the different effects of foreign branding strategies for foreign and local brands on the market of developing countries by investigating the joint effects between the practices of disclosing the origin of the brands and the language of the brand names on consumers' purchase intention. Results of two empirical studies show that adopting a foreign brand name enhances consumers' purchase intention when the actual origin of the brand is not known. However, revealing the actual origin undermines

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the purchase intention for local brands that use foreign brand names, but not for foreign brands using local brand names.

## Theoretical background

### *Country of origin effects and foreign branding*

The effects of a brand's country of origin on consumers' perception and purchase intention have been studied extensively in previous literature (e.g. [Bilkey and Nes, 1982](#); [Han, 1989](#); [Hong and Wyer, 1989](#); [Peterson and Jolibert, 1995](#); [Phau and Prendergast, 2000](#); [Verlegh et al., 2005](#)). In general, the country of origin serves as an extrinsic cue when consumers evaluate a brand, and the pre-existing concepts or knowledge about the country in mind will be integrated into the overall evaluation of the brand (e.g. [Balabanis and Diamantopoulos, 2004](#); [Hong and Kang, 2006](#)). The underlying cognitive mechanism is well explained by the categorization theory (e.g. [Jones, 1983](#)), that is, individuals tend to categorize (new) stimuli to maximize similarities within categories, which enhances information processing efficiency and cognitive stability. When consumers process a brand, they are likely to categorize it within a familiar category in order to reduce uncertainty, such as brands from a particular country. As a result, the previously stored knowledge about the country will be activated. In other words, when the country-of-origin information is present, consumers' evaluation of the brand is likely to be influenced by the existing country stereotypes in their minds (e.g. [Chattalas et al., 2008](#); [Han, 1989](#)).

Country stereotypes refer to a socially shared set of beliefs or knowledge about characteristic of a specific country (e.g. [Herz and Diamantopoulos, 2013](#); [Phau and Prendergast, 2000](#)), which are formed based on a number of economic, cultural, and technological factors (e.g. [Ivanic et al., 2014](#); [Verlegh and Steenkamp, 1999](#)). Consumers develop knowledge of country stereotypes through direct experience or indirectly via education and media exposure. In addition to cognitive influence, that is, activation of existing knowledge about the country, country stereotypes can also trigger affective associations with particular countries (e.g. [Herz and Diamantopoulos, 2013](#)). For example, France strongly communicates hedonism ([Leclerc et al., 1994](#)). Moreover, country stereotypes serve as social norms that push consumers to behave in a socially desirable way (e.g. [Chattalas et al., 2008](#)). Abundant research has demonstrated that consumers generally show a more favorable attitude and a stronger purchase intention for brands from countries that are socially preferred (e.g. [Bannister and Saunders, 1978](#); [Koschate-Fischer et al., 2012](#)).

Consumers' preferences for brands from certain countries motivate companies to deploy the foreign branding strategy, that is, naming the brands in a foreign language to imply a false country of origin (e.g. [Leclerc et al., 1994](#); [Thakor and Pacheco, 1997](#)). The main purpose of foreign branding strategy is to associate the brand with a more favorable country or culture, which enhances consumers' perception and purchase intention (e.g. [Josiassen and Harzing, 2008](#); [Sohail, 2005](#)). Since certain countries are strongly associated with certain traits, consumers are likely to perceive brands from those countries to possess such traits (e.g. [Woo et al., 2017](#)), for example, previous research has shown that brands with German names are generally perceived to be more functional and related to utilitarian value ([Leclerc et al., 1994](#)). In the occasions when those traits are important for brand evaluation, the effect of foreign branding is the most pronounced (e.g. [Melnik et al., 2012](#)).

### *Foreign branding in developing countries*

Considerable research with a setting in developing countries has demonstrated that consumers from those countries generally have pre-existing preferences and positive stereotypes for foreign brands, mainly for the brands from the developed world (e.g.

Eckhardt, 2005; Yang *et al.*, 2018). For example, in their study, Batra *et al.* (2000) showed that Indian participants preferred nonlocal brands over local brands, especially for the brands from the west. In Zhou and Hui's study (2003), participants from China perceived Canadian products to have more utilitarian value and showed a stronger purchase intention. Previous studies have examined various social and cultural factors that contribute to such pre-existing preferences and stereotypes for foreign brands of consumers from developing countries, such as normative influences from the society (Batra *et al.*, 2000), local consumers' desire for cosmopolitanism (Zhou and Belk, 2004), and the premium image and symbolic value conveyed by foreign brands (Zhou and Hui, 2003).

The fact that consumers from developing countries prefer brands or products from foreign (developed) countries motivates local companies to name their brands in foreign languages to imply a foreign origin (e.g. Agrawal and Kamakura, 1999). This is also partly because consumers usually are not able to identify the true origin of a brand accurately, but make inferences about the origin simply by the brand's name (e.g. Samiee, 2010; Zhuang *et al.*, 2008). Prior research has shown that the perceived origin of a brand, rather than the actual origin, serves as a powerful source of brand appeal, which impacts consumers' perception of the brand and intention to purchase (e.g. Magnusson *et al.*, 2011; Zhou and Hui, 2003). However, such foreign branding strategy might not always be effective. Some empirical studies indicated that the type of product and the extent to which the product category is related to the country may influence the effectiveness of foreign branding (e.g. Roth and Romeo, 1992; Usunier and Cestre, 2007). For example, Melnyk *et al.* (2012) showed that a French brand name is more beneficial for hedonic products, while a German brand name is more beneficial for utilitarian products.

In addition, not only local companies intend to name their brands in foreign languages, foreign companies entering developing countries also deploy another type of foreign branding strategy, that is, adapting their brand names in a local language, and typical practices are to use pronunciation-based translation or meaning-based translation for brand names (e.g. Chan, 1990; Hong *et al.*, 2002). Although a foreign origin may facilitate brands to enter developing countries more easily, it also brings risks and uncertainty for consumers when they are not familiar with the brands or product categories, which may undermine their purchase intention (cf. Cordell, 1992). In response to that, companies name their brands in local language to reduce local consumers' perceived unfamiliarity and uncertainty as well as to enhance brand credibility (Özsomer, 2012). Another reason for adapting brand names in local languages is that consumers have been shown to have a tendency to favor domestic products over foreign alternatives in certain occasions, which is termed as consumer ethnocentrism (e.g. Hamin *et al.*, 2014; Shimp and Sharma, 1987). A number of empirical studies provided evidences that consumers tend to evaluate their own country's brands or products relatively more favorably than the foreign alternatives (e.g. Lee *et al.*, 2013; Lillis and Narayana, 1974). Adapting brand names in a local language may enhance consumer ethnocentrism, leading to higher brand attitudes and stronger purchase intention (e.g. Fisher and Zeugner-Roth, 2017).

#### *Incongruence between the actual origin and the perceived origin*

Although brand name may imply a different origin for the brand, consumers may obtain the correct information as they gain more knowledge about the brand (cf. Magnusson *et al.*, 2011), and companies may also choose to explicitly reveal the origin of their brands in their marketing efforts, for example, a label of "Chanel Paris" appears in the package of every Chanel perfume (cf. Usunier and Cestre, 2007). That is, the actual country of origin of a brand may be eventually known by consumers. When the actual country of origin is consistent with the origin implied by the brand name, consumers can easily retrieve existing knowledge and

stereotypes about the country and form their attitudes toward the brand accordingly. However, when the revealed origin contradicts with the perceived origin, consumers are likely to encounter difficulty in categorizing the brand with something familiar, and such incongruence is likely to influence the effects of foreign branding (cf. Li and Murray, 2001). Furthermore, as mentioned earlier, since consumers in developing countries have inherent bias in evaluating foreign and local brands (e.g. Batra *et al.*, 2000; Zhou and Hui, 2003), the incongruences between the brands' revealed origin and the perceived origin implied by the brand name are expected to exert different impacts on consumers' willingness to purchase foreign brands and local brands.

For local brands in a developing country, adopting a foreign name may stimulate consumers to associate the brands with a more favorable country, especially for the product categories that are strongly associated with that country, consequently enhancing brand perception and purchase intention (e.g. Zhou *et al.*, 2010). Nevertheless, when the actual origin is revealed to consumers and is incongruent with the brand name, the associations with the developing local country are likely to substitute the associations with the developed foreign country. As a result, the pre-existing negative stereotypes about local brands are likely to be activated, which will mitigate the positive effect of foreign branding on consumers' purchase intention. In addition, the foreign branding strategy may also be seen as a deceptive tactic due to incongruent information, which is likely to lower the credibility of the brand (Villar, *et al.*, 2012). In sum, the incongruence between the revealed origin and the implied origin will undermine the positive effects of using a foreign name on consumers' purchase intention for local brands, which is hypothesized as follows:

- H1a.* When the actual origin is not revealed, local brands with a foreign name will lead to higher purchase likelihood than local brands with a local name.
- H1b.* When the actual origin is revealed, local brands with a foreign name will lead to lower purchase likelihood than local brands with a local name.

In contrast, for foreign brands entering the market of developing countries, adapting the brand name in local languages reduces consumers' perceived uncertainty, since the brand is likely to be perceived and categorized as a local brand that consumers are more familiar with (e.g. Francis *et al.*, 2002). However, adopting a local name without mentioning the foreign origin will sacrifice the positive effects of the pre-existing preferences and stereotypes for foreign brands of consumers in developing countries, which may impede their purchase intention (cf. Usunier, 2011). Because of that, some foreign brands explicitly present the country-of-origin information in their marketing efforts. When the actual origin of the brand is revealed to consumers, though they may still encounter incongruent information, new associations with a more developed country are likely to be established, which will strengthen consumers' perception of the brand (e.g. Zhou and Hui, 2003). Since the actual foreign country of origin exerts positive effect on consumers' brand perception and purchase intention, naming the brand in local languages is not likely to be perceived as a deceptive and harmful move that may lower consumers' perception and trust for the brand. Therefore, disclosure of the foreign origin is expected to attenuate the negative impact of using a local brand name on consumers' purchase intention for a foreign brand, leading to the following hypotheses:

- H2a.* When the actual origin is not revealed, foreign brands with a foreign name will lead to higher purchase likelihood than foreign brands with a local name.
- H2b.* When the actual origin is revealed, there will be no differences in consumers' purchase intention between foreign brands with a foreign name and foreign brands with a local name.

## Methodology

Two studies were conducted to test the hypotheses. The first experimental study aimed at providing “proof of principle” for the hypotheses by manipulating both the language of the brand name and the disclosure of the actual country of origin. The second field experimental survey study, which involved real-life brands from the current Chinese market, sought to provide additional evidence to corroborate the findings from the experiment.

### Study 1

#### *Participants and experimental design*

The study design involved a 2 (language of the brand name: *foreign* versus *local*)  $\times$  3 (disclosure of the country of origin: *no disclosure* versus *disclosure of foreign origin* versus *disclosure of local origin*) between-subjects online experiment. 223 Chinese participants were recruited from a research portal (54 percent female;  $M_{\text{age}} = 25$ ,  $SD = 2.3$ ). Participants were randomly assigned to the experimental conditions. A bakery was used as the stimulus, because 1) bakery is seen as a product category that is strongly associated with foreign origin in China; 2) it is common that local bakeries use foreign names. The cover story is that a new bakery is about to open in the participant’s neighborhood. After seeing a page depicting the logo and name of the bakery, participants answered questions regarding manipulation check, dependent measures, control variables, and demographic information.

#### *Manipulations*

To generate the stimuli, a pretest was conducted with 43 Chinese participants on their perception about foreign bakeries, in which they were asked to list and rank five countries that produce the best bakeries according to their opinion. The results showed that France was mentioned by the most participants (95 percent) and obtained the highest-ranking score (1.8 out of 5 on average); thus, French was selected as the foreign language for the stimuli in the corresponding condition. The name of the brand to which participants were exposed is either in Chinese or in French according to the experimental condition. Two linguistic experts were invited to generate five French bakery names, and those brand names were then pretested by asking 31 participants to what extent they perceive the brand to be French on a seven-point scale (from 1 = *not French at all* to 7 = *definitely French*). The name “Le Grenier” (meaning “the barn”) received the highest score (5.9/7) and was thus used for the foreign branding conditions. To maximize the similarity between the two brand names, the French name was first directly translated into Chinese and then five alternative names were generated based on it. After consulting with linguistic experts, the Chinese name “天然粮仓” (meaning “Natural Barn”) was eventually selected as it reflects the core meaning of the original French name and also fits as the brand name for a bakery.

After being exposed to the page that shows the brand name and logo of the bakery (see [Appendix A](#)), participants were informed of the country of origin for the bakery depending on the condition. In the nondisclosure condition, no additional information was provided, participants proceeded directly to the next part. In the two disclosure (foreign or local origin) conditions, participants were told that the brand came from France or China, respectively.

#### *Measures*

Upon finishing processing the stimuli, participants were asked to indicate the likelihood of purchasing products from the bakery on a single-item seven-point scale (e.g. [Leclerc et al., 1994](#)) (from 1 = *not likely at all* to 7 = *very likely*). Participants’ perception of the quality of the bakery was also measured on a two-item seven-point scale: (1) “I think that the overall quality of this bakery is (1 = poor to 7 = excellent)”; (2) “Compared with other bakeries,



I consider the overall quality of this bakery to be (1 = low to 7 = high)” (Cronbach’s  $\alpha = 0.92$ ) (e.g. Li and Murray, 2001). The two items were averaged to form a quality perception score. In addition, participants’ interest in and familiarity with bakery in general were measured to rule out alternative explanations for consumers’ purchase likelihood with the following statements: “Overall, I am very interested in/ familiar with bakery” on seven-point Likert scales (from 1 = *strongly disagree* to 7 = *strongly agree*) (e.g. Melnyk et al., 2012). These variables did not impact the results significantly and were therefore excluded from further analyses.

### Manipulation check

Right after being exposed to the page showing the brand name, participants were asked to indicate to what extent they think they have seen a foreign brand or a domestic brand on a seven-point scale (from 1 = *definitely domestic* to 7 = *definitely foreign*). Results revealed that participants rated the brand to be more foreign in the French name condition than those in the Chinese name condition ( $M_{\text{French}} = 5.1$  versus  $M_{\text{Chinese}} = 2.7$ ,  $t(221) = -5.7$ ,  $p < 0.01$ ). Therefore, the manipulation of the language of the brand name was effective. The results also indicated that the language of brand names significantly impacts the country of origin perceived by consumers.

### Analysis and results

A two-way ANOVA was performed with participants’ purchase intention as the dependent variable and the language of the brand name and the disclosure of origin as the independent variables. Table I shows the means and standard deviations per experimental condition. The results revealed a significant main effect of the disclosure of origin ( $F(1, 222) = 6.3$ ,  $p < 0.01$ ), such that, both participants in the condition in which the French origin of the brand was disclosed ( $M_{\text{Disclosure-French}} = 4.8$  versus  $M_{\text{Disclosure-Chinese}} = 4.2$ ,  $t(149) = 3.3$ ,  $p < 0.01$ ) and those in the condition in which the brand origin was not revealed ( $M_{\text{Nondisclosure}} = 4.6$  versus  $M_{\text{Disclosure-Chinese}} = 4.2$ ,  $t(144) = 2.2$ ,  $p = 0.03$ ) showed a stronger purchase intention than participants in the condition in which the Chinese origin was disclosed. However, there was no significant main effect of the language of the brand name ( $F(1, 222) = 0.2$ ,  $p = 0.65$ ). This nonsignificant result could be further explained by a significant interaction effect between the two independent variables ( $F(1, 222) = 5.3$ ,  $p = 0.01$ ).

To formally test the hypotheses, post-hoc pairwise contrast analyses were conducted on participants’ purchase intention between different brand name conditions. Since both H1a

Disclosure of brand origin	French brand name			Chinese brand name		
	Nondisclosure	Disclosure Chinese origin	Disclosure French origin	Nondisclosure	Disclosure Chinese origin	Disclosure French origin
Number of participants	$N = 36$	$N = 36$	$N = 39$	$N = 36$	$N = 38$	$N = 38$
<i>Dependent variables</i>						
(1) Purchase intention	4.8* (0.9)	3.9* (1.2)	4.9 (1.1)	4.3 (1.0)	4.5 (1.0)	4.7 (0.9)
(2) Quality perception	4.6* (1.2)	3.7** (1.0)	4.5 (0.9)	3.9 (1.2)	4.4 (1.1)	4.8 (1.1)
<b>Note(s):</b> $N = 223$ ; ** (*) Significant difference between the French brand name and Chinese brand name conditions at the 1% (5%) level						

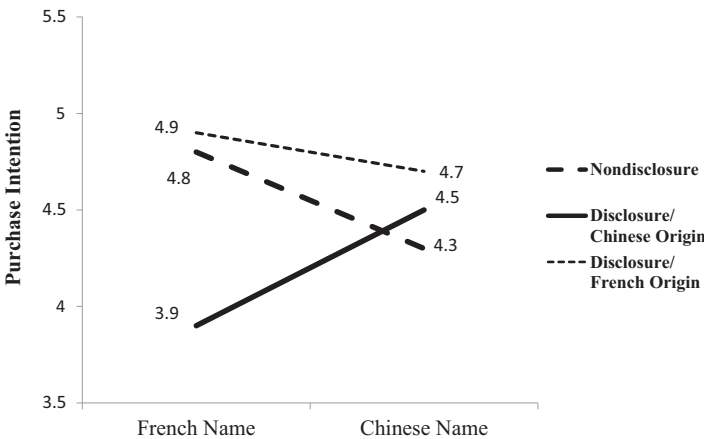
**Table I.**  
Study 1: means and  
standard deviations  
per experimental  
condition

and H2a predict a positive effect of using foreign brand name when the brand origin is not revealed, whether the actual origin is foreign or local does not impact the effect. Hence, both hypotheses could be tested by the same contrast between the French name/nondisclosure condition and the Chinese name/nondisclosure condition. Results revealed that participants were more tended to buy the brand with a French name than the brand with a Chinese name, given that the actual origin of the brand was unknown ( $M_{\text{French}} = 4.8$  versus  $M_{\text{Chinese}} = 4.3$ ,  $t(71) = 2.3$ ,  $p = 0.03$ ). Thus, both H1a and H2a are supported. In contrast, further contrast analyses indicated that, when participants were informed that the brand was from China, a French brand name led to lower purchase intention than a Chinese brand name ( $M_{\text{French}} = 3.9$  versus  $M_{\text{Chinese}} = 4.5$ ,  $t(72) = -2.0$ ,  $p = 0.04$ ), supporting H1b. However, when the French origin of the brand was revealed to participants, there were no significant differences in participants' purchase intention between the French name condition and the Chinese name condition ( $M_{\text{French}} = 4.9$  versus  $M_{\text{Chinese}} = 4.7$ ,  $t(71) = 0.8$ ,  $p = 0.40$ ), which supports H2b. The pattern of the results is illustrated in Figure 1.

The same ANOVA was conducted with participants' perception of the quality of the bakery as the dependent variable. Similar to the results for purchase intention, results revealed a significant main effect of the disclosure of the origin of the brand ( $F(1, 222) = 6.7$ ,  $p < 0.01$ ); however, the main effect of the language of the brand was not significant ( $F(1, 222) = 0.3$ ,  $p = 0.62$ ). There was also a significant interaction effect between the two independent variables ( $F(1, 222) = 8.6$ ,  $p < 0.01$ ). The nature of this interaction effect is similar to the results on purchase intention, which is shown in Figure 1. Therefore, the language of the brand name and the disclosure of the origin of the brand not only jointly influenced the purchase intentions of the participants but also influenced their perception of quality.

### Discussion

Study 1 provided "proof of principle" for the hypotheses in a controlled experimental setting. Results demonstrated the different moderation roles of disclosure of the origin on the effects of the language of the brand name between foreign and local brands. In general, when the origin of the brand was unknown, participants showed a stronger purchase intention for brands with a foreign name (H1a, H2a). However, when the origin was revealed to participants, the effects of naming the brand in a foreign language on



**Figure 1.**  
Study 1: interaction  
effect between the  
language of brand  
name and the  
disclosure of origin on  
purchase intention



participants' purchase intention differed between foreign brands and local brands. In particular, participants' purchase intention was largely undermined for a local brand that adopts a foreign name (H1b), but no such effect was found for a foreign brand using a name in local language (H2b).

Study 2 was conducted to provide additional support for the hypotheses and to strengthen the external validity of the findings of Study 1 in a field setting. First, real brands from the current market are used as stimuli. Second, because the results of Study 1 might be product category specific, stimuli from another product category, namely the skincare product, were selected to reinforce its generalizability. Finally, different from Study 1 in which the true origin of the brand was explicitly conveyed to participants, participants in Study 2 are divided based on their actual knowledge about the stimuli in order to add external validity.

## Study 2

### *Participants and study design*

Study 2 is a single-factor field experimental survey. The manipulated factor is the language of the brand name. 211 Chinese participants were recruited from an online research portal (78 percent female;  $M_{\text{age}} = 21$ ,  $SD = 2.4$ ). Participants were asked to indicate their purchase intention for a set of two skincare brands, including a foreign brand and a Chinese brand. For each brand, participants were exposed to either its English name or its Chinese name. The order of the two brands was randomized across participants to minimize the crossover effect. After viewing the logo and name of the brand, participants were first asked whether they know the brand and its country of origin. If the answer is positive, then they were asked to identify the country of origin and indicate their familiarity with the brand on a seven-point scale (from 1 = *not familiar at all* to 7 = *very familiar*). Afterward, participants were asked to indicate their purchase intention on a seven-point scale as in Study 1 (from 1 = *not likely at all* to 7 = *very likely*).

### *Stimuli development*

To test the proposed effects, the stimuli in this study need to satisfy two conditions: 1) the Chinese name of the foreign brand and the foreign name of the Chinese brand do not explicitly convey the information about the country of origin, which will reduce undesired noises; 2) the foreign names of the brands should be relatively unknown in order to minimize the effects of previous knowledge about the brands. A series of pretests were conducted to select the stimuli. First, 20 foreign brands and 20 domestic brands were identified from one of the biggest online shopping websites in China. Then a pretest with 28 participants was undertaken. After participants were exposed to the Chinese name of the foreign brand, they were asked to indicate to which extent they perceive the brand to be a Chinese brand. Similarly, participants were asked to indicate to which extent they perceive the Chinese brand to be a foreign brand after seeing the brand's English name. Based on the results, five foreign brands that received the highest score on their localness and five Chinese brands that received the highest score on their foreignness were kept. Finally, another pretest with 48 participants was conducted. They were simply asked whether they know the brands after being exposed to the English names of the Chinese brands and the Chinese names of the foreign brands. Among the five foreign/domestic brands, the one that was known by the least participants was chosen as the stimulus for Study 2. The American brand "Revlon (露华浓)" was used in the foreign brand condition, and the Chinese brand "佰草集 (Herborist)" was used in the Chinese brand condition.

Analysis and results

Since each participant was exposed to two brands, their purchase intention for the foreign brand and the Chinese brand was analyzed separately. For each brand, participants who correctly identified the country were categorized into the group of “knowing the origin (disclosure),” and those who claimed not to know the brand and who cannot correctly identify the country were categorized into the group of “not knowing the origin (nondisclosure).” Since real brands were used, participants’ familiarity with the brand was controlled in the analyses (for those not knowing the brand, their familiarity was coded as “1”). Means and standard deviations for participants’ purchase intention per condition are shown in Table II.

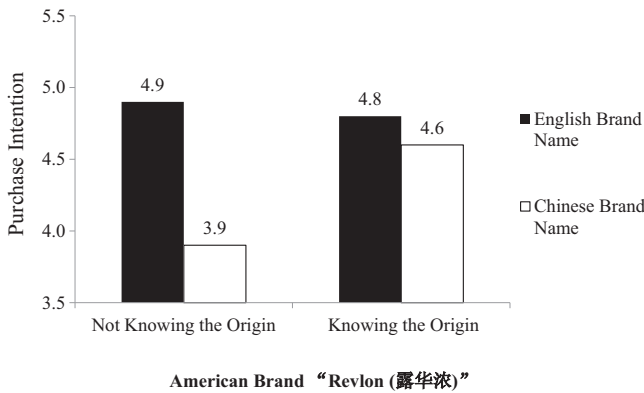
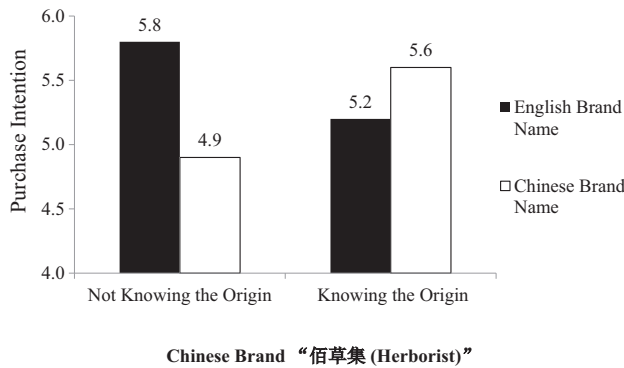
For the Chinese brand “佰草集 (Herborist)”, 70 percent (out of 106) of participants who were exposed to the Chinese brand name correctly identified the origin of the brand, while 28 percent (out of 105) of participants did so after seeing the English name. A two-way ANOVA was performed with participants’ purchase intention as the dependent variable and the language of the brand name and whether participants know the actual origin as the independent variables. Neither the main effect of the language of the brand ( $F(1, 210) = 2.7, p = 0.11$ ), nor the main effect of knowing the origin was significant ( $F(1, 210) = 1.1, p = 0.29$ ). However, results revealed a significant interaction effect between the two independent variables ( $F(1, 210) = 16.6, p < 0.01$ ). Follow-up contrast analyses showed that, when participants were not aware of the origin of the brand, they showed a stronger purchase intention for the English brand name than for the Chinese brand name ( $M_{\text{English}} = 5.8$  versus  $M_{\text{Chinese}} = 4.9, t(106) = 1.7, p < 0.01$ ), which supports H1a. On the contrary, in case of knowing the actual origin of the brand, participants exposed to the Chinese name tended to surpass those exposed to the English name in terms of purchase intention ( $M_{\text{English}} = 5.2$  versus  $M_{\text{Chinese}} = 5.6, t(100) = 1.7, p = 0.08$ ), supporting H1b. The pattern is shown in Figure 2 (upper part).

For the foreign brand “Revlon (露华浓)”, 57 percent (out of 103) of participants who viewed the Chinese name correctly identified the origin of the brand, while 37 percent (out of 108) of participants did so after exposure to the English brand name. Results of a two-way ANOVA did not show a significant main effect of knowing the origin ( $F(1, 210) = 2.6, p = 0.61$ ), but showed a significant main effect of the language of the brand ( $F(1, 210) = 10.4, p < 0.01$ ), such that, the English brand name resulted in a stronger purchase intention than the Chinese brand name ( $M_{\text{English}} = 4.8$  versus  $M_{\text{Chinese}} = 4.3, t(209) = 3.0, p < 0.01$ ). The interaction effect was also significant ( $F(1, 210) = 5.5, p = 0.02$ ). Post-hoc contrast analyses revealed that, when participants did not recognize the actual origin of the brand, they were more likely to purchase the brand with the English name than the Chinese name ( $M_{\text{English}} = 4.9$  versus  $M_{\text{Chinese}} = 3.9, t(110) = -4.0, p < 0.01$ ). Thus, H2a is supported. In contrast, when the true origin was known by participants, exposure to the English brand name did not result in significant difference in terms of purchase intention in comparison to exposure to the Chinese brand name ( $M_{\text{English}} = 4.8$  versus  $M_{\text{Chinese}} = 4.6, t(97) = 0.6, p = 0.54$ ), providing support for H2b. Figure 2 depicts the pattern (lower part).

Brand name language	Chinese brand “佰草集 (Herborist)”		American brand “Revlon (露华浓)”	
	English name	Chinese name	English name	Chinese name
<i>Participants’ knowledge</i>				
Knowing the brand	5.2* (1.2)	5.6 (1.0)	4.8 (1.1)	4.6 (1.4)
Not knowing the brand	5.8** (1.0)	4.9 (1.3)	4.9** (1.3)	3.9 (1.3)

**Table II.**  
Study 2: means and  
standard deviations of  
purchase intention

**Note(s):**  $N = 211$ ; \*\* (\*) Significant difference between the English brand name and Chinese brand name conditions at the 5% (10%) level



**Figure 2.** Study 2: interaction effect between the language of brand name and the participants’ knowledge of origin on purchase intention

## Discussion

Study 2 provided further support for the hypotheses with real-life brands in another product category. Because modern consumers obtain information regarding the brands’ country of origin from various sources, instead of explicitly disclosing such information, participants’ existing knowledge about the origin of brands was taken into account to strengthen external validity. The results are consistent with Study 1. That is, when the actual origin was not known, participants preferred brands with a foreign name than brands with a local name. However, when participants were aware of the actual country of origin of the brands, the incongruent perception from the language of the brand name exerted different impacts for foreign brands and local brands. To be specific, while the positive effect of using a foreign name was reversed for local brands, foreign brands appeared not to be affected.

## General discussion

### Theoretical contributions

As competition expands globally, many companies adopt foreign names for their brands to accommodate consumers worldwide. In the era of digitalization, consumers are receiving information from a wide variety of resources, which urges companies to manage their brand image more delicately, especially for the brand name and the origin it implies. Building on the

literature on the country of origin effect and foreign branding (e.g. Han, 1989; Leclerc *et al.*, 1994; Melnyk *et al.*, 2012; Verlegh *et al.*, 2005), this research investigates how the language of the brand name interacts with the disclosure of the actual origin to influence consumers' purchase intention toward the foreign or local brands on the market of developing countries. Finding from two studies, that is, an experiment and a field experimental survey, show that: 1) when the actual origin is not revealed, consumers from developing countries are more likely to purchase brands with a foreign name than a local name (H1a, H2a), consistent with prior research (e.g. Batra *et al.*, 2000; Zhou and Hui, 2003); 2) revealing the actual origin does not impact consumers' purchase intention for foreign brands, regardless of whether they use a foreign name or a local name (H2b); 3) local brands using a foreign name are more likely to suffer in reduced purchase intention because of incongruence between the true origin and the implied origin (H1b).

This article makes several contributions to extant literature. First, findings from this study provide new insight into the literature on the country of origin effect (e.g. Bilkey and Nes, 1982; Han, 1989; Hong and Wyer, 1989) by investigating the different impacts of the incongruence between the actual origin and the implied origin between foreign brands and local brands in developing countries. While previous research suggests that such incongruence may decrease consumers' purchase intention for brands from developing countries (e.g. Li and Murray, 2001; Melnyk *et al.*, 2012), this study adds to this stream of research by extending the effects of incongruence for the brands from the developed countries. Results suggest that, when the actual origin is known by consumers, the incongruence between the actual origin and the perceived origin will not impact consumers' purchase decision toward the brands from a developed country, in contrast to the brands from developing countries.

Second, this research also contributes to the foreign branding literature (e.g. Eckhardt, 2005; Leclerc *et al.*, 1994). Results from the empirical studies support the notion that consumers from developing countries generally prefer brands with a foreign name, but this effect only holds under the condition in which the true origin is not disclosed. In addition, different from most existing studies pertaining to brands adopting a brand name in the language of a more favorable country (e.g. Zhou *et al.*, 2010), this study first examined the effects of adapting the brand name in local language for brands from developed countries. Despite prior studies consistently showing that consumers from developing countries generally prefer brands with a foreign name (e.g. Zhou and Hui, 2003), results of this study demonstrated that foreign brands with a local name may also appeal to local consumers if the true origin is explicitly conveyed.

Finally, this study contributes to the research on consumers' information processing regarding the extrinsic cues about the brands (e.g. Bloemer *et al.*, 2009). Considerable extant research demonstrated that consumers' perception and purchase intention of a brand are impacted by various extrinsic cues, such as the country of origin (e.g. Elliot and Cameron, 1994); this research adds to this stream by looking into the effects of conflicts between multiple cues, that is, implied origin and actual origin, on consumers' perception and purchase intention. In particular, empirical results showed that the actual origin exerts stronger impact than the implied origin in shaping consumers' purchase intention, and such incongruence may even backfire for the brands from developing countries that adopt foreign branding strategy.

#### *Managerial implications*

This research also provides useful implications for multinational companies that intend to use a foreign brand name for consumers from a different market. For companies from developed countries aiming to enter developing countries, the country of origin should be

used as a powerful tool in their marketing efforts, especially in the choice of brand names. The primary option should be the original foreign name or pronunciation-based translation, which implies its foreign origin, such as “Adidas (阿迪达斯)” and “Starbucks (星巴克)” in China. For developed countries that have their own writing system, such as Japan and South Korea, the brand name in the original language should be shown to signal its foreignness. However, in case that the foreign name and pronunciation-based translation are difficult for local consumers to process and remember, companies may also choose to adapt their brand names locally, but the actual origin should always be explicitly revealed to consumers, which could be shown on the package of the products or featured in advertisements. For example, the baby formula brand “Karicare (可瑞康)” always emphasize that “It comes from New Zealand” in the promotion campaigns in China.

For companies from developing countries that intend to adopt foreign names for their brands, findings from this study suggest a more discreet choice of brand names. Although using foreign brand names has been a popular practice in developing countries, creating a foreign brand image may backfire in the long run as consumers gain more knowledge about the brand. In the current market of developing countries, using foreign brand names may still help local companies in the starting stage, especially in the product categories that have long been dominated by foreign brands, such as high-end fashion and cosmetics. Nevertheless, to implement such foreign branding strategy more effectively as well as to aim for long-term growth, companies should not hide the actual origin in their marketing efforts on purpose, instead they should ensure transparency in their marketing communication efforts. For example, a combination of foreign language and local language could be adopted in creating brand names, which may signal the local origin to an extent.

#### *Limitations and future research*

There are a number of limitations that could provide interesting avenues for further research. First, in this study, only the stimuli from the product categories in which brands with a foreign origin are usually favored in developing countries were used, future research could investigate the proposed effects in other product categories for which consumers do not have existing biased perception for foreign brands (cf. [Eckhardt, 2005](#)). For example, domestic home appliances have relatively good reputation in China and consumers may not have pre-existing preferences for foreign brands. Also, for services (e.g. Airlines), ethnicity of the staff may explicitly show the country of origin, and consumers have been shown to prefer services from staff with similar ethnical background (e.g. [Baumann and Setogawa, 2015](#)). Thus, when foreign companies enter those markets, the incongruence between a local brand name and a foreign country of origin may exert different impacts.

Second, the proposed interplay between the practices of disclosing the origin of the brands and the language of the brand names may not affect each individual equally in all occasions; a variety of individual and situational factors may exert different influences (e.g. [Karunaratna and Quester, 2007](#)). For example, consumers’ own ethnicity might impact their willingness to purchase products from different countries (e.g. [Ivanic et al., 2014](#)). For consumers with a different ethical background, foreign branding might exert different impacts. Moreover, the consumption occasion may also influence the effects of foreign branding. For instance, in developing countries, when consumers consider brands for gifts, the origin of the brand is likely to be more influential. The questions as to who are impacted the most and in what occasion the effect is bigger deserve further attention.

Finally, this study investigated the effects of foreign branding in the context that brands from a developed country name their brands in the language of a developing country or the reverse, but another phenomenon worth further attention could be that brands from a developed country try to imply an origin of another developed country. For example, the

Korean bakery “Tous Les Jours” uses a French name, and the American ice cream brand “Häagen-Dazs” uses a brand name in Nordic language. Consumers from a developing country (e.g. China) or a developed country (e.g. Australia) may perceive such incongruence differently (e.g. Baumann *et al.*, 2012). Looking deeply into this issue may provide more insight into the practices of foreign branding in developing countries.

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## Appendix A.

### Study 1: experimental stimuli: bakery names and logo



**Figure A1.**  
French brand name



**Figure A2.**  
Chinese brand name

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