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China's Skincare Market

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Preface

When I started my master thesis, what I faced was confusion. I was confused about what marketing topics I was expecting to cover, how I was going to proceed every step. Things were going to be clearer over time. I spent a plenty of time on searching for, reading, and analyzing literature. Fortunately, I formulated my research topic after one-month work. Now, six months have passed, the greatest achievement is reached and now presented in front of us. Memories of every meeting with my thesis supervisor, FJHM (Frans) Verhees, have been an exciting and inspiring experience for me. During the past six months, I spared every effort and tried my best to figure out every subtle matter. What I realized is to be confident and detail-oriented.

Firstly, I would like to thank FJHM (Frans) Verhees, who is an assistant professor in the marketing and consumer behavior group of Wageningen University. What he taught me includes not only the right and in-time instructions for my thesis but also the confidence to finish every task on my own. I always remember his words “you are independent.” These words are always like the cautions for my laziness and dependence. In addition, I appreciate it that he patiently answered my questions all the time, which helped me out in the process of problem solving.

Secondly, I want to express my gratitude to my friend Zhang Yong, who is studying computer engineering in China. He spent one week in helping me operate the Fuyong lottery software to obtain the sample for the investigation. Without his help it is impossible for me to collect data and achieve my research objectives.

Also, I would like to thank PTM (Paul) Ingenbleek, who is an associate professor in the marketing and consumer behavior group of Wageningen University. I am grateful to his comments and advices on my thesis. This was much helpful for me to improve my master thesis and direct my further research.

Lastly, thanks a lot for the help of my parents and my best friend Liu Huan. They encouraged me to be self-confident and helped me to be a person persisting in my own aspiration.

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Abstract

Recently, China's skincare market is dominated by foreign skincare brands L'Oreal, Aupres, Olay, Estée Lauder and Lancôme which accounted for 80% of the total market share in 2011. In the same year, domestic skincare brands Heborist and Lishen, together, merely took up 3% of the total market share. This study aims to verify whether a difference in brand positioning leads to a difference in market share. In this study, we explicitly consider the effects of consumers' perception of distinctive attributes, consumers' perception of a country of origin, and consumer segments. All data was collected from 56 Chinese consumers living in the 11 leading cities in China. A variety of statistics techniques were applied to analyze data, such as principle component analysis, ward's clustering, and regression analysis. The results show that a difference in consumers' perception of brand quality can lead to a difference in consumers' preference. But a difference in consumers' perception of lifespan cannot lead to a difference in consumers' preference. Also, it was found that consumers have different perception of France, America, Japan, and China on people's skills in making skincare brands, people's creativity, and consumers' feelings of product quality etc. This leads to consumers' different perception of brand quality. However, the findings indicate that consumer segments do not moderate the relationship between consumers' perception of brand quality and consumers' preference. This study advises domestic skincare firms to focus on maintaining current competitive advantages on price and lifespan. Also, domestic skincare firms should improve brand reputation and brand familiarity through some methods, such as advertising and CSR policy.

Key words: brand positioning, country of origin, consumer segments, consumers' preference

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1. Introduction

China's skincare market has shown sustained growth over the past few years (Fung Business Intelligence Centre, 2014). However, international producers continue to dominate the skincare market in China, with nine out of the top 10 producers being foreign companies taking up more than 80% market shares in 2012 (Euromonitor, 2013). The only domestic skincare producer among the top 10 cosmetics producers, Shanghai Jahwa, managed to grasp share gains amid fierce competition (Euromonitor, 2013). Nevertheless, it merely occupied 1.7% market shares in 2012 (Euromonitor, 2013). Foreign skincare brands have been expanding rapidly and captured a larger market share (around 70%-80%) in leading cities (Orient Security, 2012). Based on the survey conducted by the China National Commercial Information Centre (CNCIC) in 2011, in terms of Share of total sales value, the top 5 brands in Skincare products are all from foreign countries: L'Oreal (L'Oreal, France), 14.7%; Aupres (Shiseido, Japan), 14.3%; Olay (P&G, America), 12.5%; Estée Lauder (Estée Lauder, America), 11.3%; and Lancôme (L'Oreal, France), 11.2%. However, the two key brands of Shanghai Jahwa named Liushen and Herborist together only took up 3% Share of total sales value in skincare products.

Crucial to winning market share is a well-articulated market positioning (Akpyomare et al., 2012). Brand positioning is the first step to succeed, and it is to position or "situate" the brand in the target consumers' mind in such a way, that in his or her perception of the brand, it provides distinctive and persuasive offerings better than its competitors (Trout and Rivkin, 2008). Positioning means that consumers can perceive distinctive and persuasive offerings from a brand better than other brands (Trout and Rivkin, 2008). Distinctive offerings or attributes, that is, the attributes assist consumers in distinguishing various brands competing in the same product category (Boateng, 2011). According to Liu (2013), except for Herborist, Maxam and Liushen, brand positioning of the other five brands of Shanghai Jahwa is not clear enough. For example, the results of an investigation conducted by Beijing Business Daily (2013) reveal that, over 85% of the respondents have not seen any Chinfie advertisement or promotion activities; and the plastic packaging does not match high prices of Chinfie. Therefore, consumers are not able to perceive better offerings from the skincare brands of Shanghai.

The notion of positioning was first used back in 1969 (Trout, 1996); the concept of brand positioning is necessitated as a result of two points of reference in brand management: the target group and competitors (Kunde, 2002). Brand positioning is that each brand occupies a particular point in relation to other brands, namely position, in the individual consumers' mind, a point which is determined by that consumers' perception of the brand (Sengupta, 2005). In marketing, perception is concerned with understanding how consumers view a product or service with the help of the five senses of a person (sound, touch, taste, smell, sight) (Krishna, 2005). It consists of functional attributes which equals product quality (tasty, roomy, softy, etc.) and non-functional attributes which refers to consumers' emotional association with a brand (pleasant, modern, smart, etc.) (Sengupta, 2005). Consumers then

position the brands in their mind in relation to other brands based on the differences of the brands they perceive. In marketing terms, there is no such thing as a product or brand which exists by itself in space, independent of the consumer (Sengupta, 2005). For a product, it must find a point in an individual consumers' perception of the world of products. The perceptual space is the theoretical basis of positioning (Jamal and Goode, 2001). The consumers' mind is regarded as a geometric perceptual space, with product categories and brands occupying different points in that space (Sengupta, 2005). And the spatial distance between the points in that consumers' mind reflects the perception of similarity and dissimilarity between products or brands (Kunde, 2002).

Target group or consumer segment is the second important point in brand positioning. Consumer segmentation clarifies the segments of people the firm will target (e.g., female, male) (Sengupta, 2005). A consumer segment is, briefly, "a group of individuals or organizations having similar characteristics causing them to also take on a similar product or service" (Boateng, 2011). After successfully developing a new brand one should think of positioning this brand in relation to a particular target segment (Sengupta, 2005). Furthermore, consumers often associate their perception of a brand with their perception of the country that the brand originally comes from (Hong and Wyer, 1989, 1990; Klein et al., 1998). The country that the brand originally comes from is called a country of origin (COO) (Bruning, 1997). The perception of a country of origin means that consumers' response to the dimensions of country of origin, such as productivity, geographic condition, politics etc (Lim and Tan, 2009). According to previous research, European brands are more attractive for Chinese consumers due to the fact that Chinese consumer always perceive better quality of the products made in Europe (Raymond, 2012).. Nowadays, because consumers often perceive imported goods differently than they do competing domestic products, COO study has attracted growing attention (Schweiger et al., 1997).

The effects of brand positioning on firm's market share are supported by many recent studies (Guidry, 2011). A clear positioning drives consumers to frequently recall your brand while fail to recall other brands which leads to consumers' preference for your brand (Ryan, 2011). Therefore, positions of brands affect consumers' preference with the meaning that a consumer likes one thing over another (Jamal and Goode, 2001). Consequently, more clients would come to your offering, which helps to win a higher market share than competitors in two ways: first, they have more buyers; second, their brands are purchased more frequently (Chaudhuri and Holbrook, 2001).

The main purpose of the study is to verify whether brand positioning affects the brands' market share in China's skincare market. Therefore, we put forward the main research question: Can a difference in brand positioning explain a difference in consumers' preference in China's skincare market?

Thus, the sub questions are:

- What is the positioning of the skincare brands in China's skincare market?

- What is the difference between the positioning of domestic and foreign skincare brands in China's market?
- How does perception of the skincare brands on distinctive attributes influence consumers' preference in China's skincare market?
- What are the consumer segments in China's skincare market?
- How do consumer segments moderate the relationship between consumers' perception of the skincare brands on distinctive attributes and consumers' preference in China's skincare market?
- How does consumers' perception of a country of origin influence perception of brands in China's skincare market?

In section two, a conceptual framework will be presented. Drawing on the resource-advantage theory of competition (Hunt and Morgan, 1995), this conceptual framework is about the relationship between brand positioning and consumers' preference. In section three, the research methodology will be elaborated. A cross sectional filed survey is conducted to investigate the differences of skincare brands among consumers. Because most consumers are aged between 18 and 50 years as well as living in the 11 leading cities which are Shanghai, Nanjing, Hangzhou; Beijing, Tianjin, and Dalian; Shenzhen and Guangzhou; and Chongqing, Chengdu, and Xi'An (Euromonitor, 2013), to get the best information, 770 consumers are randomly selected from these leading cities by a computer lottery software. Data is collected by sending the questionnaires to the selected sample via emails. Also, to analyze the collected data we use some statistics techniques such as perceptual mapping, cluster analysis, ANOVA, and regression analysis. In section four, the results obtained from the data analysis will be presented. Lastly, the conclusion drawn from the results part and the discussion will be presented in section five and six respectively.

2. Literature review

The conceptual framework is based on the resource-advantage theory of competition (Hunt and Morgan, 1995). It demonstrates the relationship between brand positioning and consumers' preference. Specifically, consumer's perception of brands influences consumers' preference. Consumers' perception of a country of origin affects consumers' perception of brands. Consumer segments moderate the relationship between perception of brands and consumers' preference.

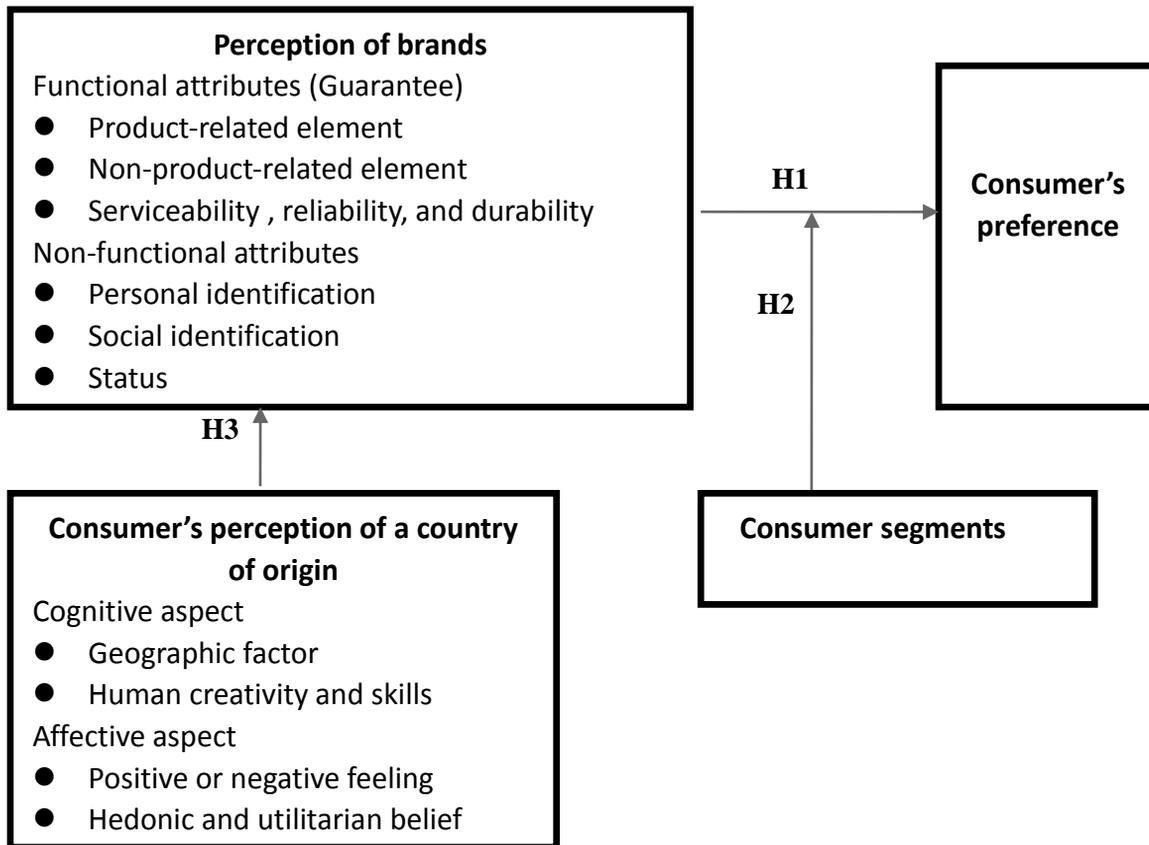


Figure 1. Conceptual Framework

2.1 Perception of brands

There are two main points of consumers' perception of brands mentioned previously: functional and non-functional attributes (Sengupta, 2005). The four dimensions of consumers' perception of a brand are as follows: guarantee (functional attributes), personal identification, social identification and status (non-functional attributes) (Del Rio et al., 2001).

2.1.1 Functional attributes

Guarantee (functional attributes) is the promise or guarantee of product quality (Ambler, 1997). Researchers define product quality as a comprehensive evaluation by consumers with regarding to the goodness of product performance (Mowen and Minor, 2002). The goodness of product performance is the ability of a product or service to satisfy customers' needs (Kotler, 2002). Guarantee consists of product-related and non-product-related elements (Keller, 1993). According to Keller (1993), the product-related element is formed by the necessary ingredients or materials (e.g., water, fuel, chemical) to generate the products. Product-related element is the quality that asks the question of whether the product has the ability to benefit consumers such as hunger satisfaction, pain relief, nutrition needs (Aaker, 1991). Non-product-related element is the quality evaluated by consumers' perception of four categories which are external aspects of the product (Keller, 1993): price information (e.g., low price, medium price, high price), packaging or appearance information (e.g., size, color, shape), user imagery (i.e., target consumer), and usage imagery (i.e., where and in what types of situations the product is used). Except for the product-related and non-product-related elements, serviceability, reliability, and durability of products are also important factors belonging to functional attributes (Keller, 2001). Serviceability refers to the additional customer services related to the branded products such as repair service, delivery service. Reliability is "the ability of a product to perform required functions, under given environmental and operational conditions and for a stated period of time" (Murthy et al., 2008). Products with good reliability always enjoy consumers' trust, good word of mouth, or good images (Murthy et al, 2008). Durability refers to the economic life of the products. The three factors also affect consumers' general evaluation of products (Keller, 2001).

2.1.2 Non-functional attributes

Non-functional attributes refer to consumers' trying to express their emotions by using the brands. It includes three components: personal identification, social identification and status (Del Rio et al., 2001). According to the theory of Maslow's hierarchy of needs (Maslow, 1943), personal identification, social identification and status are considered as higher-level consumer needs. Marketers always try to develop good non-functional attributes with consumers by advertising. The appearance, prestige and social status of the spokesperson of the brand always imply the ability of the brand to meet consumers' higher-level needs (in this study: Personal identification, social identification and status).

Personal identification refers to the effect that consumers can identify themselves with certain brand and develop feelings of affinity towards them (Del Rio et al., 2001). This is based on the idea that individuals can enrich their self-images (i.e., what do people think about you) such as intelligent, gorgeous through the images of the brands (i.e., what do consumers think about the brands) (Farhana, 2014). According to Del Rio et al. (2001), social identification is based on the brand's role of communication instrument allowing the

consumer manifesting the desire to be accepted by the groups that make up his social environment. Consumers will positively value the brands with a good reputation among the groups with which they belong to (Long and Shiffman, 2000). Status is the feelings of admiration and prestige that consumers hope to achieve from others via using the brands (Solomon, 1999). Meanwhile, the difference between social identification and status is that consumers interested in social prestige might buy brands without the meaning that this brand is representative of their social group (Del Rio et al, 2001). Therefore, the status could even impede the social identification within certain groups. Managers always market their products by advertising or promotion activities (Long and Shiffman, 2000). The identification function of advertising includes the ability of advertising to differentiate a product so that it has its own unique identity, personality, status. The information function of advertising is to communicate information about the product to consumers, its attributes, and its location of sales (Sengupta, 2005). Celebrities are often invited to be the spokesmen of the product or brand, the social status or images of the spokesmen always have a great effect on the ability of the product or brand to meet consumers' emotional need which are personal identification, social identification, and status in this study.

2.2 consumers' preference

Brand positioning has an effect on consumers' preference in this study. As explained, the position of a brand in consumers' mind is a reflection of the perceived attributes. Attributes are the usual criteria by which a consumer will make a buying preference (Yiridoe, 2005). Consumers' preference is formed by the decision making process that is based on making choices to best match consumers' needs and attributes of the brand (Sirakaya and Woodside, 2005). After consumers perceive the attributes of the brand their mind will be occupied by several brands. The positions of several brands in consumers' perceptual space will convey the information of the differences among brands on attributes to consumers (Yiridoe, 2005). Subsequently, the information will aid consumers in comparing their needs against the attributes of brands and select the brand that best matches their needs. It is known that brands in the same product category always have some attributes in common while what consumers always care about is the distinctive attributes that a brand has. The distinctive attributes can be the attributes on which the brand performs better than competitors and the attributes that competitors do not have (Del Rio et al., 2001). Obviously, consumers would prefer the brands with the distinctive attributes to better meet their needs. Therefore, what marketers always focus on is to develop a brand with distinctive attributes to differentiate their products from competitors (Balabanis, 2001). This can be achieved by many forms: the clear-cut product-related attributes (e.g., nourishment, floral), non-product-related element (e.g., blue packaging, medium price), or the distinguishing non-functional benefits (mood, aspiration, self-image) (Del Rio et al., 2001). Thus, the hypotheses is proposed:

H1: Consumers' perception of brands on distinctive attributes influences consumers' preference.

2.3 Consumer segments

A market consists of customers having various needs and buying behavior due to the differences in terms of demographics, attitudes, location etc. Companies would try to divide a market into several different groups and choose which group they wish to target (Kotler and Keller, 2009). Before you market a new offering, you need to ask yourself, “Who is going to buy my products?” After dividing consumer segments you will be able to know who are more interested in what you have to offer than others (Tanner and Raymond, 2012). Also, you would know who will not be your potential customers. Therefore, matching consumer segment and position of brand is an important issue in marketing.

A good match between a consumer segment and the position a brand occupies in consumers’ mind can greatly broaden your customer base (Tanner and Raymond, 2014). Segmenting can help you obtain a larger customer base by providing you information with which you can adjust marketing mix to attract customers (Kotler and Keller, 2009). Research has shown that companies that implement formal, research-based segmentation strategies receive higher revenues and market share than competitors (Raymond, 2012). By dividing segments the marketers will have a better understanding of their target audience (Gunter and Furnham, 1992). The consumer segments you have divided would depict vast amounts of population information and economic data that can reveal current consumption situation and changing consumption trends (Tanner and Raymond, 2012). As people age and change their needs, some organizations always send surveys to their customers to know what things their customers care about the most. By doing that marketers can develop distinct market activities for certain consumer segments. For example, marketers have developed specific products aimed at particular age groups such as nappies for babies, toys for children, clothes for teenagers etc. Companies compete in cosmetics have developed activation products for people with sensitive skin, high moisture products for people with dry skin etc. Therefore, targeting at viable consumer segments would effectively avoid head-on competition with other firms trying to capture the same customers (Tanner and Raymond, 2012). In addition, by segmenting firms can identify their most profitable customers and then redistribute money and sales efforts to focus on their most profitable customers (Tanner and Raymond, 2014). Therefore, the hypothesis is proposed:

H2: Consumer segments moderate the relationship between consumers’ perception of brands on distinctive attributes and consumers’ preference.

2.4 Consumers’ perception of a country of origin

Consumers always perceive countries differently due to the fact that countries always differ in economics, culture, social norms etc. (Lymbery, 2003). The COO effects on consumers’ perception of a brand are classified into two main categories: cognitive aspect and affective aspect (Obermiller and Spangenberg, 1989). Cognitive aspect is used as the signal for

consumers to perceive product quality; Affective aspect is used as an image that links the brand to personal emotions and feelings of the country (Verlegh, 2001).

2.4.1 Cognitive aspect

Many studies propose two dimensions of the cognitive aspect: geographic and human aspects (Forgas and o'Driscoll, 1984; Askegaard and Ger, 1997; Verlegh, 2001). The importance of geographic aspect is decreasing because of technological development (Verlegh, 2001). But geographic aspect matters in areas such as food and tourism. Consumers' perception of climate and landscape are two key components of geographic aspect of a country which underline consumers' ratings for the brands from that country. Human aspect puts emphasis on the importance of human traits that relate to skills and creativity of the local people (Verlegh, 2001). skills are the efficiency obtained mainly from experience to generate products, and creativity is the ability to come up with novel and unconventional ideas (Lymbery, 2003). A difference in consumers' perception of a country on human's competence and creativity can lead to the difference of consumers' ratings of the quality (functional attributes) of the brands from that country. It is known that, on average, people from developed countries have higher better competence and creativity because of superior education and rich experience. To some extent, it explains the reason why consumers always believe that products from developed countries are better in quality than the products from developing countries (Batra et al., 2000).

2.4.2 Affective aspect

Affective aspect includes two main categories: positive and negative feelings; utilitarian and hedonic beliefs (Mano and Oliver, 1993; Dhar and Wertenbroch, 2000; and Watson et al., 1988). Positive feelings toward a foreign country stem from a history of cooperation between the own country and the foreign country or stem from individual's interest, sympathy, and preference for the foreign country (Balabanis, 2001). Negative feelings toward a foreign country are aroused by the international rivalry between the own country and the foreign country or individual's dislike of the foreign country (Balabanis, 2001). A consumer can also have positive feeling towards his own country due to patriotism, or have negative feeling due towards his own country due to the dissatisfaction with the social system or stereotypes (klein et al., 1998; Cacioppo and Gardner, 1999). Positive or negative feelings towards a country affect consumers' perception of brands mainly on non-functional attributes (klein et al., 1998; Cacioppo and Gardner, 1999). Positive feelings toward a country lead consumers to a higher rating of the brands from that country on the non-functional attributes while negative feelings should lead to the opposite (Ismail et al., 2012). In terms of the attribute "personal identification", for example, when consumers regard themselves as compassionate persons and have strong sympathy for a country, they tend to give higher ratings of the brands from that country. In terms of social identification, when consumers find the conflicts between their social role and their feelings towards the country, they might feel unpleasant when using the brands from that country.

Utilitarian and hedonic beliefs of a country reflect the extent to which the brand offers useful and pleasant feelings respectively (Klein et al., 1998; Cacioppo and Gardner, 1999). The “useful” feeling to describe utilitarian belief shows that the original motivation for consumers’ buying is consumers’ perception of the quality of products based on reasoning, rather than on emotions (Batra and Ahtola, 1990; Mittal et al., 1990). A utilitarian belief of a country may actually make consumers think more about whether or not the country is known to be good at making a product. Therefore, the utilitarian belief is closely connected with consumers’ perception of human competency and creativity. The “pleasant” feeling to describe hedonic belief shows that the consumption is primarily driven by a sensory and affective experience of pleasure, fun, fantasy etc. (Dhar and Wertenborch, 2000). The hedonic belief can cause direct and indirect responses (Hoffman, 1986; Shiv and Fedorikhin, 1999). Direct response results from sensory stimulations while indirect response refers to more complex mental processes (Hoffman, 1986; Shiv and Fedorikhin, 1999). For example, consumers can get benefits from perfume not only because it brings olfactory enjoyment but also it symbolizes social status, social identification, and self-image. Consumers worldwide perceive that France is always associated with fashion and luxury. They are willing to pay a lot for French luxury products such as perfume and wine but not vegetable or fruit. Thus, the hypothesis is set up:

H3: Consumer’s perception of a country of origin influences consumer’s perception of the brands from that country.

3. Method

3.1 Research strategy

The conceptual framework depicted in section two is the research model for this research. In order to test the hypotheses, we need to measure existing differences among the skincare product consumers on values of the attributes of skincare brands at one moment. Thus, a cross-sectional field survey of skincare brands in China was conducted in this study. Also, quantitative research method was applied. We intend to explain the differences among skincare product consumers by measuring the attributes in the research model on a 1-7 scale. Meanwhile, we assigned numbers to the nominal variables. For example, “0”= female, “1”= male.

3.2 Sampling method

Currently in China, skincare products are still not prevalent among the public because of overall low disposable income (Fung Business Intelligence Centre, 2014). 98% of the cosmetics products are used by consumers aged between 18 to 50 years (Fung Business Intelligence Centre, 2014). Those consumers have rich experience and knowledge in choosing, purchasing, and switching between skincare products. Also, cosmetics products are widely used in urban areas, particularly in large and mid-sized cities. Among those cities, Shanghai, Nanjing, and Hangzhou in eastern China; Beijing, Tianjin, and Dalian in northern and northeastern China; Shenzhen and Guangzhou in southern China; and Chongqing, Chengdu, and Xi'an in western China are generally considered the leading cities for China's cosmetic market (Euromonitor, 2013). Therefore, consumers who are aged between 18 to 50 years as well as living in the 11 leading cities are the population. These Chinese consumers are contacted by the most popular Chinese social network “QQ” (an account with some Arabic numbers). By searching the key words (e.g. Age: 18-50, city: Shanghai) all the relevant users as well as their email addresses will be shown. In this study, a minimum sample size of 110 was expected. After we obtained all the QQ users from each leading city 70 of them are randomly chosen by a lottery computer software called Fuyong. Fuyong randomly chooses an account every minute. The account randomly chosen this minute was then extracted from the data set. In this way we obtained a total of 770 users from the 11 leading cities. After one-month data collection, we received a total number of 56 respondents.

3.3 Data collection method

In this study, a survey method was used to collect data. A total of 770 questionnaires were sent to the selected QQ users by QQ emails (70 questionnaires for each leading city). Each

questionnaire consisted of three sections. Questions in section one were about consumers' perception of the given skincare brands as well as consumers' preference for those skincare brands. Questions in section two were about consumers' importance ratings of the attributes of skincare brands. Questions in section three were developed to ask consumers to rate their perception of China, America, Japan, and France. Also, a pretest of the questionnaire was conducted. 20 consumers were randomly selected to do the questionnaire. According to their response, some modifications were made to improve the questionnaire. In the questionnaire, at first, there were two questions "do you agree that you get pleasure from using the products from China" and "do you feel happy when using the skincare products of Olay". There were five respondents did not give answers to the two questions. The reason they explained in the further emails was that they cannot understand the difference between happy and pleasure. Thus, I add explanation to the former question which was "pleasure means the pleasant feeling you can benefit from using the products from a country to satisfy your pursuit for elegance, fashion, privilege etc. which is based on your knowledge about this country" And "happy refers to your satisfaction gained by using the products to express yourself-image such as gorgeous, cute, intelligent, which is based on your perception of the products". In addition, in order to know the important economic characteristic- income of the sample, respondents were asked to give their average monthly income. But during the pretest, none of the 20 consumers answered this question. They also mentioned that Chinese consumers think their income information is confidential and personal even though the questionnaire was anonymous. Therefore, this question regarding amount of income was not in the final version of questionnaire.

3.3.1 Perception of skincare brands and consumers' preference

To begin with, the attributes of skincare brands are identified through literature review. According to the annual report of China's cosmetics market (Euromonitor, 2013), it elaborates the attributes of skincare brands as follows. Firstly, there are eight attributes related to the quality of skincare products that Chinese consumers care about: smell of the products, cleaning, moisture, reparation, anti-aging, sun protection, whitening, spot removing. In addition, it is undoubted that the price of the skincare product is an important factor. Also, consumers pay attention to the packaging of the skincare product. Besides, consumers always focus on the quality of service attached to the skincare product. The quality of service consists of two parts: professionalism and attitudes of the salespersons. The professionalism and attitude of the salesperson refers to if the salesperson has a good knowledge of the skincare product in many aspects such as the ingredients and functions of the skincare product, and is able to introduce the suitable product to customers with different needs, and if the salesperson has a good service attitude to patiently introduce the product to customers. Moreover, the safety of the skincare product is always what consumers concern about. Skincare products with excessive preservative ($\geq .3\%$) called Light benzoate are considered to be dangerous for skin. The life span of the skincare product, to some extent, affects consumers' preference. In China, consumers have different preferences for the products with different lifespans. Furthermore, consumers always associate the skincare brand with their self-image, social status, and living environment. Marketers make an

attempt to achieve this kind of association via advertising. Typically, they invite celebrities or models to be the spokesmen of their skincare brands. Consumers always try to match their self-image (e.g., I would like to look as beautiful as the spokesman) with the brand. Also, people especially the rich like to associate their social status with the brand. The luxury skincare brands whose spokesmen are celebrities are always their preferences. Lastly, consumers also match their social roles with skincare brands. The skincare brands which enjoy a good reputation among their friends or family member are perceived as a good convey of information that they expect to be accepted by their family or friends.

Considering that some consumers might be unfamiliar with some of the given skincare brands, it is necessary to test consumers' familiarity with the seven skincare brands. Questions were developed like, "please indicate how familiar you are with the skincare brand-L'Oreal" ("1"= never heard of it, "2"= have heard of it, "3"= have seen it, "4"=have used it). To measure the identified attributes of skincare brands, the questions were developed like, "do you agree that skincare products of L'Oreal are good in moisture." A 1-7 scale was used ("1"= totally disagree, "7"= totally agree). Then, consumers were asked to indicate their preference to buy each skincare brand. The questions are like, "If you have to buy a skincare product, is it likely that you will prefer to buy the skincare products of L'Oreal" ("1"= not likely at all, "7"= totally likely). Furthermore, to better understand the effects of consumers' preference on the market share of the skincare brand, questions about the frequency of buying skincare products of the seven brands was also included. The questions were like, "Please indicate the average frequency of your purchase of the skincare products of L'Oreal per year"

3.3.2 Consumer segmentation

To identify the consumer segments in Chinese skincare market, we need to know the importance ratings of the identified attributes of skincare brands by the respondents. The questions in section two were like, "When you buy a skincare product, how important is moisture for you" ("1"= not important at all, "7"= totally important). Moreover, to better characterize the consumer segments, we also asked for the demographic information of the respondents in each questionnaire (here, age and gender).

3.3.3 Consumers' perception of a country of origin

Through literature review we can also identify relevant dimensions of consumers' perception of four countries: America, China, Japan, and France. It has been mentioned that the geographic factor just matters in areas such as food market and tourism market. Therefore, the geographic factor is ignored when talking about skincare brands. According to the annual report of China's cosmetics market (Euromonitor, 2013), people's skills in producing skincare products is an important variable. People's skills in producing skincare products refer to the efficiency of the people to generate skincare products. Besides, the creativity of the people in creating products is also important (Raymond, 2012). Also, the perception of a country of origin includes consumers' feelings towards that country. In terms of a foreign

country, the international cooperation or rivalry between the foreign country and China might result in a “like” or “dislike” of the foreign country. In addition, Chinese consumers like or dislike a foreign country due to their personal emotions and interests. European and American ladies are always considered to be beautiful in Chinese’s eyes because of their different appearances compared to Asian ladies. In terms of China, Chinese consumers might also like or dislike China because of some reasons such as patriotism or dissatisfaction with social systems. Besides, Chinese consumers have formed different beliefs towards countries. For example, Chinese consumers think that products from developed countries are always in good quality due to advanced technology or a long history of modernization. But they think that domestic products are relatively inferior in quality due to relative backward technology and late modernization. Also, countries such as France enjoys a strong perception of fashion, elegance, and luxury all over the world. 'Made in France' labels are congruently associated with pleasure. Thus, Chinese consumers especially the rich are keen on French brands.

Thus, we have identified the dimensions of consumers’ perception of America, France, Japan, and China. We measure these dimensions for each country separately on a 1-7 scale. The questions are like, “do you agree that American people have good skills in making skincare products”, “do you agree that American people have good creativity” “do you agree that you like America”, “do you agree that the products from America are good in quality” “do you agree that you get pleasure when using the products from American” (“1”= totally disagree, “7”= totally agree).

3.4 Data analysis techniques

3.4.1 Perception of brands

Perceptual mapping is a practical way to visually see how consumers perceive and position a brand (Sengupta, 2005). What perceptual mapping does is to represent consumer perceptions in a multi-dimensional space so that we can clearly see where the brand is positioned in consumers’ mind (Sengupta, 2005). To begin with, we identified distinctive attributes to better distinguish the skincare brands. To compare the mean scores, one-way ANOVA was applied.

Provided all distinctive attributes of skincare brands, attributed-based perceptual mapping (factor analysis) is an ideal method when dealing with a large number of attributes. In this study, one type of factor analysis called Principle Component Analysis (PCA) was applied to assist in the identification of underlying dimensions. To decide the number of extracted components we observed the eigenvalues of the components as well as the scree plot with an elbow. Then we can identify the highlights of each extracted component and if possible, we can also name each component. Then we can obtain the positions of each distinctive attribute by loading plot. We can also draw each distinctive attribute vector on the map with a length that we can identify the performance of the skincare brands on each attribute. To improve the interpretation of the correlations between components and the attributes of skincare brands

we used orthogonal rotation as it can maximize the correlation of an attribute on one component while minimize the correlation of this attribute on the other components. One-way ANOVA (Student–Newman–Keuls) was then used to compare the skincare brands on the two regression factor scores. The coefficients of the skincare brands and regression factor scores can be used to position the skincare brands in the perceptual map.

3.4.2 Consumer segmentation

Cluster analysis is a useful statistics method to identify consumer segments. We had respondents with their responding to items on demographics (here, gender, and age), and their ratings of the importance of each attribute of skincare brands. Before running cluster analysis factor analysis was necessary to achieve data reduction instead of working with a lot of attributes. We ran factor analysis (here, PCA) in the same way as described in the section 3.3.1. In this study, as there was no prior knowledge of how many clusters there may be, a type of Hierarchical Clustering named Ward’s Method was applied. To decide the number of consumer segments we can check the agglomeration schedule and re-formed agglomeration table. In the agglomeration schedule we identified the stage where the “coefficients” had a big increase compared to other stages. The next was to use K-means clustering to obtain the membership of respondents. Furthermore, we processed a one-way ANOVA to determine on which classifying attributes are significantly different between the segments and to label each segment. subsequently, we interpreted each consumer segment by cross-tab analysis of the categorical variable ”gender” and by one-way ANOVA to interpret the interval variable “age”.

3.4.3 Consumers’ preference

An approach of preference mapping named a simple vector model was applicable. The purpose of using this approach was to relate consumer preferences to the brands and the distinctive attributes. In order to better understand how consumers’ preference is affected by both distinctive attributes and consumer segments, we divided the respondents into segments identified from cluster analysis and mapped the preference vector for each consumer segment separately. Regression analysis with dummy variables was used to achieve the coefficients of segment preference and the regression factor scores obtained from the section 3.4.1. Thus the positions of each segment preference can be drawn on the perceptual map which is called as preference map. Each preference vector for the segment indicates the direction of increasing preference. In this way we are able to identify the skincare brands and attributes that consumer segments prefer the most and the least.

3.4.4 The effects of consumers’ perception of distinctive attributes and consumer segments

Regression analysis with dummy variables mentioned in section 3.4.3 was also used to test H1 and H2. For H1, we expected to test the main effects of consumer’s perception of distinctive attributes on consumers’ preference. Thus, the model without interaction effects was developed as model 1: $Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon_1$. Y_1 was dependent variable

consumers' preference. X_1 and X_2 were independent variables - regression factor scores "quality" and "lifespan". ϵ_1 was the random error. For H4, we expected to test the interaction effects of quality, lifespan and consumer segments on consumers' preference. As we obtained five consumer segments from clustering, four dummy variables D_1 , D_2 , D_3 and D_4 were created. We set $D_1 = D_2 = D_3 = D_4 = 0$ for segment 1; $D_1 = 1, D_2 = D_3 = D_4 = 0$ for segment 2; $D_2 = 1, D_1 = D_3 = D_4 = 0$ for segment 3; $D_3 = 1, D_1 = D_2 = D_4 = 0$ for segment 4; and $D_4 = 1, D_1 = D_2 = D_3 = 0$ for segment 5. Thus, model 2 was set up: $Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \gamma_1 D_1 + \gamma_2 D_2 + \gamma_3 D_3 + \gamma_4 D_4 + \rho_{11} X_1 D_1 + \rho_{12} X_1 D_2 + \rho_{13} X_1 D_3 + \rho_{14} X_1 D_4 + \rho_{21} X_2 D_1 + \rho_{22} X_2 D_2 + \rho_{23} X_2 D_3 + \rho_{24} X_2 D_4 + \epsilon_2$. Y was dependent variable consumers' preference. X_i were independent variables regression factor scores "quality" and "lifespan" respectively ($i = 1$ and 2), D_j were dummy variables ($j = 1, 2, 3$ and 4). $X_i D_j$ were interaction effects.

3.4.5 The effects of consumers' perception of a country of origin

As we obtained two dimensions (quality and lifespan) from section 4.2, we therefore put forward two sub hypotheses: consumer's perception of a country influence consumers' perception of the quality of the brands from that country (H3a) and consumers' perception of a country of origin influences consumers' perception of the lifespan of the brands from that country (H3b). Thus, to test H3a, the regression model 3 was set up: $Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon_1$. Y_1 was the dependent variable: consumers' perception of the quality of the brands from a country. $X_1, X_2, X_3, X_4,$ and X_5 were the independent variables: consumers' perceptions of people's skills of making skincare products, consumers' perception of people's creativity in skincare products, personal like this country, consumers' feelings of the quality of the skincare products, and consumers' pleasant feeling when using the products. β_0 was the average score without the effects of $X_1, X_2, X_3, X_4,$ and X_5 . $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ were the coefficients of X_1, X_2, X_3, X_4, X_5 . ϵ_1 was the random error. Similarly, the regression model 4 was set up to test H3b: $Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon_2$. Y_2 is the dependent variable: consumers' perception of the lifespan of the brands from a country. $X_1, X_2, X_3, X_4,$ and X_5 were the dependent variables the same as model 1. β_0 was the score without the effects of $X_1, X_2, X_3, X_4,$ and X_5 . $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ were the coefficients of X_1, X_2, X_3, X_4, X_5 . ϵ_2 was the random error.

4. Results

4.1 Results of familiarity and purchase frequency

According to the data regarding consumers' familiarity with each skincare brand, each respondent knows L'Oreal, Olay, Estée Lauder, and Liushen while there are two, two, and seven respondents that never heard of Aupres, Lancôme, and Heborist, respectively. Also, individually, the yearly average purchase for each skincare brand is as following: Olay (3.35), L'Oreal (3.01), Estée Lauder (2.70), Aupres (2.30), Lancôme (2.19), Liushen (1.20), and Heborist (.63).

4.2 Brand positioning

In this study, we used an alpha level of .05 for all statistical tests. According to the data obtained from respondents' ratings on each skincare brand, the average scores of each skincare brand on the attributes are shown in table 1. In table 1, the attributes underlined are the distinctive attributes on which the seven skincare brands have significantly different means scores. Those distinctive attribute are: moisture, $F(6, 378) = 35.62, p = .000$; reparation, $F(6, 378) = 54.93, p = .000$; anti-aging, $F(6,378) = 33.17, p = .000$; sunscreen, $F(6, 378) = 53.11, p = .000$; whitening, $F(6, 378) = 26.23, p = .000$; spot-removing, $F(6, 378) = 42.89, p = .000$; inexpensive, $F(6,378) = 42.89, p = .000$; safety, $F(6,378) = 2.94, p = .008$; lifespan, $F(6,378) = 2.34, p = .031$; reputation, $F(6,378) = 24.69, p = .000$. As mentioned previously, one of the purposes of this study is to compare the brand positioning of foreign skincare brands and domestic skincare brands, we therefore focus on how domestic skincare brands perform differently from foreign skincare brands on the distinctive attributes. In table 1, underlined numbers are the significantly lower mean scores on one attribute and bold numbers are the significantly higher mean scores on the attribute. It can be noticed that all foreign skincare brands have significantly higher mean scores than domestic skincare brands on moisture, reparation, anti-aging, sunscreen, whitening, spot-removing. However, the mean score of inexpensive for Liushen is significantly higher than that of all the foreign skincare brands. Meanwhile, the mean score of inexpensive for Heborist is not significantly different from that of L'Oreal, Aupre, Olay, and Lancôme but significantly higher than that of Estée Lauder. In addition, the mean score of safety for Heborist is not significantly different from that of all the foreign skincare brands. But the mean score of safety for Liushen is significantly lower than that of Estée Lauder and Lancôme. In terms of lifespan, Liushen and Heborist have significantly higher mean scores than the means cores of all the foreign skincare brands. In addition, the mean scores of reputation for both Liushen and Heborist are significantly lower than those of L'Oreal, Aupres, Estée Lauder and Lancôme but not Olay.

Table 1. Average ratings of the skincare brands on each attribute

Attributes	L'Oreal	Aupres	Olay	EL	Lancôme	Liushen	Heborist
<u>Moisture</u>	5.36	5.02	5.07	5.43	5.38	<u>3.30</u>	<u>4.22</u>
Cleaning	4.63	4.73	4.73	4.64	4.80	4.45	4.61
<u>Reparation</u>	5.25	5.44	5.00	5.36	5.47	<u>3.16</u>	<u>3.88</u>
<u>Anti-aging</u>	5.38	5.26	4.88	5.04	4.64	<u>3.27</u>	<u>3.86</u>
<u>Sunscreen</u>	5.07	4.93	4.93	5.04	5.04	<u>2.84</u>	<u>3.92</u>
<u>Whitening</u>	5.30	5.15	4.66	5.95	5.16	<u>3.70</u>	<u>4.06</u>
<u>Spot-removing</u>	5.29	4.98	5.02	5.29	5.35	<u>3.21</u>	<u>3.96</u>
Smell	4.75	4.75	4.70	4.98	4.84	4.55	4.59
<u>Inexpensive</u>	<u>3.54</u>	<u>3.71</u>	<u>3.43</u>	<u>3.27</u>	<u>3.44</u>	6.36	4.02
VM	5.52	5.31	5.18	5.34	5.40	5.32	5.26
Packaging	5.16	5.04	5.16	5.30	5.13	5.46	5.08
Salesp'pro	4.61	4.78	4.96	4.88	4.78	4.82	4.77
Salesp'atti	4.86	4.93	5.14	5.30	5.20	5.14	5.02
<u>Safety</u>	4.82	4.73	4.61	5.13	5.06	<u>4.45</u>	4.76
<u>Lifespan</u>	<u>4.18</u>	<u>4.31</u>	<u>4.38</u>	<u>5.01</u>	<u>5.00</u>	6.30	5.85
<u>Reputation</u>	5.63	5.00	4.36	5.00	4.96	<u>3.80</u>	<u>3.84</u>
Tailored brand	4.93	4.84	4.63	4.70	4.87	4.84	4.73
Social status	5.02	4.64	4.57	4.64	4.94	5.05	4.57

Note. EL = Estée Lauder

VM = value for money

Salesp'pro = salespersons' professionalism.

Salesp'atti = salespersons' attitude

Then PCA is conducted on the data regarding each respondent's ratings of the skincare brands on distinctive attributes. As a result, the KMO value is .88. Bartlett's Test of Sphericity is significant, $X^2(45) = 952.77, p = .000$. The resulting table shows that component 1 explains a total variance of 38.38% and component 2 explains a total variance of 11.34%. They together account for 49.73 % of the total variance for the attributes. The correlations between the attributes and the extracted components are also obtained (table 2). It is noticed that the attributes explained more by component 1 are moisture, reparation, anti-aging, sunscreen, whitening, spot-removing, safety, and reputation most of which referring to the quality of a skincare product. The attributes explained more by component 2 are inexpensive, safety, and lifespan. Based on it, we label component 1 and 2 as quality and price, respectively. The obtained loading plot visually displays the correlations of the attributes and extracted components. Furthermore, the results of student-newman-keuls provide the scores of the skincare brands on the two dimensions - price and quality(table 3).

Accordingly, the positions of the skincare brands are also shown in the perceptual map (figure 2).

According to the perceptual map (figure 2), Liushen and Heborist are located at the left side of the perceptual map with a long distance from L’Oreal, Aupres, Olay, Estée Lauder, and Lancôme. Liushen and Heborist are both most distant from Estée Lauder. Looking at the mirror images of the skincare brands on each attribute, we find that Heborist and Liushen both have better performance on lifespan and inexpensive but inferior performance on safety and the attributes referring to quality, such as moisture, spot-removing, and anti-aging. On the contrary, L’Oreal, Aupres, Olay, Estée Lauder, and Lancôme are close to each other with their positions on the right side of the perceptual map. Compared to Liushen and Heborist, they perform better on quality but not on lifespan. The obvious differences between the foreign skincare brands are that, Olay perform worse than other foreign skincare brands on safety.

Table 2. *The correlations between attributes and extracted components*

Attributes	Quality	Lifespan
Moisture	<u>.72</u>	.05
Reparation	<u>.77</u>	-.04
Anti-aging	<u>.65</u>	-.06
Sunscreen	<u>.76</u>	-.01
Whitening	<u>.62</u>	.32
Spot-removing	<u>.71</u>	.08
Inexpensive	-.66	<u>.16</u>
Safety	.20	<u>.65</u>
Lifespan	-.21	<u>.75</u>
Reputation	<u>.56</u>	.15

Table 3. *scores of skincare brands on the two dimensions*

Skincare brands	Quality	Lifespan	N
L’Oreal	.65	.02	56
Aupres	.44	-.05	55
Olay	.23	-.37	56
Estée Lauder	.66	.29	56
Lancôme	.51	.14	55
Liushen	-1.79	.19	56
Heborist	-.77	-.24	51

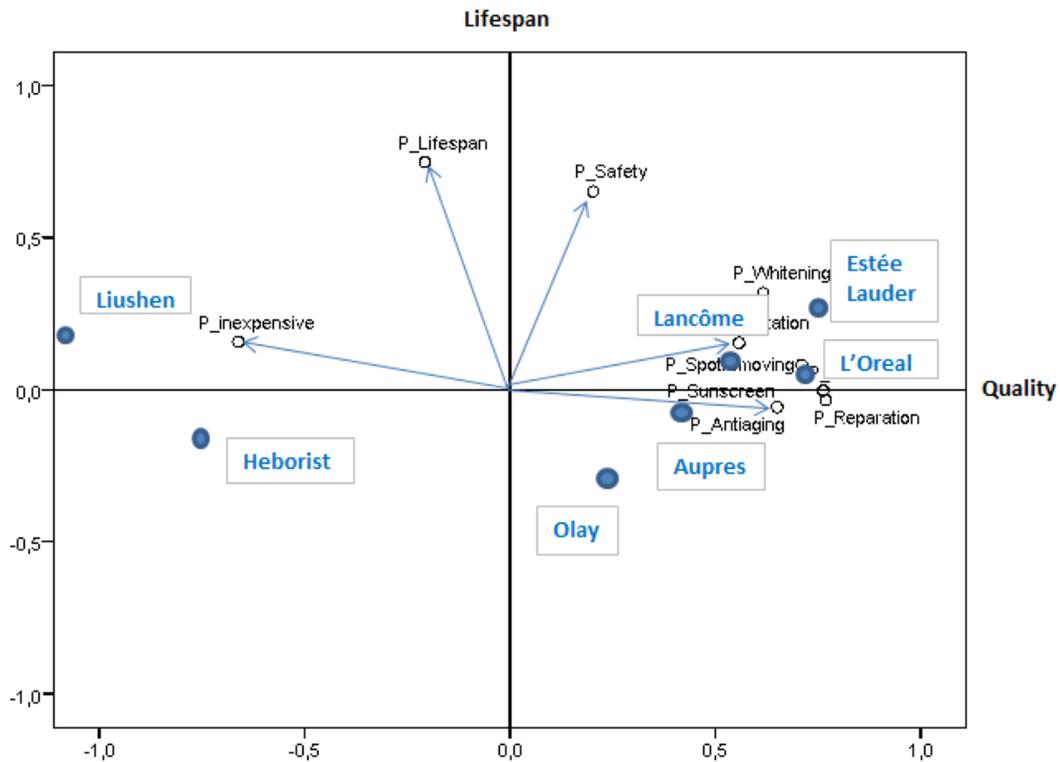


Figure 2. Perceptual map of skincare brands

Note. P_Attribute = consumers' perception of attribute

4.3 consumer segmentation

Provided the importance ratings of the attributes of skincare brands, PCA is also used to achieve data reduction. As a result, the KMO value is .53 which indicates that there are correlations between variables. The Bartlett's Test of Sphericity is significant, $X^2(153) = 199.90, p = .006$. The elbow of the obtained scree plot is at component 5 (figure 3). The results indicate that component 1, 2, 3, and 4 together explain a total variance of 45.47% , but when we add the variance explained by component 5 the total variance explained comes to 53.03%. Thus, we extract component 1 to 5 to better explain all the attributes (table 4). In table 4, the underlying numbers are the biggest correlations between the attributes and components. Based on this, we can find that component 1 has the biggest correlation with sunscreen. Thus, we name component 1 as protection. In the same way, we name component 2, 3, 4, and 5 as service, cleaning, reputation, and price, respectively.

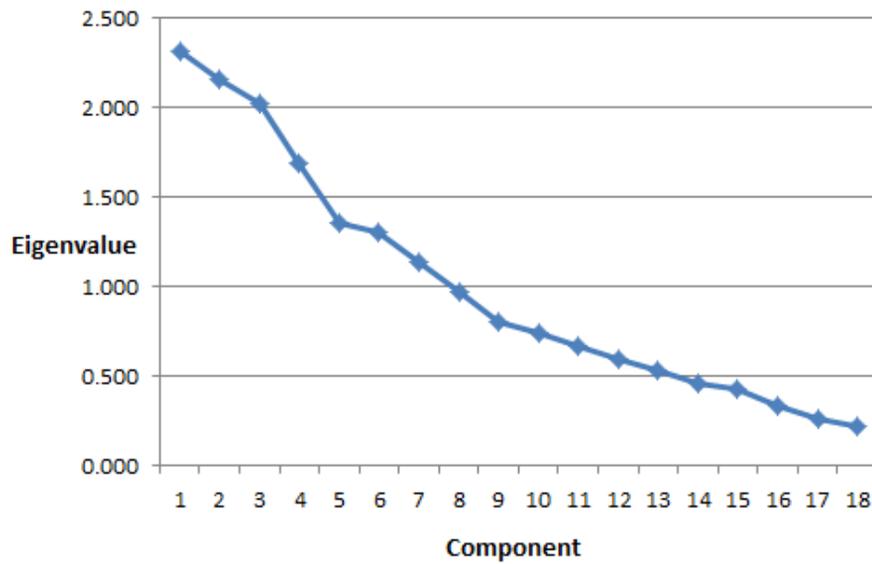


Figure 3. Scree plot

Table 4. The correlations between attributes and extracted components

Attributes	Sunscreen	Service	Cleaning	Reputation	Price
Moisture	-.70	.01	.01	<u>.11</u>	-.17
Cleaning	-.13	-.11	<u>.78</u>	.03	.16
Reparation	.18	-.48	<u>.52</u>	.25	-.01
Anti-aging	<u>.55</u>	-.06	.10	-.02	.32
Sunscreen	<u>.58</u>	-.22	.15	.01	.12
Whitening	.05	-.01	-.64	.19	<u>.36</u>
Spot-removing	.02	-.16	-.13	.25	<u>.57</u>
Smell	.15	.18	<u>.62</u>	-.05	.14
Price	.08	.30	.09	-.04	<u>.68</u>
Value for money	.07	-.86	-.12	-.05	.03
Packaging	.15	.14	-.25	<u>.66</u>	-.03
Salesp' Pro	-.19	<u>.80</u>	.05	.29	.05
Salesp' Atti	.04	<u>.64</u>	-.06	.12	-.26
Safety	.01	.09	.01	.06	-.56
Lifespan	.10	.23	.05	<u>.60</u>	.10
Reputation	-.12	-.09	.10	<u>.71</u>	-.14
Tailored brand	<u>.53</u>	-.03	-.09	.22	-.37
Social Status	.35	.33	<u>.50</u>	.09	-.29

Note. SalesP' Pro= salespersons' professionalism. SalesP' Attit= salespersons' attitude.

The results of Ward's Method Clustering show the coefficients of the clustering stages. Compared to the other clustering stages in the percentage of coefficient increase, there is a

huge rise of coefficient at stage 52 with a percentage of increase of .17(table 5). Thus, the number of segments should be 56-51=5.

Table 5. *Agglomeration schedule*

Stage of clustering	coefficients	Percentage of coefficient increase
48	107.19	.09
49	119.21	.11
50	132.23	.11
51	145.30	.09
52	169.79	.17
53	202.93	.19
54	238.15	.17
55	275.00	.15

Note. This is a part of the Agglomeration Schedule, see the appendix 2 for complete table.

By K-means clustering a new variable stands for the segment membership is obtained. Segment 1, 2, 3, 4, and 5 has 6, 15, 15, 13, and 7 members, respectively. By one-way ANOVA, we obtain the mean scorers of each segment on the five factors extracted from previous PCA (table 6). Also, the results of one-way ANOVA indicate that the mean scores for the five segments are significantly different on the importance ratings of the five factors: sunscreen, $F(4, 51) = 10.24, P = .000$; service, $F(4, 51) = 21.06, P = .000$; cleaning, $F(4, 51) = 3.38, P = .016$; reputation, $F(4, 51) = 13.80, P = .000$; price, $F(4, 51) = 13.05, P = .000$. It can be also noticed that segment 1 has low scores on each factor but has the lowest mean score on reputation. Thus, we name segment 1 as reputation-unconscious segment. In the same way, we notice that segment 2 has positive mean scores on cleaning and reputation but has significantly lower score than other segments on sunscreen, Thus, we name segment 2 as sunscreen-conscious segment. Among the five factors, segment 3 only has positive mean score on reputation. Thus, segment 3 is called reputation-conscious segment. Meanwhile, segment 4 cares about service the most and segment 5 cares about price the most. Thus, we name segment 4 and 5 as service-conscious segment and price-conscious segment, respectively.

Table 6. Average ratings of the segments on factors

	Reputation- unconscious segment	Sunscreen- conscious segment	Reputation- conscious segment	Service- conscious segment	Price- conscious segment
Sunscreen	-.05	<u>.93</u>	-.98	.11	-.55
Service	-.24	-.67	-.24	<u>1.39</u>	-.32
Cleaning	-.24	.39	-.96	.47	-.80
Reputation	<u>-1.99</u>	.39	<u>.47</u>	-.06	.23
Price	-1.34	-.60	-.80	-.07	<u>1.09</u>
N	6	15	15	13	7

The demographic characteristics of the consumer segments are demonstrated in table 7. It can be seen that the mean age of the whole sample is 27.59. The results of one-way ANOVA show that the mean ages of the five segments are not significantly different: $F(4, 51) = 1.06$, $P = .387$. In addition, the results from cross tabulation indicate that there is no statistically significant relationship between consumer segments and gender: $\chi^2(4, N = 56) = .081$, $p = .074$.

Table 7. Demographic characteristics of consumer segments

		Reputation- conscious segment	Sunscreen- conscious segment	Reputation- unconsciou s segment	Service- conscious segment	Price- conscious segment	Total
Age	Min	18	18	17	20	19	17
	Max	45	44	38	40	50	50
	Mean	25.17	24.47	27.00	30.77	29.60	27.59
Gender	Female	2	13	11	10	5	38
	Male	4	2	4	3	2	18
	N	6	15	15	13	7	56

4.4 consumers' preference

Took regression factors (quality and lifespan) from 4.4.2 as independent variables, (segment) preference as each dependent variable. The results obtained from regression analysis show the coefficients of each (segment) preference and regression factors in section 4.2 (table 8). Thus, the positions of each segment preference is drawn on the perceptual map, which is the preference map (figure 4). In the preference map, overall preference without segmentation (orange triangle in the map), reputation-conscious segment (green triangle in the map), sunscreen-conscious segment (red triangle in the map), and reputation-unconscious segment (blue triangle in the map) have the same preference for the seven skincare brands with the

most to the least preference for Estée Lauder, L’Oreal, Lancôme, Aupres, Olay, Heborist, and Liushen. Price-conscious segment (yellow triangle in the map) has the most to the least preference for Liushen, Estée Lauder, Lancôme, Heborist, L’Oreal, Aupres and Olay. Service-conscious segment has the most to the least preference for Liushen, Heborist, Olay, Aupres, Lancôme, L’Oreal and Estée Lauder. Also, we notice that reputation-unconscious segment, sunscreen-conscious segment, and reputation-unconscious segment prefer moisture, safety, anti-aging etc. attributes referring to quality. Differently, price-conscious segment and service-conscious segment have prefer lifespan and inexpensive. But it is noticed that price-conscious segment also prefer safety.

Table 8. *Regression coefficients of consumer preference on quality, and lifespan*

Preference	Quality	Lifespan	R square	N
Reputation-unconscious segment	.58	.40	.28	41
Sunscreen-conscious segment	.52	.06	.49	102
Reputation-conscious segment	.25	.26	.50	104
Service-conscious segment	-.17	.02	.42	90
Price-conscious segment	-.02	.30	.30	48
Overall Preference (without segmentation)	.29	.08	.57	385

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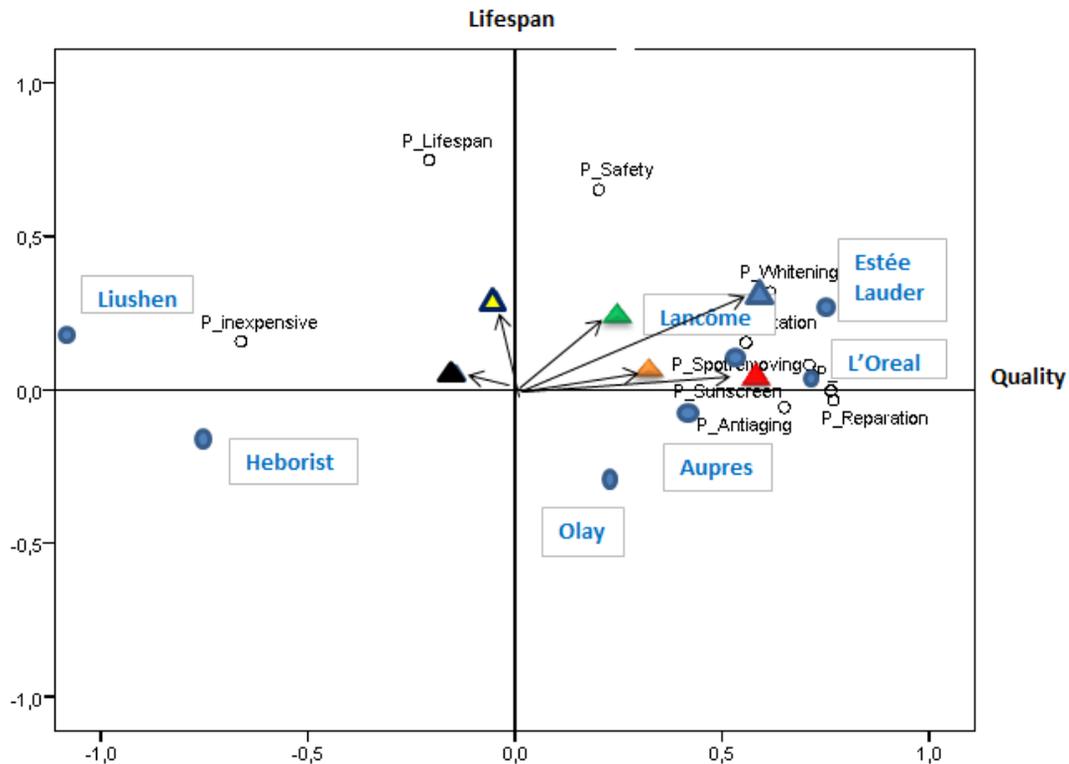


Figure 4. Preference map of consumer segments

Note. P_Attribute = consumers' perception of attribute

- ▲ Reputation-unconscious segment
- ▲ Sunscreen-conscious segment
- ▲ Reputation-unconscious segment
- ▲ Service-conscious segment
- ▲ Price-conscious segment
- ▲ Overall preference (without segmentation)

In addition, the results of regression analysis show that model 1, $Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon_1$ is significant: $F(2, 382) = 18.74, P = .000$. Therefore, H1 is not rejected. Meanwhile, quality has significant effects on consumers' preference: $\beta = .29, t(376) = 5.93, p = .000$. Meanwhile, model 2- $Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \gamma_1 D_1 + \gamma_2 D_2 + \gamma_3 D_3 + \gamma_4 D_4 + \rho_{11} X_1 D_1 + \rho_{12} X_1 D_2 + \rho_{13} X_1 D_3 + \rho_{14} X_1 D_4 + \rho_{21} X_2 D_1 + \rho_{22} X_2 D_2 + \rho_{23} X_2 D_3 + \rho_{24} X_2 D_4 + \epsilon_2$ is also significant: $F(14, 370) = 3.18, P = .000$. However, there is no significant moderator effects of consumer segments: $F_{change} = (12, 370) = .62, P = .825$. Therefore, H3 is rejected.

4.5 The effects of consumers' perception of a country of origin

Regression analysis was used to test model H3a and H3b. As mentioned previously, model 3 ($Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon_1$) is to test H3a, and model 4 ($Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon_1$) is to test H3b. The results indicate that R

square value is .61. Model 3 is significant: $F(5, 217) = 2.96, p = .013$. Therefore, hypothesis H3a is supported. Specifically, consumers' perception of people's skills in making skincare products significantly influences consumer's perception of brand quality: $\beta = .08, t(218) = 1.82, p = .004$ (table 11). Also, Consumers' perception of people's creativity significantly affects consumers' perception of brand quality: $\beta = .41, t(218) = 5.56, p = .000$. In addition, consumers' perception of the country on product quality significantly influences consumers' perception of the quality of the skincare brands from that country: $\beta = .21, t(218) = 2.45, p = .009$. The results are shown in table 9. In addition, the results of regression analysis indicate that R square value is .68. Model 4 is not significant: $F(5, 218) = 1.00, P = .417$. thus, H3b is rejected. All the independent variables do not significantly influence consumers' perception of brand lifespan.(table 10). Therefore, H3b is rejected.

Table 9. *Regression coefficients of country of origin and quality*

Independent Variables	Coefficients	T Value	Sig
P_Skills	.08	1.82	.004
P_Creativity	.41	5.56	.000
P_like	-.01	-.07	.947
P_Quality	.21	2.45	.009
P_Pleasure	.27	3.08	.202

Note. P_skills = people's skills of making skincare products

P_creativity = people's creativity

P_like = personal like for the country

P_quality = quality of the products from the country

P_pleasure = pleasant feeling from the products from the country

Table 10. *Regression coefficients of country of origin and lifespan*

Independent Variables	Coefficients	T Value	Sig
P_Skills	.03	.49	.628
P_Creativity	.01	.19	.848
P_like	-.02	-.41	.684
P_Quality	.08	-1.6	.104
P_Pleasure	.01	-.27	.785

Note. P_skills = people's skills of making skincare products

P_creativity = people's creativity

P_like = personal like for the country

P_quality = quality of the products from the country

P_pleasure = pleasant feelings from the products from the country

Then, one-way ANOVA is used to compare how consumers perceive China, France, America, and Japan differently. The average ratings of the four countries on the five variables shown in table 11. The results of one-way ANOVA display that France, America, Japan and China are

significantly different on the mean scores of the five variables: peoples' skills in making skincare products, $F(3, 220) = 10.85, P = .000$; people's creativity, $F(3, 220) = 48.04, P = .000$; personal like for the country, $F(3, 220) = 19.97, P = .000$; feelings of product quality, $F(3, 220) = 30.03, P = .000$; and pleasant feelings from the products, $F(3, 220) = 26.67, P = .000$. In table 11, bold numbers are the significantly higher mean score on one variable and underlined numbers are the significantly lower mean scores on one variable. Thus, we can see that the mean scores of China are significantly lower than those of France and American on people's skills in making skincare products and people's creativity but not significantly different from those of Japan. In addition, China and France are not significantly different on the mean scores of personal like. But they are significantly higher than America and Japan on the mean scores of personal like. In terms of consumers' feelings of product quality and consumers' pleasant feelings from the products, American and Japan have significantly higher mean scores than China and France. But China and France are not significantly different on consumers' feelings of product quality and consumers' pleasant feelings from the product.

Table 11. Average ratings of France, America, Japan, and China on variables

Variables	France	America	Japan	China
P_Skills	4.78	4.68	<u>4.16</u>	<u>3.70</u>
P_Creativity	5.32	5.09	<u>3.73</u>	<u>3.30</u>
P_like	5.20	<u>4.04</u>	<u>4.14</u>	5.61
P_Quality	<u>4.01</u>	5.13	5.30	<u>3.63</u>
P_Pleasure	<u>3.96</u>	5.00	5.32	<u>3.80</u>

Note. P_skills = people's skills of making skincare products

P_creativity = people's creativity

P_like = personal like for the country

P_quality = feelings of product quality

P_pleasure = pleasant feelings from the products from the country

5. Conclusion

According to the study's findings, in China's skincare market, Chinese consumers distinguish one skincare brand from another via the perception of these attributes: moisture, reparation, anti-aging, sunscreen, whitening, spot-removing, inexpensive, safety, lifespan, and reputation. It tells that Chinese consumers position a skincare brand in their mind in such a way, that their perception of the skincare brands are different on those distinctive attributes mentioned above. Also, it is recognized that domestic and foreign skincare brands have different brand positioning. The findings demonstrate that Liushen and Heborist outperform foreign skincare brands (Estée Lauder, Lancôme, L'Oreal, Aupres, and Olay) on inexpensive and lifespan. differently, foreign skincare brands have superior performance on moisture, reparation and anti-aging etc. referring to quality in this study. Also, except for Olay, other four foreign skincare brands enjoy a better reputation than Heborist and Liushen. Estée Lauder and Lancôme have better performance than Heborist and Liushen on safety.

The obtained perceptual map shows that the position of the foreign skincare brands are close to each other, which indicates that they are big competitors to each other. For example, Olay has the shortest distance with Aupres, suggesting that Olay is the biggest competitor to Aupres, and vice versa. Heborist and Liushen are close but they are distant from foreign skincare brands. Thus, They are less likely to compete with the foreign skincare brands.

The results show that H1 is supported. Thus, a difference in consumers' perception of distinctive attributes can lead to a difference in consumers' preference for the skincare brands in China's skincare market. As consumers' preference depends on their perception of the quality of skincare brands, unsurprisingly, consumers prefer to buy foreign skincare brands with better performance than domestic skincare brands on quality.

The results of segmentation show that there are five main consumer segments in China's skincare market: reputation-conscious segment, sunscreen-conscious segment, reputation-unconscious segment, service-conscious segment, and price-conscious segment. Reputation-conscious segment does not care about everything while the members in this segment have an obvious preference for the foreign skincare brands. Sunscreen-conscious segment who cares about sunscreen, cleaning and reputation prefers to buy foreign skincare brands. Reputation-unconscious segment who merely cares about brand reputation has a strong preference for foreign skincare brands. Differently, service-conscious segment, who thinks service is greatly more important than cleaning and sunscreen, has preference for Liushen and Heborist. Price-conscious segment prefers to buy Liushen the most. However, its members also has the second most preference to buy Estée Lauder which is the most expensive among the seven skincare brands. The results of regression analysis tells that H2 is not supported. Therefore, in China's skincare market, what consumers think important are not always the ones affecting their preference to buy a skincare brand.

The results of regression analysis indicate that H3a is supported. Thus, a difference in

consumers' perception of America, France, Japan, and China can lead to a difference in consumers' perception of the quality of the skincare brands from these countries. Specifically, compared to other three countries, China has the lowest score (a 1-7 scale in this study) on people's skills in making skincare products, people's creativity and consumers' feelings of product quality. As a result, consumers perceive that domestic skincare brands perform worse than foreign skincare brands on brand quality. But the results indicate that H3b is rejected. Thus, a difference in consumers' perception of America, France, Japan, and China can lead to a difference in consumers' perception of the lifespan of the skincare brands from these countries.

In summary, foreign skincare brands are able to serve reputation-conscious segment, sunscreen-conscious segment and reputation-unconscious segment, with a percentage of 64.3% in the total population of the sample. Domestic skincare brands are more able to serve service-conscious segment with a percentage of 35.7% in the total population of the sample. Price-conscious segment can be served by both Liushen and Estée Lauder. According to the results of purchase frequency, all of the five foreign skincare brands enjoy more purchase frequency (Olay, 3.35; L'Oreal, 3.01; Estée Lauder, 2.70; Aupres, 2.30; and Lancôme, 2.19) than domestic skincare brands (Liushen, 1.20 and Heborist, .63). Therefore, the foreign skincare brands have advantages of having more customers and being more purchased by customers. It can be better explained that foreign skincare brands have higher market shares than domestic skincare brands in China's skincare market.

6. Discussion

6.1 Theoretical implications

This study's findings support the significant effects of brand positioning on consumers' preference. Consumers position a product / brand in his or her mind in such a way, that the product / brand provides distinctive offerings better than others (Trout and Rivkin, 2008). Our findings also support that brand positioning is crucial to winning market share (Akpyomare et al., 2012). In addition, our results also support Lymbery's (2003) findings that consumers' perception of a country of origin significantly influence consumers' perception of the brands from that country. Consumers always perceive countries differently due to the fact that countries always differ in economics, culture, social norms etc. (Lymbery, 2003). Similarly, our findings support that consumers' perception of countries is different in many aspects, such as people's skills, creativity, their own hedonic belief towards the country etc. Consequently, the differences in those aspects mentioned above are the cues for consumers to perceive the attributes (e.g., quality) of a product / brand (Obermiller and Spangenberg, 1989).

However, the results of this study do not support the previous investigation of Tanner and Raymond (2012) arguing the moderating effects of consumer segments. Even though consumers' preference to buy is based on making choices to best match consumers' needs and attributes of the brand (Sirakaya and Woodside, 2005), our findings show that consumers always do differently from what they think. That is, even though consumers think they have higher needs for one thing than another, their buying behavior might be different. But the results support that certain consumer segments have certain preference for brands (e.g., protection-conscious segment prefers skincare brands with better protection) Thus, it is also likely that, as argued by Gunter and Furnham (1992), by dividing segments the marketers will have a better understanding of their target customers

6.2 Managerial implications

The primary objective of this study is to help gain a better understanding of the phenomenon: whether a difference in brand positioning can lead to a difference in market share in China's skincare market. This study can provide several managerial guidelines to help domestic skincare firms formulate go-to-market competitive strategies when facing the difficult situation - a lower market share.

First, domestic skincare firms need to improve competitive advantages. As we know, domestic skincare brands perform greatly better than foreign skincare brands on price and lifespan. It not only helps the domestic skincare brands avoid the fierce competition with foreign skincare brands in serving reputation-conscious segment, sunscreen-conscious

segment and reputation-unconscious segment, but also makes them better serve the service-conscious segment and price-conscious segment. To gain a higher market share, the first feasible strategy for domestic skincare firms is to keep present competitive advantages on price and lifespan. In this way, domestic skincare brands can provide better offerings with attractive price and lifespan to constantly satisfy their target segments' needs. The second strategy is to expand your customer bases by improving the performance of skincare brands on the attributes your target segments care about. For service-conscious segment, the members care about not only service but also cleaning. As foreign skincare brands and domestic skincare brands perform similarly on cleaning, it is a great chance for domestic skincare firms to make your skincare products more attractive by improving the cleaning attribute of the skincare products. Similarly, price-conscious segment thinks reputation is the second most important, which is the reason makes its members also prefer to buy Estée Lauder. For domestic skincare brands, it is a big challenge to achieve a better reputation in a short time, but it can be possible through some methods. For example, famous domestic beverage firm Jiaduobao jumped to be the biggest and reputed beverage firm in China through an outstanding investment in charity in 2008. Therefore, CSR policy functions well to improve reputation in a short time.

Second, domestic skincare firms should improve brand familiarity. The findings indicate that 1 out of 8 respondents never heard of Heborist. It is rarely seen on social networking websites or advertisements about Heborist. In most cases, inviting a celebrity for the spokesman of your brands is not the determinant for the success of a brand, but help you expand the awareness and reputation of the brand to the public. Thus, activities such as advertising, promotion are also necessary. In addition, the implementation of CSR mentioned above can also be a good method to improve brand familiarity.

Third, consumers sometimes behave differently from what they think and say. Although this makes it more difficult for marketers to understand what consumers really want, domestic skincare firms can also do better than foreign skincare brands due to inherent advantages, such as a better knowledge of Chinese buying culture. In our study, domestic skincare brands are able to serve service-conscious segment and price-conscious segment. Thus, domestic skincare firms can focus on the buying patterns of the two age groups and then better satisfy the needs of these consumers.

Last but not least, attractive brand name. In most cases, Chinese consumers think France, America, and Japan are better than China in many aspects such as people's skills in making skincare products. The signs that "made in France," "made in America" or "made in Japan" are symbols of high quality. Sometimes, compared to a Chinese brand name, an American brand name can be more attractive to Chinese consumers. Thus, for some domestic skincare brands that suffer from poor sales or even bankruptcy, it might be a feasible way to give your brand a more western brand name.

6.3 Limitations and further research

This study has some limitations which in turn provide directions for future research. First, as for our conceptual model, we have examined consumers' perception of a country of origin at a single point of time. As consumers' perception of a country of origin might change due to different time and environments, further research could examine the long-term effects through a longitudinal study. In particular, researchers are recommended to attend to two questions: 1) how does consumers' perception a country of origin change over time? And 2) how does consumers' perception of a brand from a country change along with the changes of consumers' perception of that country ?

Second, as for the research strategy, a quantitative research method was applied. This study is inadequate to understand some forms of information (e.g., feelings, emotions). Further research could combine quantitative research with qualitative research, by which we can have a deeper understanding of the forms of information mentioned above.

Furthermore, in this study, all the data was collected from the 56 respondents living in certain regions of China due to a limitation of time, cost, and space etc. The difference between our findings and findings in previous studies (Kotler and Keller, 2009; Sirakaya and Woodside, 2005) appears might due to a lack of representative sample and sample size. Thus, for future research, a better representative sample is necessary

Finally, as for the practitioners, it should be noted that the findings of this study reflects the Chinese managers' current practice. In China, the ongoing market environment might greatly force firms to make adjustments(e.g., different target groups) corresponding to consumers' dynamic needs. Thus, managers need to recognize the limitations of this study and make decisions based on the unique environment where their firms are operating.

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Appendix

Questionnaire

This questionnaire aims to collect information regarding the brand positioning in China's skincare market. People aged between 18-50 and living in the following cities are the target population for this questionnaire: Shanghai, Nanjing, and Hangzhou in eastern China; Beijing, Tianjin, and Dalian in northern and northeastern China; Shenzhen and Guangzhou in southern China; and Chongqing, Chengdu, and Xi'An in western China. There are mainly three sections. Section 1 has questions regarding the performance of each skincare brand on the attributes. Section 2 includes questions about the importance of each attribute of a skincare brand. Section 3 includes questions regarding consumers' perception of a country on various dimensions.

Section 2.

1. What is your age ?
2. What is your gender?
3. Please indicate how familiar you are with each skincare brand.

* Question	1 = never heard of it	2= have heard of it	3= have seen it	4= have used it
1 L'Oreal				
2 Aupres				
3 Olay				
4 Estée Lauder				

5 Lancôme

6 Liushen

7 Herborist

4. Please indicate your average frequency of purchase for each skincare brand

* Question	Average purchase frequency
1 L'Oreal	
2 Aupres	
3 Olay	
4 Estée Lauder	
5 Lancôme	
6 Liushen	
7 Herborist	

5. Do you agree that each skincare performs well on the following attributes

1) = Totally disagree, 2) = strongly disagree, 3) = disagree, 4) = neither disagree nor agree, 5) = agree, 6) = strongly agree, 7) = totally agree

* Question	L'Oreal	Aupres	Olay	Estée Lauder	Lancôme	Liushen	Heborist
1 Moisture							
2 Cleaning							

3	Reparation
4	Anti-aging
5	Sunscreen
6	Whitening
7	Spot-removing
8	Smell
9	Inexpensive
10	Value for money
11	Packaging
12	Salespersons' professionalism
13	Salespersons' attitude
14	Safety
15	Lifespan
16	Reputation
17	Tailored brand
18	Social status

6. If you have to buy a skincare product, if it likely that you would prefer to buy the following skincare brands?

* Question 1 = totally unlikely 2=very unlikely 3=unlikely 4 = not decided 5 = likely 6 = very likely 7 = totally likely

1 L'Oreal

2 Aupres

3 Olay

4 Estée

Lauder

5 Lancôme

6 Liushen

7 Herborist

Section 2.

7. When you buy a skincare product, how important are the following attributes for you ?

* Question	1 = totally unimportant	2 = very unimportant	3 = unimportant	4 = neither important nor unimportant	5 = important	6 = very important	7 = totally important
1	Moisture						
2	Cleaning						
3	Reparation						
4	Anti-aging						
5	Sunscreen						
6	Whitening						
7	Spot-removing						
8	Smell						
9	Inexpensive						

10	Value for money
11	Packaging
12	Salespersons' profession
13	Salespersons' attitude
14	Safety
15	Lifespan
16	Reputation
17	Tailored brand
18	Social status

Section 3.

8. Do you agree that France, America, Japan and China are good on the following dimensions?

1)= Totally disagree, 2) = strongly disagree, 3) = disagree, 4) = neither disagree nor agree, 5)= agree, 6)= strongly agree, 7) = totally agree

* Question	France	America	Japan	China
1 People's skills in making skincare products				
2 People creativity				
3 Personally, I like this country				
4 Products from this country are always in good quality				
5 I get pleasure when using the products from this country				
