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The store image in the Chinese market: An empirical analysis of the communication of the Italian Style in the furniture sector

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前言

这篇论文的目的是调研意大利家具品牌在中国市场的零售环境下怎么传达意大利制造（Made in Italy）。

中国的零售行业很有前途。当前中国算是世界上第二大零售业，仅次于美国。近年来，中国的零售环境发生了很大的变化，尤其是在中国消费行为方面和竞争方面。

从中国消费行为的角度来看，经济改革以来，中国人民的生活品质有了很大的提升比如说他们的收入提高了。这就影响了他们的购买行为。当前由于中国消费者的购买力越来越强，他们开始对西方的产品产生兴趣，而且他们的品味提升了。

从竞争方面来看，现在外国公司去中国投资的数量增加了，所以竞争非常激烈。从二十世纪九十年代开始，由于中国的经济发展得比较快，所以很多外国企业决定到中国投资。在这种情况下，外国企业一方面利用了市场不成熟和低竞争的有利方面来迅速进入中国市场，另一方面他们利用了成熟的品牌销售和良好的品牌质量来获得中国消费者的支持和信赖。虽然目前外国公司在中国市场仍然保持着稳定的高销量，但是他们在面临的压力越来越大。当前在中国市场公司提供的产品大同小异，因此很多公司通过店铺传达品牌形象的方法来提高产品的竞争力。 商店的特点对于消费者的购买意向会有影响。现在商店不仅是传达品牌形象与客户接触的地方，它还传达企业价值的有力媒介。

考虑到店铺的重要性，我论文的主要目的是调研意大利家具公司用什么样的的店铺形象战略来传达产品来源国和品牌国。

这篇论文分三个部分:

一。店铺现象和来源国的概念

二。中国的零售行业

三。实证研究

第一个部分的内容是关于店铺现象的文献以及来源国的理念。从商店现象的角度来看，对于一些作者来说，近几年商店的作用有了一些变化。商店不仅

是品牌和客户接触的地方，而且它成为了一个对消费者有影响的工具。关于这一点，我具体地探索了店铺现象的纬度是什么比如说：商店的氛围、商品、促销、服务等。这些纬度会影响到消费者的购买倾向。 除了店铺现象的文献之外，第一部分的内容还包括来源国的理念和它的历史沿革。1965年Schooler在他的一个实证研究之中提出了来源国这个概念。Schooler 认为，来源国效应指产品的生产国家对消费者的产品评价（或质量判断）、 态度以及购买意图的影响。从来源国理论这一角度来看，产品的设计地、制造地、组装地等基本上都属于一个国家。但是随着经济全球化的发展，一个产品的设计、制造和组装等往往分属于不同的国家。考虑到这个现象，Chao (1993) 提出了产品设计国、产品制造国、产品组装国和品牌国的不同概念。但是本论文的重点只涉及到品牌国。

第二个部分的内容是关于中国的零售行业。根据2017年的报告中国不仅是世界第二大零售行业，而且已经成为世界上最大的电子商务市场，占全球总交易额的40%以上。这篇论文的第二个部分讨论了中国较为重要的几个的零售渠道比如说：超市、百货商店、多品牌商店、专门店。 但是这个部分的重点涉及到旗舰店，单品牌店和数码商店。

第三个部分包括实证的研究。这项研究的目的是调研意大利设计家具公司在中国零售环境下怎么传达意大利制造。换句话说意大利设计家具品牌在他们的商店中用什么战略来转达来源国和品牌国。这个研究，我是从三个部分来分析：

一。 研究的方法

二。 研究的环境

三。 研究的结果

关于研究方法这一点，我使用三个方法来收集一手数据。第一个是店内观察。具体来说，我采用神秘购买手法抽样分析了十三个意大利家具商店对品牌国和产品来源的使用。然后考虑到中国网上零售的增长，第二个方法就是对品牌本土网站的品牌国和来源国使用情况进行分析。最后为了对这个现象进行多

层次的表述， 我对在中国工作的店长进行了采访。

关于研究的环境这一点，我是从三个方面来解释。第一个方面讨论了为什么我选择了中国家具的市场。我选择了这个行业因为近几年中国家具市场有了很大的进步。根据2016年的报告，中国家具产能占全球市场份额的25%，并且成为了世界排名第一的家具生产、消费及出口国。随着中国人收入水平的提高，以及他们对居住环境的逐步重视，消费者对家具的个性化需求与日俱增。随着意大利制造和意大利设计风格被越来越多的中国消费者了解和认可，很多意大利家具公司决定在中国开展商店。关于第二个方面，为了更好的说明意大利制造在中国家具市场的零售环境下的传播情况，我以“艾度维”品牌为实际案例。艾度维是意大利最大的厨房生产的之一。它于1973在特雷维索成立。这家公司目前在欧洲市场被认为是一个成熟的品牌，甚至在世界范围之内，该公司已出口到30多个国家（包括中国）并且在世界各地它拥有超过1120的展厅。第三个方面讨论了为什么我在南京和上海进行这个研究。我选择了南京的原因有两个。第一个是我从2017年9月到2018年1月在南京大学留学了。第二个是现在二线城市的重要性越来越大。关于上海这一点，我选择了这个城市，不仅因为它的家具市场在长江三角洲是最大的，而且因为中国第一线城市的零售环境是最完善的。

这篇论文的第三个部分是关于研究的结果。结果分为三种。第一种是参与性观察的结果。这些结果表明大部分商店使用了品牌国和来源国的因素。他们主要以图表和文字方式使用。第二种结果是从数字商店的分析来的。这些结果表明只有8家商店使用本地网站来进行广告宣传，并提供有关产品和促销的信息。第三种结果是关于我对艾度维店长的采访。通过这个采访，我了解到：公司的中国的经验，公司的店铺现象战略和公司的数字商店。

总之很多专家认为买东西的时候，有一些因素会对消费者的产品评估有影响比如说：价格，品牌，产品的包装等。但是随着全球化进程的不断深入，除了我刚才说的因素之外，产品来源和品牌国在购买产品的过程中也是非常重要的。通过这篇论文我理解到虽然意大利制造对中国人影响很大，但是意大利家

具公司在本次抽样中很少使用来源国和品牌国的因素（尤其是在数字商店）。我认为为了发挥来源国和品牌国这一因素的影响力，意大利经理要注这些方面：

第一是在新兴市场主要是在中国市场品牌国和产品来源可能给外国公司带来很多的优势。据说在那些市场购买一个进口产品不仅是选择一个物品，而且是选择一个生活方式和价值理念。比如说，从中国的角度来看，中国消费者认为国外制造的产品跟成就，威望，高质量有关系。

第二是中国市场的特点和欧洲的完全不一样尤其是在文化方面。这一点也对来源国和品牌国的传达有影响。因此，零售商在中国的经营时，应该以不同的方式来传达意大利的制造。

第三是在中国市场为了利用来源国和品牌国的这一因素的优势，强调产品或品牌的来源是不够的，经理也需要考虑以下几个方面：首先在中国家具市场经营的意大利公司应该加大宣传的力度。虽然这些公司几乎都是中小型企业，这意味着他们的财力有限，但是他们应该考虑广告的影响力，以便达到目标市场并在中国市场创造品牌意识。然后考虑到中国网上零售的持续增长，所有意大利品牌都必须有一个专门的中文网站，以宣传和提供有关产品和促销的信息。所以为了成功地吸引中国消费者，我认为经理要把这些因素考虑进去。

Chapter 1

Store image and country of origin: A literature review

1.1. The role of the store

According to many authors (Cuomo and Cecconi, 2005; Surchi, 2011), the idea of the store has changed over the years. Nowadays, the store not only represents the physical place where products are sold and where brands and consumers get in touch, but it is also used as a privileged communication channel for conveying values (Hu and Checchinato, 2015). Retailers are facing an increasingly competitive marketplace, in many cases products offered by companies are very similar, so the store has become a powerful tool for distinguish themselves and for conveying the identity, the personality and the values of a brand. (Peterson and Balasubramanian, 2002). The new idea of store is a physical space where consumers can immerse themselves in a brand's world, surrounded by colors, shapes, sounds, feelings that allow them to experience what the brand really is. In order to understand how marketers could provide information related to the COO and COB through the store, an explanation of the evolution of the store is needed. The store can be considered in four different ways, as shown in *Figure 1*.

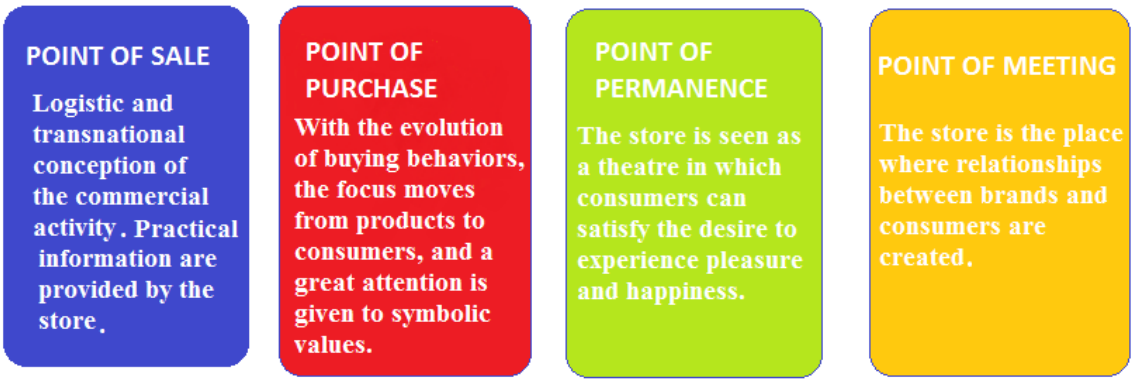

Figure 1

Cuomo,G. and Cecconi, V. (2015), "L'evoluzione del ruolo del punto vendita nel potenziamento delle politiche di branding delle imprese industriali: il caso Bulgari", International Marketing Trends Conference, Paris

First, the store can be considered as a Point of Sale (POS). In this phase consumer buying behavior was influenced by functional values, the store was seen as a source of information related to commercial offers and its main purpose was to achieve sales goals (Cuomo and Cecconi, 2005). As the buying process of consumer started to be influenced by more symbolic values, the store has become a Point of Purchase (POP) and the focus moved from product to clients (Baker, Grewal and Levy, 1992). Then it turned into a Point of Permanence (POP) representing a Point of Meeting (POM) too.

The store becomes a "theatre" in which the consumer live new sensorial experiences (Grewal, Roggeveen and Nordfalt, 2014) and for the first time the consumer is not considered as a passive and rational decision-maker as in the traditional marketing approach. According to Schmitt (1999), a pioneer of the experimental marketing approach, the postmodern consumer is an active individual that buys products not only for satisfying primary needs but also for satisfying the desire to experience pleasure and happiness. In fact, the purposes of the experimental marketing are to involve the consumer offering him an unforgettable experience and to build long-term relationships (Teixeira, 2012).

In this way, the store becomes a place of permanence (POP), where the consumer does not enter exclusively for buying something, but for visiting a place, and a point of meeting (POM) where new relationships are created between consumers and the brand.

1.2. Store Image

1.2.1. A definition of "store image"

Nowadays, the retail environment is changing dramatically. Retailers are facing an increasing global competition and they find it more difficult to distinguish their products only on the base of price or promotion. Consumer buying behavior is changing quickly, now consumer purchases are directed to satisfy what they want and not what they need (Floor, 2006). Consumers have a large number of shopping alternatives to choose from, both offline and online and retailers have to do their best in order to be chosen by consumers.

Managing store image is a competitive advantage that may determine the success of a store. The characteristics of a store are cues that serve to influence the perceived

quality of products and the decisions of consumers. Consumers' evaluation of the store is based on their self-images which are associated with their personality, their identity and their lifestyles. In fact, consumers select a store that has images consistent with their own self-images (Giraldi, 2003). By looking at the attributes of a store, consumers choose which stores fit better their expectations.

Retail companies, in order to remain competitive in the global marketplace, are using the store for building a strong and independent brand identity. The concept of brand identity was introduced for the first time by Kepferer (1986). He defines it as a mixture of tangible elements of a brand (such as color, name, logo and so on) that a company wants to project in the consumer's mind (Floor, 2006).

An important element of brand identity representation is the store image. In marketing literature, the concept of store image is very complex and numerous attempts have been made to define it. Early scholars, such as Martineau (1958) defined it as the way in which the store is represented in the consumer's mind. According to Arons (1961), the store image is a mixture of meanings and relations used by the consumers to distinguish a store from another one. While Lindquist (1974) describes it as a combination of functional and psychological elements that a consumer perceives to be present. However, over the years, many authors have agreed that store image consists of several dimensions. Different store image dimensions have been proposed, and the following section will provide further details regarding these components.

1.2.2. Store image's attributes

Many authors proposed a classification of attributes that form store image. Martineau (1958) classifies store image dimensions into six different components: layout and architecture, symbols and colors, advertising and sales personnel. Lindquist (1974) incorporates and expands Martineau's dimensions including convenience, merchandise, clientele, service, promotion, store atmosphere, institutional factors, post-transaction satisfaction and facilities. Another classification was provided by James, Durand and Dreves (1976) that reduces store image's components to only six dimensions namely assortment, personnel, atmosphere, service, quality and price.

From the above, it is evident that there is not a clear definition of store image and

there is discrepancy regarding the terminology considered for store image's attributes. Van Noordwyk (2008), after a review of the literature, proposes a model of store image, presented in *Figure 2*, as an attempt to overcome the lack of consensus on this topic. Van Noordwyk (2008) defines store image as a very complex construct based on the combinations of tangible (or *hard*) elements and intangible (or *soft*) elements.

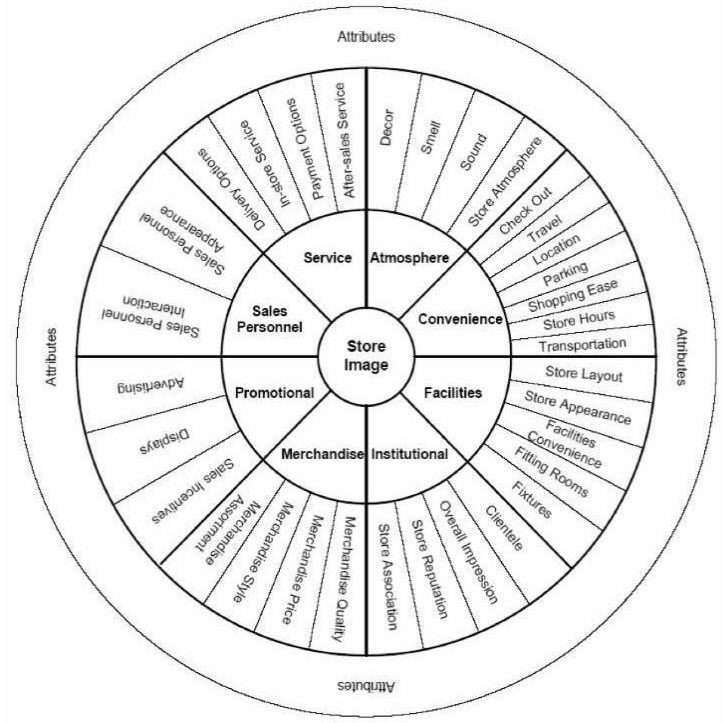

Figure 2

Van Noordwyk, J. (2008), "The development of a scale for the measurement of the perceived importance of the dimensions of apparel store image", Phd, Unpublished Doctoral Thesis, Stellenbosch University

According to Pastore and Vernuccio (2008), tangible (or *hard*) elements represent the physical elements of the store and they are composed of facilities, merchandise, promotion and convenience. Whereas intangible (or *soft*) elements represent those activities created with the purpose to involve the consumer during his shopping experience and they include store atmosphere, institutional, service and entertainment.

Since it proves to be the most comprehensive in store image literature, store image's attributes have been selected in accordance with Van Noordwyk (2008) classification which include: facilities, atmosphere, convenience, merchandise, institutional, promotion, sales personnel and service each of them is characterized by a set of specific

store attributes. Below, the eight dimensions are discussed in detail.

Facilities refer to all physical structures of the store created with the purpose to ease the consumer shopping process (Nevin and Huston, 1980). Previous empirical research (Grace and O'Cass, 2005; Thang and Tan, 2003) has shown that facilities are significant elements that can influence the consumer perception of the store. Consumers tend to select the store on the base of facilities. The more the facilities of a store appeal to the target market, the more the store is favored by consumers. However, the perception of facilities is not the same between consumer segments. As far as the Chinese market is concerned, a research conducted by Wong and Yu (2003) confirm that the perception of facilities between the consumers of first-tier and second-tier cities in China is different. Such research has found out that consumers from second-tier cities typically pay more attention to store's facilities than consumers from first-tier cities (Wong and Yu, 2003).

Recently, many researchers (Miranda, Kónja and Havril., 2005; Siu and Cheung, 2001) focus their attention on the sub dimensions of store facilities which are *store layout, store appearance, facilities convenience, fitting rooms* and *fixtures*. These sub dimensions are explained one by one below:

The *layout* is a strategic issue that must be considered by retailers and it can be internal or external depending on the location. The external layout is composed of several elements such as building signs, neon writing, window displays and so on which appear in front of the store and can stimulate consumers' curiosity (Cornelius, Natter and Faure, 2010). In particular, previous research (Sen, Block and Chandran, 2002) investigated the role of windows displays in increasing consumer engagement and it has been found out that using interactive displays can actually improve consumers' shopping experience and have an impact on consumer engagement. Today, digital displays are becoming very popular among retailers since not only serve to convey information related to the commercial offer, but they can also be used as a way of interaction with consumers (for instance the use of video clips in music stores or bookstores). According to Sen *et al.* (2002), such interactions can help retailers to enhance consumer's confidence and loyalty towards the brand and increasing sales at the same time. Regarding internal layout, Castro, Morales and Nowlis (2013) investigated the effects of internal layout and shelf designs on consumer purchase decisions. Their findings show that a fully stocked shelf and a very ordered environment

can attract and influence consumer's attention (Chandon, Hutchinson, Bradlow and Young, 2009).

The *physical appearance* of a store is used by many consumers as a measure for the evaluation of the store. The more a store has an attractive appearance, the more the brand is considered to be of a superior quality (Richardson, Jain and Dick., 1996). De Klerk and Ampousah (2002) have found out that women decide to enter in a store and to return for further purchase when the external appearance of the store matches their self-images.

Few studies investigated the role of *facilities convenience* and *fitting rooms* within the store. Findings from a study by Paulins and Geistfeld (2003) indicate that consumers tend to favor stores with adequate rest rooms and with adequate space in fitting rooms.

Store *fixtures* facilitate the evaluation of merchandise e.g. hanging versus folded apparel. The materials and colors used in the fixtures influence in different ways the consumer's perception of quality and price. For example, Kerfoot, Davies and Ward (2003) have found out that neutral colors such as beige was associated with the perception of very expensive price, while glass and wood were considered the best materials for presentation.

The second dimension of store image is **atmosphere** which has been defined by Kotler (1973, p. 49) as "a conscious planning of space which is able to affect the sensory experience of customers". Over the years, the concept of store atmosphere gained a growing interest among scholars and now it became a widely adopted retailing strategy. Store atmosphere is considered as the main intangible (or *soft*) element inside the store which affects consumer's emotional condition. Therefore, consumer's sensory experience directly affects the way information will be evaluated. A positive shopping experience enhances consumer's satisfaction and increases consumer preference of that store (Floor, 2006).

However, according to Van Noordwyk (2008), store atmosphere consists of four main sub dimensions: *visual* (or *décor*), *olfactory*, *tactile* and *aural.* An explanation of these sub dimensions is provided as it follows.

The sight is one of the most stimulated senses in communication, because the consumer through visual stimuli receives subjective impulses that can affect his shopping experience, and consequently his purchase decision. Many articles have been

written on this topic, and many researchers agree to consider interior décor as a crucial and controllable factor that contributes to fulfill consumer's expectations. In other words, the *visual* dimension is seen as a strategic variable that must be used by retailers in order to gain a competitive advantage over competitors (Terblanché and Boshoff, 2006).

A good smell not only makes consumers feel comfortable during the shopping experience but it will also increase the estimated spending and time spent in the store (Sway, 2007). The use of *olfacroty* factors is recently gaining a growing popularity among retailers. For instance, Abercrombie & Fitch sprays its own line of men's fragrances on the store and on merchandise in order to convey the real lifestyle of the company described as "a lifestyle full of determination and an adventurous masculine attitude" (Pioli, 2010).

During the shopping process, the *tactile* dimension plays an important role since before taking a decision, the consumer always wants to touch the product.

As far as the *aural* dimension is concerned music represents an essential part of the store, and it should be coherent with the commercial offer proposed inside the store. A good music contributes to create a background that adds value to the product offered (Sullivan and Adcock, 2011). All store atmosphere dimensions contribute to convey the identity of the brand, and they should be consistent with the overall image of the brand in order to influence the emotive status of the consumer. With the advent of scent marketing, the communication has changed. Now there is the need to involve the consumer on a personal level by using factors that can stimulate in his mind emotions, memories and so on (Del Gatto, 2002).

The third dimension of store image is **convenience** and according to Abidi (2012), such dimension has become an essential part of our society given the development of internet facilities. Over the last few years, consumer shopping habits have changed dramatically. The modern consumer spends more time at work, he rarely has time to spent shopping and he prefers to buy products in digital store. Hyllegard, Eckman, Descals and Borja (2005), however, found out that the preference for convenience differed by age. For older consumers (aged 56-88) convenience is not essential because they are less busy and they usually spend more time shopping. Instead, convenience has the strongest influence on younger consumer (in the age groups 18-24, 25-36, and 37-

55). According to Van Noordwyk (2008), the main elements that form convenience are *store hours, transportation, location, parking, travelling time, check out* and *shopping ease*, and all of them influence the consumer store choice.

As mentioned previously, Hyllegars *et al.* (2005) have found out that young consumers ask for extended *opening hours* as they do not have time to spend shopping in day time, whereas older consumers do not have the same necessity. Furthermore, from Thang and Tan (2003)'s research emerges that *transportation, location, travelling time, shopping ease and parking* represent a crucial part of convenience and they can determine the success or the failure of a store. Their findings show that the more a store is accessible, the bigger are parking areas, the smaller is the travelling time to reach that place and the more consumers will choose and remain loyal to that store.

Check out is another important factor that can influence consumer's store preference. For instance, Bielen and Demoulin (2007) have investigated the waiting time inside the store and their results show that the waiting time affects the level of satisfaction of consumer. The modern consumer has a wide range of shopping alternatives to satisfy his need of convenience e.g. store, internet retailing and so on. Therefore, retailers should consider the above-mentioned sub dimensions of convenience in their marketing strategies since they are able to influence consumer store preference, consumer satisfaction and consequently the success of the store (Goldsmith and Flynn, 2005).

According to Van Noordwyk (2008), the fourth dimension consists of **merchandise**. Nowadays, more and more sources of information are available and the modern consumer has become an expert of products. He spends lot of time evaluating product alternatives and his demand for merchandise is much more complex and sophisticated than it was in the past (Morrison, 2006). The elements of merchandise included in this study are: *merchandise assortment, merchandise quality* and *merchandise price*.

According to some researchers (Floor, 2006; Miranda *et al.*, 2005), *merchandise assortment* has a direct impact on consumer attitude, and an indirect influence on store satisfaction. Moreover, it has been demonstrated that offering high quality national brands contributes to improve the consumer's perception of the overall store image. In fact, consumer's perception of the assortment tends to be distorted if there are favored and/or national brand within an assortment.

As far as quality product is concerned, Vescovi (2015), Verma and Gupta (2004)

investigated two important relationships. Vescovi (2015) investigated the importance of quality-quantity relationship in the Chinese market and his findings show that in China the concept of quality is strictly linked with the concept of quantity. In fact, Chinese consumers think that the bigger is the dimension of the product and the better is its quality. Whereas Verma and Gupta (2004) have investigated price-quality relationship within Indian market. Results confirm that price is used by Indian consumers as measure for judging the quality of a product. In other words, consumers consider a product to be of a high quality on the base of its price. Furthermore, consumers are very price sensitive and the *price of merchandise* significantly affects consumer's shopping choices among different store types (Moore and Carpenter, 2006).

The **institutional** dimension contributes to convey the overall impression of the corporate identity, which adds a value on the consumer's shopping experience. Van Noordwyk (2008) defines institutional as an important component of store image and it consists of: *store reputation, store association, clientele* and *overall impression*. The attributes that deserve further explanations are: store reputation and clientele.

Retailers' reputation builds a brand name which is a crucial characteristic for attracting consumers. In fact, consumers tend to use the *reputation* of the store as a measure of product quality, especially in brand absent situations. For example, in grocery shops there are many products such as vegetables, fruit and meat that are brand absent. In such situation, if the reputation of the store perceived by consumer is positive, those products will be considered to be of high quality (Bell, 1999).

Clientele plays a significant role in distinguish store-based retailing from digital retailing. During the shopping experience, consumers have the chance to interact and share information with sales assistants, whereas this is not possible when consumers buy products from digital stores (Bell, 1999).

The sixth store image dimension proposed by Van Noordwyk (2008) is **promotion**. In an era of increasingly competitive marketplace, such dimension is gaining a growing interest among retailers who need to distinguish themselves, attract and keep loyal customers (Andrews and Shimp, 2013). According to many authors (Calder and Malthouse, 2005; Madhavaram, Badrinayaran and McDonald, 2005), the promotional dimension has a significant influence on consumers' shopping decisions and it acts as a strategic marketing factor that communicates retail brand. It includes: *advertising, sales*

incentives and retail displays.

Advertising is the most fashionable part of communication created with the purpose to persuade consumers to buy some specific service or product. Nowadays, marketers create attractive and innovative form of ads using new technologies such as mobile phones, Internet, emails and so on. As a result, consumers are constantly exposed to a large number of advertising messages that affect their purchase decisions (Arens, W., Weigold and Arens, C. 2007).

Sales incentives are created with the purpose of encourage the consumer to buy that specific product. From the consumer point of view sales incentives are view as perceivable advantage and an unrepeatable opportunity that exists only for a limited period of time. Whereas, from the seller point of view sales incentives are view as a way to increase the volume of sale (Hopewell, 2008).

As it has been previously said, *retail displays* are strategic predictors at the entrance of the store which not only convey information about sales and promotions but they can also have an impact on consumer engagement (Sen *et al.,* 2002). Consumers are positively influenced by store graphics displayed both inside and outside the store. From a research conducted by Sen *et al.* (2002) emerges that consumers have a favorable attitude towards the store environment when they are surrounded by many social cues. Therefore, retailers should create interactive window displays able to grab consumers' attention and to ensure store entry (Sen *et al.,* 2002).

In the new retail environment, consumers use several channels (both online and offline) to purchase merchandise. In such circumstance, **sales personnel** play a significant role in differentiating store-based retailing from digital retailing. By considering the sales personnel dimension, there are two important sub dimensions that need to be discussed. The first one is the *interaction* with the client. Sales personnel are vital resource since they communicate to consumers the integrated marketing communication strategy, adding a value on the overall shopping experience (Calder and Malthouse, 2005; Madhavaram *et al.,* 2005). The second important sub dimension is *sales personnel's appearance*. It has been demonstrated that the physical appearance of sales personnel has an impact on the store image. Findings show that consumer are more likely to listen sales personnel advice, buy products and return for further purchases when the appearance of sales personnel is close to their self-image (Klassen,

Clayson, and Jasper, 1996).

Van Noordwyk (2008) considers **service** as a crucial dimension of store image since it influences the consumers' evaluation of the store. Consumers have different service expectations depending on the type of store. For example, they have low expectations when they enter in a discount store, but they expect very high level of service when they go at department stores (Lee and Johnson, 1997). According to Van Noordwyk (2008), service dimension consists of: *delivery options, in-store service, payment options* and *after-sales service*. A consumer that receives good services (both during the shopping experience and after the purchase) will have a more positive perception which promotes customer loyalty and repeat visits (Thang and Tan, 2003).

However, for the purpose of this study store image attributes have been decided in accordance with the framework developed by Hu and Checchinato (2015) since it proves to be the only empirical research that has investigated the communication of the COO and the COB of Italian firms thought the store (both physical and digital ones) in China. Previous studies on this topic (Hamzaoui and Merunka, 2006; Olson, 1972; Papadopoulos and Heslop, 1993; Samiee, 2011; Scholer, 1965; Usunier, 2011; Verlegh and Steenkamp, 1999) have investigated the country of origin and the country of brand effects focusing only on the consumer perspective, overlooking how these cues were conveyed through the store. In order to overcome the literature gap on COO and COB within the retail environment, Hu and Checchinato (2015) developed a framework (presented in Chapter 3) and they conducted an exploratory analysis with the purpose to investigate effective use of COB and COO within fashion stores in China. From the analysis, it emerges that the use of COB among Italian physical stores and online platforms is marginal and only 30% of the sample use the COB as a cue information (Hu and Checchinato, 2015).

1.3. Country of origin

1.3.1. *Country of origin effect*

In recent years, the growth of foreign direct investments in the international scenario and the consequently increase of global market competition induced many researchers to investigate the concept of country of origin and its effects on consumer's product

evaluation (Checchinato, Disegna and Vescovi, 2012). Generally, during the purchase phase, consumer's evaluation of the product is influenced by price, brand name, packaging etc. However, with the expansion of globalization, the image of the product's country of origin serves as a halo to evaluate the attributes of a product, and it has been shown to influence positively or negatively the consumers' perception of the product (Ahmed and D'Astous, 2004).

Papadopoulos and Heslop (1993) defined the country of origin (COO) as an extrinsic characteristic of a product that is able to influence consumers' product perception by stimulating associations between products and the country where they were originated. In new emerging markets, the country of origin effect determines a competitive advantage for foreign companies since imported products are mostly associated with social values. For instance, in China, where social status is extremely important, Chinese consumers tend to associate western brands with symbolic benefits such as success, sophistication, prestige and modernity (Zhou and Hui, 2003).

Since the purpose of this study is to investigate how Italian brands communicate the country of origin (COO) and the country of brand (COB) through the store, a review of the country of origin literature is fundamental. The following section, by using a chronological approach, will provide a review of the literature which has been divided into two main periods. In the first period (from 1965 to 1982) researchers conducted empirical analyses with the purpose of demonstrating the existence of a country origin effect (COOE) on consumers' behavior. Such analyses were conducted through a single clue approach since researchers focused only on the effects that country of origin has on consumer's behavior, without considering other variables that influence the consumer during the purchase phase. In the second period (from 1983 onwards) scholars pointed out several limitations regarding the simplistic approach used in the previous studies. According to many researchers, during the purchase phase consumer's decisions are influenced by a large number of variables and they introduced a multi cue approach which considers not only the effects of the country of origin on consumer's behavior but it also takes into consideration many other factors (quality, price, brand name etc.).

1.3.2. Single clue approach: from 1965 to 1982

Schooler is unanimously considered to be the inventor of the theory of country of origin effect. In 1965, Schooler conducted a research in Guatemala with the purpose to define the existence of a country origin effect on consumers' buying decisions. He asked to 200 students to evaluate the quality of two identical products but with different labels containing the name of the country where they were originated. Findings supported Schooler's hypothesis of the existence of a country origin on consumers' evaluation of products. Students evaluated positively Mexican and national products, while products from Costa Rica and El Salvador, because of the existence of conflicts between those countries and Guatemala, were evaluated in a negative way.

Since Schooler (1965)'s study was published, the concept of country of origin has gained a growing interest among scholars. Reierson (1966) investigated the existence of stereotypes among consumers that influence their evaluation of products and he found out that consumers during the purchase phase are influenced by a large number of stereotypes and in many cases they prefer national products instead of foreign ones. However, the crucial turning point has arrived from the Japanese Nagashima who introduced a new type of approach to this theory. According to Nagashima (1970), the *Made in* represents a picture that consumers associate to a specific context and historical moment, therefore the effects of country of origin are dynamic and they change over time. All studies mentioned above have been conducted through a single clue approach.

Scholars, from Schooler onwards, investigated such phenomenon by focusing only on the effect that the country of origin has on consumers' behaviors and they ignored many other variables such as reputation of the brand price, functional features of the product and so on. Bilkey and Nes (1982) after a review of the COO effect literature, pointed out several limitations. Even though the two scholars agreed with previous scholars to establish that the country of origin has effects on the evaluation of products, no one has been able to determine the intensity of such. The two scholars criticized the simplistic approach used, since the country of origin was the only information provided to interviewed. As a result, they enlarged the list of variables that influence consumers' buying intentions, by adding the intrinsic characteristics of product such as quality and price. In addition, according to them, a second limitation of previous research was that

when consumers evaluated products they did not have real and tangible products in front of them but they based their considerations only on intangible descriptions.

1.3.3. Multi-clue approach: from 1983 onwards

Bilkey and Nes (1982) inaugurated a new phase of the COOE literature introducing a multi clue approach. A first contribution in this direction comes from Johansson, Douglas, and Nonaka. (1985). They introduce thirteen products attributes focusing on the influence that price has on the perception of the quality of products. Results show that with the increase of the number of product attributes, the influence of the country of origin on consumer's behavior reduces. Etterson, Wagner and Gaeth (1988) reach the same conclusion of Johansson *et al.* (1985) and they affirm that attributes such as price and quality affect more than country of origin the consumer's evaluation of products.

According to some specific data, in single-clue studies the 30% of the consumer's evaluation of product was influenced by the country of origin, whereas, in multi-clue studies it reduced to 16% (Peterson, Robert, Jolibert and Alain, 1995).

With regard to the internal structure of the country of origin, Obermiller and Spangenberg (1989) argue that it is characterized by three dimensions: *cognitive dimension, emotional dimension and conative or normative dimension*. The *cognitive dimension* refers to individuals' opinions, impressions, associations and stereotypes perceived about a specific country. The *emotional dimension* refers to individuals' feelings and emotions that a country can stimulate to consumers. Lastly, the *normative or conative dimension* includes consumers' behavioral intensions to purchase a product manufactured in one country rather than another one (Roth and Diamantopoulos, 2009). Such dimension occurs between the evaluation of the product and the buying intention because it affects consumer's buying decisions without influencing the overall evaluation of the product. For instance, an Italian consumer evaluates positively a Chinese car, and he does not have negative stereotypes towards that country, but anyway he chose to buy an Italian car because of the existence of rules that say "buy Italian". However, the way and the extent to which these three dimensions act on buying behaviors vary according to the consumer and whether he is familiar with the product (Bloemer, Brijis, and Kasper, 2009). In fact, Obermiller and Spangenberg (1989) affirm

that if the consumer is not familiar with a foreign product, he will use his general knowledge about that country in order to evaluate the attributes of the product. Whereas, if the consumer is familiar with a product, in terms of brand, then, he will use the country of origin as a measure for evaluating that good. From the foregoing, it is clear that there are two effects relating to the COO namely *halo effect*, and *summary effect*. The *halo effect*, occurs when individuals are not familiar with the products of that country and in order to evaluate it they create a generic image of that country based on cultural, social and political considerations (Han, 2001). Instead, the *summary effect* occurs when the consumer has already experienced with products from that country, and through such experiences he is able to give a personal evaluation (Bloemer *et al.*, 2009).

1.3.4. The evolution of the COO theory

Cross-border expansion and new production strategies (e.g. multination production) have led to a fragmentation of the business activities in different countries, and it has consequently complicated the traditional theory of COO (Nielsen, 2016). Nowadays, products are *hybrid* (or bi-national) which means that they are designed in one country and manufactured in another one, therefore, it is no longer easy for consumers to understand the real origin of the products they buy (Hu and Checchinato, 2015).

Nowadays, some local brands are actually manufactured abroad, while some global brands are perceived by consumers to be local as they have been present in local markets so long (Samiee, 2011; Usunier, 2011). The country of origin theory that typically assumes that the production and the design of a product occur in the same country, has evolved into a multidimension construct (Chao, 1993).

Scholars identified several limitations of COO literature and the focus of their studies has shift from country of origin to country of brand (Samiee, 2011; Usunier, 2011). Chao (1993) proposed a decomposition of the COO concept into three main dimensions: country of manufacture (COM), country of design (COD) and country of brand (COB). In general, the country of manufacture is the place where the product is assembled, the country of design is the country were the product is engineered, and the country of brand is the place where the brand has its origins.

It has been chosen to focus the current study only on the country of brand (COB)

since consumers tend to focus on the origin of the brand rather than on country of manufacture or country of design. In order to understand how Italian companies convey the origin of the brand through the store, it is important to start with a literature review of this topic.

1.4. Country of brand

1.4.1. Country of brand concept

Country of brand is typically defined as "the place to which the brand is perceived to belong by consumers" (Thakor, 1996, p. 70). Nowadays, the retail landscape is more and more crowded and brand origin can be considered as a strategic differentiator among brands. From the Nielsen Global-Brand Survey (illustrated in *Figure 3*) has emerged that almost 75% of consumers interviewed consider brand origin more important than other purchasing factors such as price, quality and packaging (Nielsen, 2016).

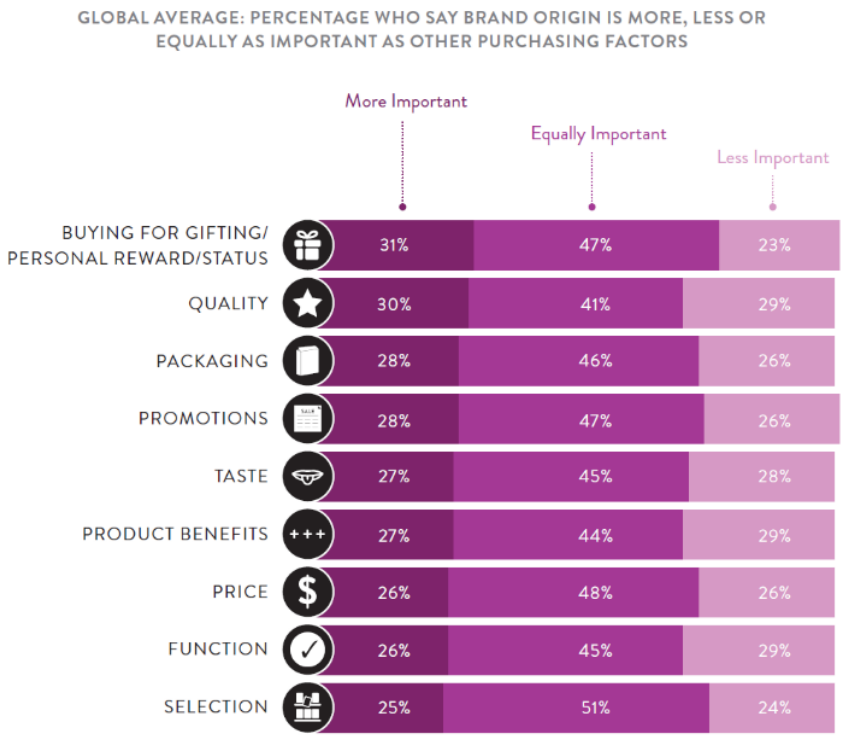

Figure 3

Nielsen Global-Brand Survey (2016), available at http://www.nielsen.com/eg/en/reports/2016/made-in-which-country.html (accessed on 11/09/2017)

More specifically, in Asia-Pacific almost 33% of interviewed consider brand origin more important than other factors. In contrast, European and North American respondents (35% and 32%, respectively) consider the origin of the brand less important than other purchasing factors (Nielsen, 2016).

However, the increasing cross boarder expansion of companies and the multination production of products is challenging the real importance of the country of origin. In a global marketplace, it is becoming more and more difficult for retailer to rely only on the country of origin, and as a result, they are shifting their attention to country of brand (Hu and Checchinato, 2015). The country of brand is gaining popularity among retailers since it might determine a competitive advantage for both multinational and local companies as it can influence consumers' shopping decisions.

Many marketing managers consider the country of brand as a strategic tool for enhancing the overall brand image, since according to them brand is much more visible than *Made in* labels and associations between the brand and the country require less learning efforts for the consumer. The origin of the brand, in fact, produces in the consumer's mind associations with the country itself that affect the consumer's perception of that specific brand. In addition, the process through which the brand name evokes its origin is complex and it includes several aspects such as the name of the brand, visual elements etc. (Vescovi, 2007).

The name of the brand is the first evidence perceived by consumers. For instance, the brand name of pasta sauce Dolmio evokes a positive Italian origin to a non-Italian consumer. Then, another important aspect for conveying the origin of the brand are visual elements. According to Insch and Florek (2009), Italian companies very often use the packaging of the product in order to stimulate the country of brand including common and simple elements such as flags, colors or iconic objects that remind to consumers the country where the product is originated. However, in a culturally distant market as China, these iconic elements might not have the same effect of enhancing the brand recognition.

Moreover, the origin of the brand can be strengthened through traditional communication channels such as advertising, the layout of the store and the presence of celebrities as product endorsement. An example of brand that embodies this concept is the Spanish brand Massimo Dutti which is perceived by consumers as an Italian brand

because of the name, and therefore it is positively associated with Italian fashion. Probably the perception of the brand would not be the same, if the name of the brand was a Spanish name. This type of association is defined by Vescovi (2007) as country sound branding (CSB). The CSB is a phenomenon that has the purpose of recalling in the consumer's mind an image of COO which is not real but it is positive for accepting a company's offer. Since the focus of this thesis is to investigate how Italian companies convey the Italian lifestyle through the store in China, the following part will be devoted to explain the phenomenon of Italian sound brand with a focus on Chinese market.

1.4.2. Italian Sound Branding

The Italian Sound Branding is a phenomenon that has the purpose of recalling in the consumer's mind an image of Italy, which cannot be real, but it can influence positively the consumer's perception of brand equity. The effectiveness of such phenomenon is due to the success of "Made in Italy" in the global scenario. In fact, "Made in Italy" always represents a certificate of guarantee for the high quality of its products, the professionalism of the artisans and the right equilibrium between tradition and innovation (Ahmed and D'Astorus, 2004; Manrai, Rick and Ajay, 1998).

In the current international market, the Italian sound branding is becoming a widespread phenomenon. Numerous consumers are attracted by Italian products and many global companies are jumping this business opportunity by giving to their products or services Italian-sounding names only for the purpose to benefit from the positive associations that consumers have with Made in Italy (Bertoli, Busacca and Molteni, 2005). For instance, the well-known American coffeehouse chain Starbucks gave to his products Italian-sounding names such as Cappuccino, Latte Macchiato, Espresso in order to recall in consumer's mind a positive image of the Italian coffee tradition (Vescovi, 2015).

In new and emerging markets, consumers are not educated about brands and their knowledge about product's country of origin is often confused. As far as the Chinese market is concerned, Chinese consumers have a limited knowledge about Italy and one of the reasons of this lack is the cultural distance (Vescovi, 2015). For an average Chinese consumer is almost impossible to distinguish an Italian sound brand from a

French one. In fact, the cultural distance between these two countries is so huge that the sounds and the characters of the Italian brands appear to the ears and the eyes of the Chinese consumer as "Western". Hu, Checchinato and Vescovi (2013) have conducted several studies on this topic and they have found out that there is a funnel perception where first a world-wide origin (West) is perceived, then, through a learning process such perception improves and a sub-area origin is perceived (Europe). Lastly, only after a repeat process of experience, study and understanding it is possible to identify specific country area (Italy).

Chapter 2

Retail channels in China and Italian companies

2.1 Retailing in China

2.1.1 Overview

China's retail industry is the most promising field in business and the fastest growing market in the world (World Bank, 2017). China's gross domestic product (GDP) reached 11.2$ billion in 2016 and according to World Bank's data (2017), the combination of merchandise to GDP reached 32.9 % in that year. Currently China is considered to be the second biggest retail market in the world after the US and according to eMarketer's forecasts (2016), it will surpass the US and it will become the world's undisputed leader in such market by the end of 2017. As *Figure 1* shows China's total retail sales (excluding travel and tickets) have increased by 13% in 2016 reaching a total of $4.88 trillion, whereas US' retail sales growth was slower and increased by 2.6% reaching a total of $4.83 trillion. In addition, the marketing firm forecasts that the gap between China and US's total retail sales is expected to widen over the next five years. Total retail sales of China are expected to reach $7.08 trillion in 2020, compared with 5.47$ trillion in the US (eMarketer, 2017).

Figure 1

eMarketer (2016), "China Eclipses the US to Become the World's Largest Retail Market", available at https://www.emarketer.com/Article/China-Eclipses-US-Become-Worlds-Largest-Retail-Market/1014364 (accessed on 9/08/2017)

According to Petermans (2017), an increasing proportion of retail sales in China is attributed to digital stores. Today China is considered the world's largest ecommerce market and about 11% of total retail sales of Chinese consumers were generated through online shopping in 2016.

According to the report published by Euromonitor International (2016), an important driver of the growth of Chinese retailing is the increase in Chinese consumers' disposable income which has deeply affected their shopping habits. A Chinese urban employee earns $7884,82 a year, and a normal urban household disposable income is $4257,8. According to the data provided by the National Bureau of Statistics (2016), Chinese urban employees' incomes are fivefold higher compared to 2000. With the improvement of China's living standards and with the increase in consumer's purchasing power, people are more and more willing to demand high quality and imported brand products (Bianchini and Parent, 2008). In order to satisfy these requests, more and more foreign products are introduced in Chinese stores and in order to grab consumers' attention foreign retailers are improving their presence in Chinese digital stores, given the increasing relevance of e-commerce in recent years (Bianchini and Parent, 2008). For example, in 2014 Costco (the largest American warehouse firm) collaborated with Tmall.com in order to expand its presence in online platforms (Euromonitor International, 2016).

2.1.2. Historical development of retailing in China

Retail industry in China has undergone several changes over the past two decades. In order to better understand the dynamics and trends of the modern retail market in China, a brief review of the history of Chinese retailing after the establishment of People's Republic of China (1949) is provided as it follows. After 1949, China's retail market history can be divided into two main phases: the first phase from 1949 to 1978 and second phase from 1979 onwards.

In the first phase China was characterized by a centrally planned economy, in which the government had a direct control over the domestic production and international trade (Naughton, 1995). In that period, there were no private enterprises and the State Planning Commission was responsible for setting production goals for Chinese

factories. Chinese government's primary goal was to satisfy essential needs of the majority of population, so production preference was given to food, clothes etc. In addition, due to product shortages consumers were given coupons with which they could buy products, therefore the state decided how much of each product could be purchased by consumers and at what price (Naughton, 1995). As a result, consumers were not free to buy what they want, and the state could control the production of goods (Yeung, 2003).

The second phase of the modern retail history started at the end of the 70's. With the "open door" policy launched by Deng Xiaoping in 1978, China moved from a centrally planned economy to a market-based economy, in which decisions about investment, distribution and production are taken on the base of supply and demand (Samarani, 2004). China's open door policy has brought many changes to the retail industry. Retail system moved from single stores to chain stores, retailers became really market players, price could be negotiated, shopping coupons were abandoned in the 90's and consumers became free to choose what to buy (Li, 2003). China's retail market not only has benefit from the rapid economic growth of the country, but also from international trade activities.

The growth of the retail market in China was positively affected by the reduction of Foreign Direct Investment's (FDI) barriers and the development of "equity" joint venture through which foreign companies can invest in China. An Equity Joint Venture is typically defined as "a limited liability company created by one or more foreign companies and one or more Chinese enterprises" (Cavalieri, 2008, p.71). Since Deng Xiaoping opened country's door to the world, China has attracted a large amount of foreign capital and in 2003 it became the biggest recipient of FDI (Petermans, 2017). The increasing internationalization of Chinese economy has led the authorities to reduce the influence on foreign business activities in China and the international trade environment was further improved with the entry of China in to the WTO in 2001. By signing the WTO agreement, China's trade regime has been liberalized. For example, formal restrictions on foreign retail companies were removed and in the early 2000's foreign companies were given the right to set up *Wholly Foreign Owned Enterprise* (WFOE), which means that they were no longer required to have a local partner during their business activities in China (Zhang, 2005). From a research

conducted by Chen (2007) regarding FDI flows in China, emerges that the total amount of FDI in retailing and wholesaling from 1979 to 2000 increased by 19.2%. After China's WTO membership FDI flows increased faster, from $13.90 billion in 2001 reached $15.1 billion in 2005 (Chen, 2007).

Since the purpose of this study is to investigate how Italian companies use their stores for conveying the COO and COB in the Chinese market, a focus on the current situation of Italian companies operating in China is provided. According to the latest report of Italy-China Foundation (2016), the number of Italian companies operating in China at the end of 2016 was 3850 (Hong Kong included) and they are mainly concentrated in the east area of the country. In 2000's, due to maturing markets, many Italian retailers in the automotive and apparel sector started to evaluate promising investment opportunities in East Asia, and China has become a strategic market for them (Gielens and Dekimpe, 2001). As a result, competition became more and more intensive.

2.1.3. City-tier system

It is true that China represents a big market full of business opportunities for Italian companies, but the fragmented and complex nature of the market place cannot be underestimate. China cannot be viewed as one uniform and homogeneous market but it should be considered as a collection of many markets (Casaburi, 2008; Madden 2007; Rayburn and Conrad, 2004). There is a great disparity between different provinces in terms of per capita GDP, consumer buying habits, education levels, languages used and lifestyle and such internal differences directly affect China's retail market. Before entering in China, Italian companies should consider such differences and according to them they should select which region and city to target.

Generally, the development of China varies across its regions and in order to overcome such differences, marketers elaborated a new system called *city tiers* which consists of ranking Chinese cities according to the level of GDP, population, infrastructures and consumers' disposable income (Madden, 2007). There is not a fixed classification of those cities, but it varies depending on company's goals. For example Anta, a Chinese sportswear brand, divides Chinese cities into ten tiers according to the

price of real estate for its store (Madden, 2007). However, the typical classification consists of three main tiers. First tier cities include the most developed cities of the country such as Beijing, Shanghai, Shenzhen and Guangzhou and they represent the center of the economic, cultural and political activity of the country.

Italian companies are very attracted by the potential of those cities since they have the highest level of income, highest population base, the largest GDP base and consumers are more educated and sophisticated than in second and third city tiers. *(*Chevalier and Lu, 2009). According to the data collected by the Italian Institute for Foreign Trade (ICE) in 2015, about 78% of Italian companies in China operates in municipality of Shanghai. However, today the retail market in such big cities is matured due to the intensification of market competition. As a result, many Italian retail companies started to move towards second and third tier cities. Those emerging cities because of lower labor costs, lower market competition and increasing consumer buying habits have become increasingly attractive for Italian investments (Vianelli, De Luca and Pegan 2012).

2.2. The role of store in the Chinese market

In order to understand the key role of retailing in China, it is also necessary to analyze the importance of the point of sale in the Chinese market. Vescovi (2015) defines emerging markets, such as China, as "not acquainted markets", which means that the level of consumer knowledge is not sufficient to understand and evaluate correctly quality product differences. In such markets consumers are not educated about brands and the store becomes a tangible proof of the strength of the brand and it can influence consumes buying decisions (Hu *et al.*, 2013).

According to Hu *et al.* (2013), the store has a direct impact on consumers purchases for example Chinese consumers are used to buy products on the shelves or listen sales assistant advices. The importance of the store in the Chinese market can also be attributed to its history. During the Cultural Revolution (1966-1976), advertising was seen as a "symbol of capitalism" and it was officially banned until 1978 (Lupano, 2017). In addition, from 1960's to 1980's China was a centrally planned economy and this has deeply affected the overall retail system (Siebers and Qixun, 2011). Domestic

production was strictly controlled by the Chinese government and retailers were not autonomous. After the production, products were distributed by the Ministry of Commerce Central Distribution to consumers through state-owned retailing systems (Siebers and Qixun, 2011). The economic reforms launched by Deng Xiaoping in the early 1978 transformed the overall retail environment. In those years, new retail formats were introduced, market competition was intensified and the store loyalty, which is defined as the consumer's loyalty towards a specific point of sale, among Chinese consumers sharply increased (Schmitt, 1999).

Today the store represents the place where consumers complete their purchase decisions and marketers use it for building brand awareness, developing brand image and gaining premium positioning (Checchinato, 2011). For this reason, the store should be considered as a strategic marketing tool (especially in the case of flagship store) and its importance cannot be underestimate. The saturation of markets and the similarity of products offered to consumers has led retail companies to invest lots of resources in order to make their store unique (Fabris, 2003).

Nowadays, the store is not simply seen as a place where consumers can purchase products, but it acquired an important meaning. Riztel (1990) describes this phenomenon with the concept of *retailment* which comes from the combination of *retail* and *entertainment*. With this concept Ritzel wants to describe the synergy between in-store activities that allow the purchase phase to become a captivating and leisure moment for the consumer. When Chinese consumer enters in a store, he expects to be projected into a parallel reality which makes the purchase phase unique and impossible to repeat in other contexts (Fabris, 2003). If in the past, the consumer was considered to be completely rational and passive during the purchase phase and the store was simply seen as a place where he can satisfy his needs, now the consumer is an expert, he wants to be involved in the purchase phase and the store becomes a strategic communicative channel (Grewal *et al*., 2014).

2.3. Main retail channels

China's retail market is approaching a tipping point. Chinese consumers' increasing demands for high quality and innovative products and this together with the growing

relevance of online sales have created several challenges for traditional retailers. Most players are developing online-to-offline (O2O) initiatives in order to ensure the integration of all channels.

The increasing costs of rents and wages has forced a large number of retailers to close their stores due to their unprofitable performances and new retail formats have been introduced. In addition, the growth of Chinese consumers' purchasing power and the improvement in living standard attracted many foreign retailers to invest in such market (Bianchini and Parent, 2008).

For foreign companies operating in China, retailing represents a crucial aspect as it is very different compared to the retail market in their home country. Italian firms operating in the Chinese retail industry are facing several difficulties such the lack of reliable marketing infrastructures and the fragmented nature of the overall retail environment (Pellegrini, 2005). The following section explains the main retail channel which currently dominate the Chinese market.

2.3.1. Supermarket

First *supermarket chains* (Lianhua, Hualian and Nong-Gong-Shang) appear in the biggest cities such as Beijing, Shanghai and Guangzhou after the launch of economic reforms by Deng Xiaoping in 1978 (Kinsey and Xue, 2005). At the beginning supermarkets in China were typically seen as stores with a wide range of expensive foreign packaged products. Products were considered luxury or at least specialty items and therefore, such places were frequented only for special occasions by urban consumers, whereas low income consumers such as rural ones would probably never shop there (German, Wu and Chai., 1996).

The idea of supermarket has changed over the years and now it is commonly seen as a place where the average Chinese consumer purchase goods. According to some recent data (National Bureau of Statistics of China, 2017), there are more than 8580 supermarkets in China, and total retail sales reached 4962.9 yuan in 2016.

Since 1991, foreign companies have been allowed to open supermarkets through the establishment of Joint Venture. For instance, Carrefour (*Figure 2*) and Wal- Mart opened in 1995-96 respectively by taking on local partners because at that time 51% of

Chinese ownership was mandatory (Miller, 2011). Only in 2004, after a couple of years from China's WTO membership, foreign companies have been allowed to invest in the supermarket sector through wholly foreign owned enterprise (Zhang, 2005).

Figure 2

Daxue Consulting (2016), "Carrefour in China", available at http://daxueconsulting.com/carrefour-in-china-marketing-strategies/ (accessed on 16/08/2017)

As far as Italian companies are concerned, a very recent example is Conad, the second largest retailer chain in Italy which opened five stores in Shanghai, Jiangsu, Zhenjiang and other provinces (Pomati, 2015). Today, Chinese consumers have recently started to appreciate Italian food and wine and the entry of Conad in the Chinese market coincides with the growth of Chinese consumers' disposable incomes and with the consequently improvement of living standards (Pomati, 2015).

Domestic and foreign retailers do not operate in the same way. On one hand, most domestic players including Wuhan Wushang Group, Dalian Dashang Group and Shandong Yinzuo Group tend to focus on regional markets, paying lot of attention on internal differences within the country. On the other hand, most foreign players tend to use a national approach ignoring such internal differences (Haas, 2014). If a particular business model or strategy is successful in one region, it does not mean that it will have the same result in another context. For example, in big cities such as Beijing or Shanghai people usually use tube trains or their own cars when going shopping in supermarkets, therefore retailers may not need to create parking areas for bicycles.

While in North regions such as in Shenyang, there are no tube trains and cars are not very common, therefore retailers need to provide parking area for bicycles.

The commercial offer may differ also in terms of consumers' taste for example people from Southwest China like spicy food while those from South China prefer sweet food (Siebers and Qixun, 2011). So, foreign players operating in Chinese supermarket sector should diversify their commercial offers according to the Chinese consumers' habits and tastes which may vary from region to region (Siebers and Qixun, 2011).

However, with the rise of online purchases, traditional retailers have been threatened. According to the report published by the marketing research company Fung Business Intelligence (2015), several existing supermarkets are facing sales slowdown and the number of store openings has felt from 11% in 2008 to 4% in 2014. Approximately 178 supermarkets closed in 2014 and the causes can be attribute to the increasing popularity of ecommerce, weak profits, poor management and increasing expenditures (wages, rent, electricity and water costs) (Fung Business Intelligence Group, 2015). In this new retail environment, embracing new retail formats that imply the integration of digital technologies into the shopping experience seems to be the key to success. For instance, Yonghui Superstore which has approximately 500 supermarkets in China, has been forced to open its first experimental store called *Super Species* in Fuzhou in January 2017 in order to combat the intensification of online competition (Shi Jing, 2017). The new store, with an area of 5,000 square meters, promotes the use of advanced technological devices such as electronic shelf labels, integrated online platforms, free wi-fi within the store, mobile payment etc. (Shi Jing, 2017).

2.3.2. Department stores

The second popular retail channels in China are d*epartment stores* introduced in the era of centrally planned economy. Such stores were created with the purpose of serving as the main point of distribution for manufactured goods. Currently, such sector has entered a deep-water zone of business changes and it has reached a breaking point in 2016 (Fung Business Intelligent Group, 2017). From a survey conducted from

November to December 2016 by Fung Business Intelligence Group (2017) emerges that more than a half of sampled department stores (55.3%) faced a slowdown in sales due to increasing operational costs, decreasing profitability and changes in consumer buying behaviors and many retailers have been forced to close their stores. The number of the department stores closed in 2016 is bigger compared to the previous year. For instance, the UK retailer Marks & Spencer (*Figure 3*) has shut down all its 10 stores in mainland China this year due to huge losses and low brand awareness among Chinese consumer (Connor, 2017).

Figure 3

Connor, N. (2017), "Marks and Spencer pulls out of China's high street - the world's biggest retail market", available at http://www.telegraph.co.uk/business/2017/03/14/marks-spencer-pulls-chinas-high-street-worlds-biggest-retail/ (accessed on 18/08/2017)

The remaining 44.7% of sampled department stores enjoyed a positive increase in sales and they reacted positively to the challenges of the *New Retail* regime (Fung Business Intelligence Group, 2017).

With the advent of the *New Retail* regime, the line between offline and online shopping activities is disappearing and many retailers have been developing O2O initiatives in order to ensure integration among all purchasing channels. Almost 47% of department stores operators have started e-commerce activities and some players formed strategic alliance with the Chinese Internet giant Alibaba. More than a half of surveyed stores have formed significant collaborations with e-commerce players and almost 30% are thinking to do so in the next future (Fung Business Intelligence Group, 2017). In 2013, Intime, one of China's main department stores, announced a strategic

collaboration with the e-commerce giant Alibaba (Frollà, 2017). The purpose of these two companies was to combine online activities with brick and mortar business by offering to consumers online shopping experiences connected with Intime's physical stores. For instance, Intime's first digital store was launched on Tmall Supermarket (chaoshi.tmall.com) and Tao-brands and Alibaba's mobile app (Miao Street) were introduced in all Intime's physical stores (Frollà, 2017).

2.3.3. Multi-brand stores

With the increase of Chinese middle class purchasing power, consumers' product demands started to be more sophisticated and their preferences gradually moved from popular mainstream brands to those which are more rear and express individual personalities (Galeotto, 2016). Such shift has led to develop *multi-brand stores* in the Chinese retail industry. The first multi-brand store opened in 1996 in Shanghai and then the number has slowly increased over the years and they were geographically concentrated in Beijing, Shanghai and Guangzhou (Siebers and Qixun, 2011).

According to a report conducted by RET (2014), a Chinese real estate research company, multi brand stores have recently experienced a rapid growth and they have been introduced also in second and third-tier cities. The number of multi-brand stores opened from 2010 to 2013 is fourfold the sum of the stores opened in the 14 previous years. In 2014, there were 187 multi-brand stores and they were not distributed in a heterogenic way among different tier cities (as illustrated in *Figure 4*).

Figure 4

Lu, J. (2014), "Rising Stars On China's Retail Scene: Homegrown Multi-Brand Stores", available at https://jingdaily.com/rising-stars-on-chinas-retail-scene-homegrown-multi-brand-stores/ (accessed on 19/08/2017)

Typically, multi-brand stores are very common among fashion retailers since they combine fashion, art and music in order to make unique and special the consumer's shopping experience. The most successful multi-brand store in China is Lane Crawford in Hong Kong with more than 100 years of history and more than 1000 international brands (Zhang, 2017).

According to the Fung Global Retail and Technology Group (2017), there has been a huge number of store closures in the few last years and this number is expected to grow in the following years. Lane Crawford stores located in Beijing did not have any growth in profit in 2016 and for this reason they have been closed (Pidgeon, 2017). As far as Italian multi-brand stores are concerned, a very significant example is 10 Corso Como a fashion boutique from Milan that has recently shut down its stores in China due to the unprofitable performances of its stores (Pidgeon, 2017).

2.4. Mono-brand and Flagship stores

Since the purpose of the current study is to demonstrate how Italian companies use their stores, in the form of flagship or mono-brand stores, for conveying COO and COB in China a focus on these two kinds of point of sales is needed.

The intensification of market competition, together with the increasing sophistication of Chinese consumers' demand has led many retailers to develop more individual atmosphere and special products (i.e. limited-edition collections, personalized products).

Since 1992, when China's government reduced barriers to foreign investment, many foreign companies penetrated such market by opening mono-brand or flagship stores (Moore, Doherty and Doyle, 2010). Retailers have a direct control of the brand and they can offer an exclusive service to consumer thanks to the high product differentiation. In this way, consumers have the chance to experience the brand in a unique and special way that multi-brand stores offer only to a limited extent (Lavin, 2015). Stores dedicated to one single brand have the advantage to expose the whole range of products (coming from the same manufacturer) without competing for grabbing consumers' attention and they are generally located in biggest metropolitan cities and one of these stores is the flagship store (Floor, 2006). Zara, the Spanish clothing retailer or Calzedonia, the Italian hosiery and underwear retailer are examples of mono-brand stores in China. Such stores typically offer one single brand, even though new capsule-collections have been recently introduced (Floor, 2006).

The growing popularity of online purchases has dramatically reduced the number of stores over the last few years. In contrast, the number of mono-brand stores are almost doubled since Chinese consumers feel more comfortable when buying from such stores (Lavin, 2015). For instance, if a Chinese consumer needs to buy a Gopro camera, they typically would prefer to go directly to the source and shop it from the mono-brand or flagship store rather than department stores. Stores dedicated to one single brand create a direct connection with the consumer without relying on intermediaries.

As far as *flagship stores* are concerned, they are usually defined as a company's main store and they differ from other stores because their purpose is not to generate profit but is to draw attention to the brand (Forden, 2002). They are usually situated in prestigious locations and they represent a concrete meeting point for those consumers that want to experience the brand in an innovative way (Forden, 2002). Flagship stores can be used to reinforce the brand status, to enhance the brand awareness and to maintain strong and durable relationships with customers and distributors (Moore *et al.*, 2010). In the last decade, several Italian brands such as Fendi, Scavolini and Furla (*Figure 5*) have opened strategic flagship stores in main Chinese streets. For instance, in recent years

Furla has reported a fast growth in China, and in order to expand its presence in such market it has decided to open a new flagship store in Shanghai (Stockdill, 2016).

Figure 5

Cpp-Luxury (2016), "Furla opens new flagship store in Shanghai", available at http://www.cpp-luxury.com/furla-opens-new-flagship-store-in-shanghai/ (accessed on 22/08/2017)

Such store is located in Nanjing West Road, one of the most famous shopping streets in Shanghai and it covers an area of 300 square meters. The opening of this flagship store marked an important step in Furla's expansion strategy in China. During the first quarter of 2016, Furla achieved double-digit growth and total sales in China increased by 60% (Stockdill, 2016).

2.5. Digital stores

Nowadays, China is the world's biggest and most innovative e-commerce market with a total sale of $899 billion, representing 18.4% of the country's total and half (50.7%) of the world's total ecommerce sales (Lamb, 2017). In comparison with the previous year, online retail sales have positively increased by 32.1%, while retail sales of the physical stores only went up by 7%. According to eMarketer's statistics, China's e-commerce market will continue to grow over the next few years (*Figure 6*), and digital sales are expected to reach $2.416 trillion in 2020 (eMarketer, 2016).

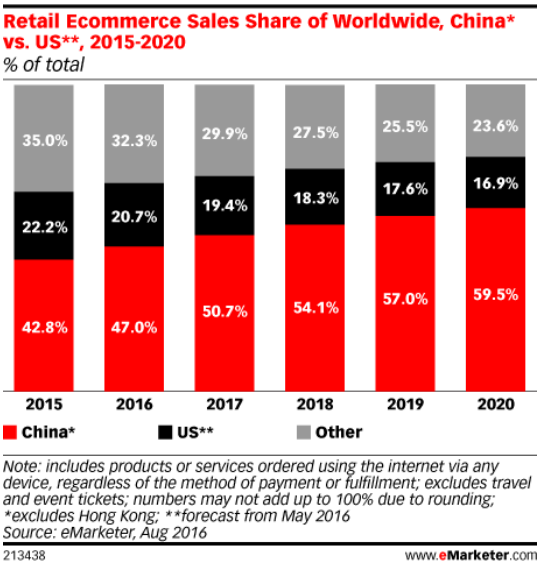

Figure 6

eMarketer (2016), "China Eclipses the US to Become the World's Largest Retail Market", available at https://www.emarketer.com/Article/China-Eclipses-US-Become-Worlds-Largest-Retail-Market/1014364 (accessed on 20/08/2017)

The advent of e-commerce in China can be traced back to the end of the 90's when the China Internet Network Information Center (CNNIC) provided for the first-time online business service (Lupano, 2017). From 2003 to 2007, China's e-commerce market has experienced a period of development and new services were developed (Van't Klooster, 2017). In 2003, Alibaba founded Taobao and T-mall respectively specialized in C2C and B2B marketplaces (Alibaba Group, 2017).

In 2003, only 5.3% of the population had access to Internet but with the improvement of digital infrastructures and the reduction in internet price, the number of Internet users has increased over the years. According to CNNIC Statistical Report on Internet Development (2016), there were 460 million of Chinese digital consumers in 2016 (as *Figure 7* shows) and such number is expected to surpass 650 million by the end of 2018. Online shopping has been gradually accepted by Chinese consumers and the number of digital buyers has sharply increased after the booming of smartphones in 2010 (Statista, 2016).

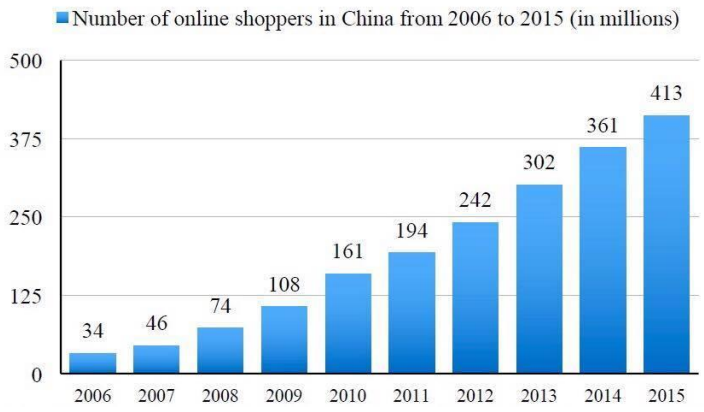

Figure 7

Statista (2016), "Penetration rate of internet users in China from December 2006 to December 2016", available at https://www.statista.com/statistics/236963/penetration-rate-of-internet-users-in-china/ (accessed on 21/08/2017)

The further digitalization of retailing has enormously transformed the patterns of how individuals sell and buy goods. Today, Chinese consumers are surrounded by a large number of shopping alternatives, market competition has intensified and with internet and smartphones they can buy products at any time. As illustrated in *Figure 8*, PricewaterhouseCoopers's survey (PWC) reveals that purchases in digital stores are more frequent than those made in-store.

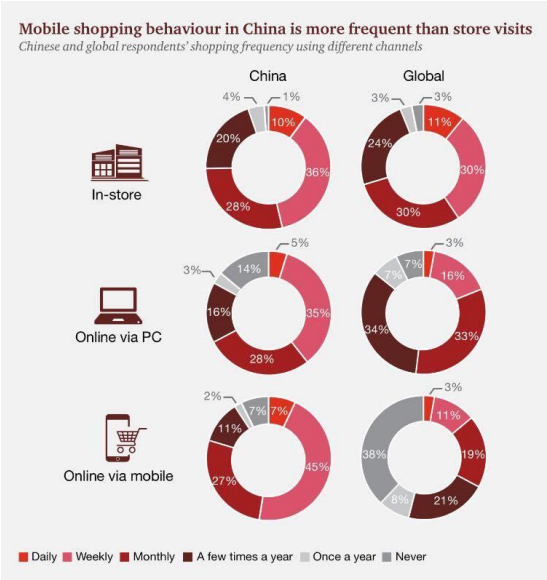

Figure 8

PWC Group (2017), "E-commerce in China- the future is already here", available at https://www.pwccn.com/en/retail-and-consumer/total-retail-survey-2017 (accessed on 20/08/2017)

More than a half of Chinese consumers (52%) prefer to purchase goods on digital stores, while only 46% prefer to shop in physical stores on a daily or weekly basis (PWC Group, 2017). This change in the individual's shopping behavior has forced retailers to experiment online-to-offline (O2O) marketing strategies, which means to adopt online channels (social networks, e-commerce platforms etc.) to push consumers into physical stores. In addition, the advent of technology (i.e. social media) into retail has dramatically changed retail format and most retailers started to adapt new marketing initiatives.

Nowadays, consumers have a large number of shopping channels to choose from, both offline and online and retailers have to do their best in order to be chosen by consumers. In the last decades with the growth of differentiated retail channels many retailers have adopted multi-channel strategies that integrate various shopping channels, both online stores and offline stores (Verhoef, Scott and Vroomen, 2007). Anyway, nowadays, the popular press suggests that the retail environment is moving towards a new phase.

With the further digitalization of marketing strategies retailers are moving from a multi-channel to an omni-channel strategy (Rigby and Dan, 2011). Omni-channel model differs from the multi-channel concept because it has a broader perspective. The omni-channel strategy puts the consumer central and it accepts that the consumer uses different channel before reaching the final decision. For instance, it may happen that a customer enters in a store to inspect product before purchasing it on digital stores. The omni-channel model does not simply offer to consumers many ways to buy products, but it is a more complex concept that aims to connect the brand and the consumer in a holistic way (Verhoef *et al.*, 2007).

Most retailers in China are transforming their point of sales into fulfilment hubs for online sales. For example, Uniqlo, the Japanese casual wear retailer, in order to optimize the inventory across online and offline channels, introduced the click-and-collect service allowing consumers to buy products on digital stores and then collect them in physical stores (Inside Retail, 2017). Ikea also inaugurated its first in-store pick up in Wenzhou with an area of 1,800 square meters. Alibaba, the world's biggest e-commerce retailer, is one of the main players in promoting the omni-channel

innovation. With the *New Retail* strategy, the Chinese e-commerce giant is transforming the traditional retail landscape by merging e-commerce platforms with brick-and-mortar business (Alibaba Group, 2017). Such new model uses the most advanced technologies and big data, in order to improve consumer's shopping experience for consumers and its recent collaborations demonstrate the depth of the initiative. In addition to Intime Retail example which has been previously introduced,[1] Alibaba has announced a new strategic partnership with Balian Group (the biggest brick-and-mortar retailer in China by stores number), Suning Commercial Group, Yintai Group and He Ma Xian Sheng.

2.6. Mobile shopping

Over the last decades, there has been an explosion in the use of mobile phones among Chinese consumers and such trend affected the e-commerce landscape. The popular press suggests that e-commerce sales are moving from desktop to mobile devices. Today m-commerce accounts for 51% of total online sales, while the global average is about 30% (China Internet Network Information Center, 2016). According to eMarketer's statistics (2016), m-commerce is expected to grow by 4.1% by the end of the current year. In addition, by 2019 online purchases through smartphones will reach $1.5 trillion, which will correspond to a quarter of the country's retail market (eMarketer, 2016).

As more and more individuals are using their smartphones for making purchases, many retailers are developing attractive mobile marketing tools in order to capture consumers' attention (China Internet Network Information Center, 2016). WeChat with its 60 million monthly users is considered to be the most favored app for reaching consumers. More than 70% of companies use this instant messaging platform for promoting goods or service (Cologne, 2017). For instance, Burberry opened a WeChat account for informing consumers about new collections, promotions and trending products. Through this account consumers can also send messages to Burberry, asking recent promotions and deals, and the brand generally answers within 24 hours (Chen, 2016).

Today, there are several m-commerce platforms and the most used in 2016 was

[1] Chapter 2, page 27

Taobao with nearly 253.2 million of active users (WalktheChat, 2016). Another way for retailers to grab consumers' attention is through social media. From a survey conducted by the McKinsey Global Institute (2017) emerges that almost 95% of internet users living in tier 1,2 and 3 uses at least one social media. According to PWC's survey, 70% of consumers consider social networks as a source of inspiration and many retailers are integrating such platforms as part of their strategy for interacting with both existing and potential consumers (PWC Group, 2017). Therefore, social engagement is a key issue for capturing the attention of both existing and future potential consumers.

2.7. Mobile payments

The wide use of mobile phones and Internet development in China, coupled with the growing popularity of the mobile shopping industry in China has led to an explosion in the use of mobile payment among Chinese consumers (Statista, 2017). Mobile payments are performed through smartphones and they do not require physical credit cards payment infrastructure. The number of Chinese consumers that rely on digital solutions to pay is increasing very fast in recent years and according to the latest data taken from China Mobile Payment Report (*Figure 9*), 42,4% of in-store purchase is completed via mobile devices (Chen, 2017).

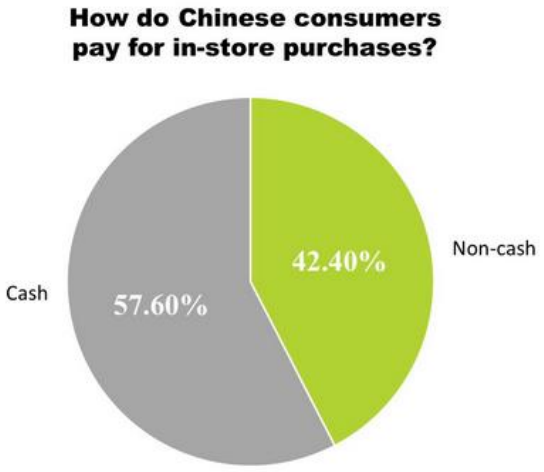

Figure 9

Chen, T. (2017), "China Mobile Payment Report 2017", available at https://walkthechat.com/china-mobile-payment-report-2017/ (accessed on 30/01/2018)

M-payments transactions increased by 381% in 2016 and the main players of such industry are Alipay and Tenpay (WeChat payment) which together make up for over 90% of the m-payment market (*Figure 10*). Such systems were respectively launched in 2004 (by Alibaba Group) and in 2014 (by Tencent) and they both rely on QR-code technology.

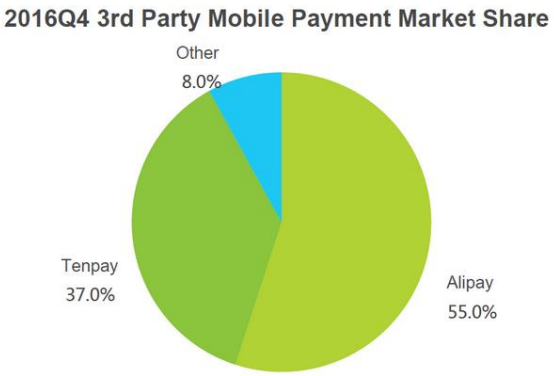

Figure 10

Chen, T. (2017), "China Mobile Payment Report 2017", available at https://walkthechat.com/china-mobile-payment-report-2017/ (accessed on 30/01/2018)

Nowadays, retailers changed their attitudes towards mobile payments. In fact, mobile payments have evolved from being considered as a simple transaction method to a strategic tool that can be used for increasing sales and customer engagement.

2.8. Main social media players

China has the world's biggest social network market potential due to the specifics restrictions on leading international websites such as Facebook and Twitter imposed by the Chinese government (Statista, 2017). The rapid growth of Internet and the wide penetration of smartphones in China have made social media platforms to became strategic communication tools used by companies for sharing and propagating information among Chinese consumers.

According to previous research (Wu, Xie, Huang, Li, Yuan and Liu, 2018), such digital platforms are believed to have a remarkable power in increasing public awareness. In fact, such studies have shown that social media channels are more likely to influence consumer's decisions since they are the most common information source

among Chinese people. Therefore, the importance of social media platforms is a key factor that cannot be underestimated and for companies operating in China it has become a necessity to embrace such services in order to reach out the target market and deliver right products and services (Thai, 2017). According to some latest data (China Internet Watch Team, 2017), today WeChat and Weibo are the most widely used social media platforms among Chinese people.

WeChat (*weixin* 微信) was released for the first time in 2011 by Tencent Holdings Limited. Nowadays, with its 963 million users daily is far more than a simply instant messaging app like the Western service Whatsapp, but it also provides many other services such as online shopping, restaurant bookings, train and flight ticket purchases, bill payments, money transfer, sharing pictures on Moments etc. (Travagnin, 2017). The increasing popularity of this app among Chinese people, has led many Italian companies to create official accounts (as *Figure 11* shows) to stay closer to their customers and generate content for promotional purposes (Travagnin, 2017).

Figure 11

Example of an Italian brand promoting products on WeChat

Weibo (*weibo* 微波) is a microblogging website that was released in China in 2009. With over 300 million monthly active users is the most famous micro-blogging platform in China and can be considered as a combination of the two western websites Twitter and Facebook (Thai, 2017). Such platforms include both personal account where users can share pictures, engage with other users and acquire information, and enterprise accounts where companies interact with customers and even sell their goods through the page (Ioanas and Stoica, 2014). Today, the number of Italian companies registering on Weibo is increasing, and more and more managers consider it as a prominent communication tool to successfully attract potential customers. For instance, in occasion of the first edition of the *Salone del Mobile di Milano Shanghai* (19-21 November 2017), many communication activities were addressed to the Chinese public through advertisements on Weibo to promote business and engagement (ICE, 2016).

Chapter 3
Empirical Study

3.1. Methodology

3.1.1. Framework

As it has been previously highlighted,[2] the framework that was used for achieving the purpose of the current empirical study was taken from the research conducted by Hu and Checchinato in 2015. Such research proves to be the only empirical research that has investigated the communication of the COO and the COB of Italian firms through the store (both physical and digital ones) in China. Previous research on this topic (Hamzaoui and Merunka, 2006; Olson, 1972; Papadopoulos and Heslop, 1993; Samiee, 2011; Scholer, 1965; Usunier, 2011; Verlegh and Steenkamp, 1999;) investigated the country of origin and the country of brand effects focusing only on the consumer perspective, without considering how these aspects were conveyed through the point of sale. In order to overcome the literature gap on this topic, Hu and Checchinato (2015), conducted an exploratory analysis with the purpose to investigate the effective use of COB and COO within fashion stores in China. Drawing from previous research, they developed a framework, illustrated in *Table 1*, that was used as a coding scheme for the current study. The framework divides store elements in static/physical elements (Kotler, 1973; Lindquist, 1974; Martineau, 1958; Schmitt, 2003) such as decoration elements, communication materials, and dynamic/relational elements (Lindquist, 1974; Pullman and Gross, 2004; Schmitt, 2003) such as store atmosphere, sales personnel interaction, entertainment activities and clientele.

All the above-mentioned elements have been used for investigating how Italian retailers in the furniture sector could provide information related to the COO and COB through the store in the Chinese market.

[2] Chapter 1, page 10

Store elements	***Presence of COB information in***
Static/physical elements (Kotler, 1973; Lindquist, 1974, Martineau, 1958; Schmitt, 2003)	• Decoration elements (furniture, displays, personalized walls, etc.) • Communication materials (catalogues, leaflets, etc.)
Dynamic/relational elements (Lindquist,1974; Pullman and Gross, 2004; Schmitt, 2003)	• Store atmosphere (colors and flag, texts, music, perfumes, etc.) • Sales personnel's product presentation and interaction • Entertainment activities • Clientele (congruency between brand image and target)

Table 1

Framework analysis taken from Hu and Checchinato (2015)

3.1.2. Research method

Drawing from the framework of Hu and Checchinato (2015), it has been decided to use an inductive approach since it proves to be most suitable research method for achieving context specific objectives. According to Saunders, Lewis and Thornhill (2007, p. 92), the inductive approach is based on learning from experience. In fact, data are collected from theory and interpretations are proposed only after the observation process.

In the current analysis, primary data were collected using three different techniques. First, by checking the store's elements through a participant observation in store, second by analyzing the use of COO and COB in the online environment, and third through a semi-structured interview with the store manager of an Italian kitchen company operating in China.

The participant observation was carried out using the mystery shopping technique. Wilson (1998, p. 414) defines the mystery shopping technique "as a kind of participant observation in which researches act as potential customers in order to observe the quality of processes in the delivery of a service". As the name implies, such kind of

observational research collects empirical data by investigating the behavior or other form of activities of the respondents (Lee and Broderick, 2007). Its aim is to collect factual information rather than opinions. Such information can cover almost any aspect of the service transaction such as the number of customers, the gender and the age of the salesperson, the length of the queue, the form of greeting used etc. (Finn, 2001).

According to Wilson (1998), mystery shopping findings can be used to identify and consequently improve weak points in processes and procedures, and they can also be used as strategic tool to evaluate the competitiveness of a company by benchmarking it against other organizations belonging to the same sector. The mystery shopping has been used worldwide in US, Asia, UK, Australia etc. and previous studies (e.g., Finn, 2010; Kehagias, Rigopoulou and Vassilikopoulou, 2011; McKechnie, Grant and Bagaria, 2007) have adopted such technique in the service field to measure the quality of the service process and the level of satisfaction of consumers.

Specifically, McKechnie *et al.* (2007) investigated how salespersons in retail services use listening actions when interacting with costumers and from their results emerge that even though the mystery shopper performs a pre-structured task, interactions that take place in everyday situations add values to results obtained. Kehagias *et al.* (2011) developed a reliable mystery shopping inventory (MSI) by investigating the impact of service providers behavioral items on the consumers' buying decisions, store recommendation etc. Finn (2001) has not limited mystery shopping research only to individual retail outlets, as previous studies did, but he has also included retail chains and convenience-goods retailers. With this new perspective, he has examined the psychometric quality of mystery shopping data for retail chains and durable-goods retailers.

However, in order to gain a deeper understanding of the COO and COB communication used by Italian firms and given the increasing relevance of e-retailing in China, the investigation was complemented by the analysis of the digital stores of the analyzed brands to verify whether there is an integration between physical points of sale and virtual ones. To this aim, for each store of the sample, brand's specific websites for the Chinese market were taken into consideration.

Then, the second empirical study analyzes the case of Arrex Le Cucine, the Italian leader kitchen manufacturer which has been operating in the Chinese market since

2002. A semi-structured interview was conducted with the store manager of the POS in Shanghai in order to highlight the strategies used by the company for communicating the Italian Style through the store.

3.1.3. Setting

3.1.3.1. The Chinese furniture sector

The decision to focus such empirical study on the furniture sector was taken because in recent years the Chinese furniture sector has shown remarkable developments with a total turnover of $129 billion USD in 2016 (China National Furniture Association, 2016). However, after 20 years of considerable growth in this field, China has now become the world's biggest producer and exporter of furniture products (Statista, 2017).

With the improvement of China's living standards and with the increase in consumer's purchasing power, people are more and more willing to invest money in household decorations (Bortoluzzi, Chiarvesio and Tabacco, 2015). As a result, the furniture sector has developed in leaps and bounds turning into a multi-billion dollars industry. In the last decade, the increase of well-educated people in China, the progressive process of Westernization of lifestyle, and the symbolic status associated with Italian brands contributed to increase Chinese people's interest in the Italian design, making China a big potential market for lots of Italian companies in the furniture sector (Bianchini and Parent, 2008; Zhou and Hui, 2003).

"As the former president of the FLA (Federlegno Arredo) Snaidero argued, China is now considered to be the most promising market, where Made in Italy furniture has the best potential for growth" (Mancini, 2016). In fact, according to the data collected by the Italy-China Chamber of Commerce (2017), the export of Italian furniture products in China has steadily increased over the last five years, with a growth close to 50%. In 2016 Italian products reported an increase of 17.1% compared to 2015 and this is an important growth especially when compared to -5.2% recorded by German market leaders. Also in terms of quantity, Italian furniture grew by 16.9% while German market leaders reported a 19.7% reduction compared to the previous year. For the first time in this sector, Italy exported more than Germany to the People's Republic of China (Italy-China Chamber of Commerce, 2017).

3.1.3.2. Arrex Le Cucine

Many Italian companies are exporting their products in such market and the second part of the current empirical study focuses on Arrex Le Cucine a successful example of an Italian company in the furniture industry in China. In order to gain a deeper insight of how this company conveys the Italian Style through physical and digital stores a semi-structured interview was conducted with the Chinese store manager of the POS in Shanghai.

The interview was collected by a researcher (female) of Western origin, with good Chinese language skills and it took place in Arrex Le Cucine's store located in Shanghai in November 2017. The store manager has consented to their personal data being collected and used for the purposes of the current research, and it has been decided to conduct the interview in Chinese in order to allow the informant to fully express herself. The interview lasted approximately thirty minutes, it was recorded with an electronic device and a transcription of the tape has been done afterwards for analysis (*Appendix 1*). The interviewee was first asked about the history of the company, focusing on the Chinese market and then questions related to the company's strategies for communicating the Italian Style in China were addressed.

3.1.3.3. Conducted of the participant observation

The entire research was conducted by a researcher (female) of Western origin, with good Chinese language skills and who had been studying in Nanjing University for 4 months. She is 25 years old and she is a master's degree student from a Western University.

For the mystery shopping technique 13 Italian stores belonging to the furniture sector were analyzed in the period between September and December 2017. In details, 7 stores where visited in Nanjing and 6 stores in Shanghai. In order to collect valid and unbiased information, during the mystery shopping the researcher followed a protocol (Smith, 1995) and each in store observation was carried out in the following way: first, by checking the store's external elements, and second by examining the internal elements.

Moreover, in order to make the shopping simulation more credible and to elicit

spontaneous behaviors from participants the researcher has not revealed her true identity and the visit purpose. The researcher agrees with Kimmel (2001), who argues that if the researcher's identity had been revealed during the investigation, store assistants would have behaved unnaturally putting at risk the outcomes of the research. In fact, the investigation was not only limited to the observation of the physical elements of the store (as in Barnes and Lea-Greenwood, 2010), but it has focused also on the interactions with sales personnel since previous studies (Lane, St-Maurice and Dyckerhoff, 2006) have highlighted to have an important role in China.

The interaction was initiated by the store personnel and in order to make the purchasing experience more credible the mystery shopper asked about products sold in the store with the intention of buying. She also tried some items such as bed and sofa, but however no purchases were completed.

After visiting the store, rating scales (based on Hu and Checchinato's framework) were used to evaluate physical store elements (internal and external) and the service offered by the sales personnel (including his/her ability to explain product features, his/her willingness to help customers etc.). The researcher has also integrated some comments related to the dynamic elements of the store in order to have a more complete description of each investigation. Whenever possible, some pictures were taken to justify the environmental evaluations.

3.1.3.4. Cities where the research was conducted

The cities where the current empirical analysis was conducted were Nanjing and Shanghai. The decision to conduct the study in Nanjing was taken because the researcher of the current study has won the Overseas program offered by Ca' Foscari University of Venice which allowed her to attend Nanjing University in the Jiangsu Province from September 2017 to January 2018. Furthermore, according to the Global Cities report (2017), which ranks the world's biggest and most influential cities in the world, some of China's second-tier cities included Nanjing are increasing their importance on the global scenario since they have a very favorable environment for innovation and business. In the Global City index, Nanjing ranked 86th maintaining the same position of the previous year.

However, in order to gain a deeper understanding of the role of COO and COB in Italian stores in the Chinese market, it has been decided to conduct the study also in Shanghai, firstly because it has a huge furniture market, probably the biggest in the Yangtze river delta (Statista, 2017), secondly because China's first-tier cities have a more advanced distribution system (Wong and Yu, 2003) and then because the semi-structured interview with Arrex Le Cucine's store manager took place in the POS in Shanghai.

3.2. Results

3.2.1. Physical store analysis

The researcher has randomly selected 13 Italian furniture stores composed by flagship stores and mono-brand stores in Nanjing and Shanghai. Among these 13 selected stores 3 of them were exclusively dedicated to sell kitchens, while the other 10 stores were dedicated to sell home furnishing products such as beds, tables, chairs, sofa etc. All analyzed stores were located in high traffic areas or inside specialty shopping malls dedicate to the sale of furniture item. In both cases, foreign and local firms with the same positioning of the visited stores were present too. Based on Hu and Checchinato (2015)'s framework, the researcher has positively evaluated a total of 13 Italian stores belonging to the furniture sector for what concerns the following attributes: decoration elements, communication materials, store atmosphere, sales personnel's interaction, entertainment activities and clientele. The following sections will explain the results.

3.2.1.1. Decoration elements

Within the stores' decoration elements (*Table 1*), furnishing items appeared to be the most frequent in all visited stores. Four stores out of thirteen contained COO and COB elements in a furnishing item. Such elements were displayed on the shelves, or on the desks inside the store and they had the purpose to recall in the consumers' mind positive images of Italy.

As we can see from the pictures (*Figure 1, 2, 3 and 4*), the furniture elements used

to recall the Italian Style in the visited stores were respectively: Italian pasta, Italian books, a coffee machine and a picture of an Italian church.

Figure 1

Picture taken in one of the visited stores in Nanjing which recalls the Italian Style with Italian pasta

Figure 2

Picture taken in one of the visited stores in Shanghai which recalls the Italian Style with some Italian books

Figure 3

Picture taken in one of the visited stores in Nanjing which recalls the Italian Style with a coffee machines

Figure 4

Picture taken in one of the visited stores in Shanghai which recalls the Italian Style with a picture of an Italian church

Moreover, findings reveal that among decoration elements, only one store used LCD displays to communicate COO and COB, whereas personalized walls were totally absent.

Physical/static elements	Number of stores	% of stores	COB/COO presence
Decoration elements			
Furniture	4	30.7%	4
Displays	1	7.6%	1
Personalized walls	0	0	0

Table 1

Findings of the COO and COB communication in physical and static elements

3.2.1.2. Communication materials

From the participant observation, it emerges that all visited stores (13) adopted different forms of communication materials (*Table 2*). More than half of our sample (8 stores) used catalogues and among them only 5 contained COB or COO references. For instance, as *Figure 5* shows, in one of the catalogues displayed in the visited stores there was the Italian flag.

Figure 5

Catalogue of one of the considered stores in Shanghai with the Italian flag

Other communication materials used were leaflets and flyers. Moreover, during the participant observation, the researcher was asked to receive all information about the brand and products through WeChat. Within our sample, 9 stores had a WeChat public account and among them 8 contained COB and COO references. Such public accounts allow companies to reach out potential customers by promoting products to targeted demographics based on age, gender etc.

Figure 6

WeChat account of one of the visited stores

Physical/static elements	Number of stores	% of stores	COB/COO presence
Communication materials			
Catalogue	8	61.5%	5
Leaflet	4	30.7%	1
Flyer	1	7.6%	0
WeChat public account	9	69.2%	8

Table 2

Results of the COO and COB communication in communication materials

3.2.1.3. Store atmosphere

As it has been previous highlighted,[3] Van Noordwyk (2008) defines store atmosphere as the main intangible (or *soft*) element inside the store which affects consumer's emotional condition and it consists of four main sub dimensions: visual (or décor), olfactory, tactile and aural. The visual dimension was the most dominant one in Italian stores in China (*Table 3*). In fact, 4 stores of our sample contained COB and COO references in texts (both in English and in Chinese), 3 stores used images to recall products' COO and COB, whereas no flags were used in the analyzed stores.

Phyisical/Statical elements	Number of stores	% of stores	COO/COB reference
Images	3	23%	3
Colors and flag	0	0	0
Texts			
Music	2	15.3%	2
Perfumes	0	0	0

Table 3

Results of the COO and COB communication in the store atmosphere

[3] Chapter 1, page 6

Regarding colors, as *Table 4* shows, the most common one was white (8 stores, but in 3 cases it is combined with brown), followed by black (3 stores), grey (2 stores) and brown (1 store). Such results show that, retailers of the visited stores used colors to reflect the identity of the brand rather than to stress the COO. However, only two stores of the sample used this element to create a COO reference. In fact, from the observer's assessment, the predominance of the white color used in these stores had the purpose to recall the company's land of origin, Puglia.

Colors	Number of stores	% of stores
White	8	61.5%
Black	2	15.3%
Grey	2	15.3%
Brown	1	7.6%
Total	13	

Table 4

Colors used in the visited stores

As far as the aural dimension is concerned, only two stores out of fourteen used Italian music during the participant observation, while the others played international music or there was no music at all. It has been decided not to analyze the tactile element because of the risk of subjectivity bias, whereas the olfactory dimension was completely absent.

3.2.1.4. Sales personnel's product presentation and interaction

The current analysis was not limited to the observation only (as in Barnes and Lea-Greenwood, 2010), but the researcher has also interacted with store assistants, whose argumentations tend to have an influential role among Chinese consumers as highlighted by Lane *et al.* (2006). During the fieldwork, the researcher has positively judged store assistants for their professionalism, courtesy and willingness to help. In almost all cases it was the sales personnel that initiated the interaction with the

researcher, whereas only in one store in Shanghai the conversation was started by the mystery shopper. Regarding the characteristics of the sales personnel, most of the sales assistants encountered during the fieldwork were female (13 stores), whereas there was a man only in one store in Nanjing. As far as sales personnel's age is concerned, from the observer's assessment, the majority of the store assistants were between 20-29 years old (9 stores) and 30-39 years old (4 stores) (*Table 5*).

Store personnel's age group	**Number of stores**	**% of stores**
20-29	9	69.2%
30-39	4	30.7%
40-49	0	0
>50	0	0
Total	13	

Table 5

Age group of store personnel from the observer's assessment

As *Table 6* shows, the main features highlighted by the sellers during the presentation of the products were: high quality (6 interactions), followed by the imported origin of the product (3 interactions), and famous brand (1 interactions). In addition, only in two interactions, sales assistants compared products with other Italian or foreign products. However, no storytelling activities about the history of the brand occurred during the interaction. By the way, in 4 stores sales assistants asked the mystery shopper for her Wechat in order to keep her updated on latest collections and sales promotions.

Characteristics	Interactions	% of stores
High quality	6	46.1%
Products manufactured in Italy	3	23%
Famous brand	1	7.6%
Comparisons with other Italian products	1	7.6%
Comparisons with other countries' products	1	7.6%
Made in Italy is not emphasized	1	7.6%
Total	13	

Table 6

Features highlighted by store assistants during the product presentation

3.2.1.5. Entertainment activities

Although previous studies (Grace and O'Cass, 2004) have showed that customers' feelings and satisfaction can be affected by the interactions with the seller, no entertainment activities took place in the visited stores during the fieldwork. However, during some conversations with the store personnel the researcher found out that three of the considered brands organized some unconventional activities such as invitation to special events or cooking demonstrations which aimed at engaging consumers during the purchase experience. In this occasion, consumers were invited to the store where they personally tried products and asked information to the sales personnel. As far as cooking demonstration are concerned, such activities were usually organized by kitchen manufactures companies and they had the purpose to show to costumers how they can use kitchens. Moreover, in order to entertain consumers some chefs were invited to take part in these activities. They were usually asked to cook Italian food or to teach to the invited customers how they can make pizza and cook it with the oven. But however, the research did not take part in these kinds of activities.

3.2.1.6. Clientele

Lastly, the researcher evaluated the clientele of the store which is another important component of the store's image, defined as the demographic and lifestyle characteristics of the shoppers (Akhter, Reardon and Andrews, 1987). The overall impression of the analyzed stores in Shanghai and Nanjing was positive. However, during the fieldwork the traffic inside the store was very low and this is probably due to two reasons: first, the majority of the visited stores (10 stores) were located in specialty shopping malls dedicate to the sale of furniture item in which foreign and local firms with the same positioning were present too. As a result, the competition was stronger. A second reason can be associated with the strategy of some luxury brands that try to give a sense of uniqueness and exclusivity to consumers. As *Table 7* shows, during the fieldwork in the majority of the stores of our sample the clientele was composed by both local and foreign customers, in five stores there was a completely international clientele whereas in none of the visited stores there were only Chinese customers.

Type of clientele	Number of stores	% of stores
Local	0	0
International	5	38.4%
Mixed	8	61.5%
Total	13	

Table 7

Composition of the clientele in the visited stores (personal assessment)

Regarding the clientele's profile, most of the shoppers encountered during the participant observation were female, they were between 30-50 years old and as shown by the observation of their apparel they belonged to a high-status group. Thus, such results suggest that the clientele's image is consistent with the international brand image of the visited stores and their target.

3.2.2. Digital stores analysis

Given the increasing growth of e-retailing in China and in order to gain a deeper understanding of the COO and COB communication used by Italian brands in the furniture sector, the results obtained from the in-store observation were combined with the analysis of the use of COO and COB in digital stores. For each brand of the sample the researcher had analyzed its Chinese website (when it existed) in order to verify whether there was an integration between physical points of sale and virtual ones. Findings (*Table 8*) reveal that out of the 13 analyzed stores, the majority had a specific website for the Chinese market (8 brands). But among these 8 brands, only one displayed COB reference on the homepage of the Chinese website. Such COB reference was showed through a picture of a point of sale located in Milan (*Figure 7*) which had the purpose to produce in the consumer's mind associations with the country itself that can affect his perception of that specific brand.

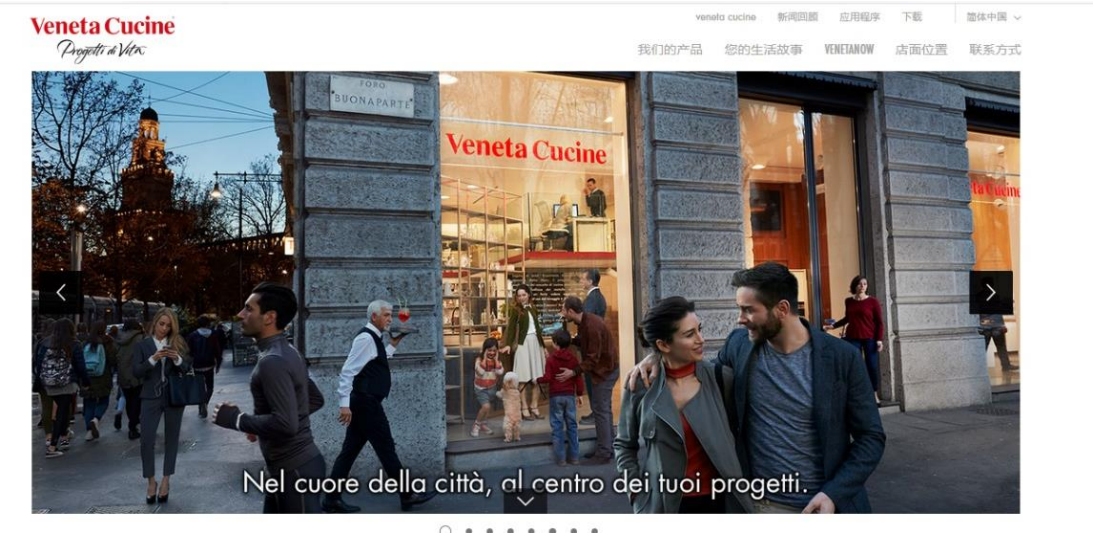

Figure 7

Example of COB reference in a Chinese website of one of the considered brands

Store ID	Type of Products	COB/COO in store	Chinese Website	COB/COO in Chinese Website
A	Furnishings	1	0	0
B	Furnishings	1	1	0
C	Kitchen	1	0	0
D	Furnishings	0	0	0
E	Kitchen	1	1	1
F	Furnishings	1	0	0
G	Furnishings	0	1	0
H	Furnishings	1	1	0
I	Furnishings	0	1	0
L	Furnishings	0	1	0
M	Kitchen	1	1	0
N	Furnishings	0	0	0
O	Furnishings	0	1	0
	N. of stores	**7**	**8**	**1**
	% of stores	**53.5%**	**61.5%**	**7.6%**

Table 8

Findings from the analysis of COB and COO use in physical and digital stores

3.2.3. Arrex Le Cucine case study

3.2.3.1. Overview of Arrex

Arrex Le Cucine is one of the largest Italian kitchen manufacturers which has been established in Treviso in 1973 (Hu *et al.*, 2013). Such company is currently considered as a well-established brand in European markets, and it has recently become a recognized name for quality and design even in the international scenario.

According to some recent data (*Table 9*) collected from the official website of the company,[4] at the moment Arrex employs over 800 people, it already exports in more

[4] *http://www.arrex.it/* (accessed on 11/02/2018)

than 35 foreign countries (including China) and it possess more than 1,120 showrooms all over the world. Moreover, the sales network of the company consists of more than 1,650 dealers around the world.

Year of establishment	1973
Headquarter	Mansue' (TV)
People employed	800
Product	Kitchen
Turnover (2016)	€ 28.626.506,00
Foreign countries where it exports	35
Showrooms all over the world	1120
Chinese name	艾度维

Table 9

Data collected from Arrex le Cucine official website, available at http://www.arrex.it/ (accessed on 11/08/2018)

3.2.3.2. Arrex in China

Arrex Le Cucine started its internationalization process in China in 2002. During the years the number of stores has increased, and at the moment it possesses five showrooms located in first and second-tier cities such as Shanghai, Ningbo, Hangzhou, Wenzhou and Chengdu.

As for all the companies in the furniture industry, also for Arrex, the point of sale plays a strategic role in attracting potential customers and building brand awareness. Consequently, the store should be setting up following several criteria. As the store manager declared in the interview:

> «艾度维根据两个主要的条件决定在那儿开张一家新的商店：一个是客户的需求，另外一个是品牌的支持» 。
>
> «Arrex's decision about where to open a new store is based on two main criteria: consumer's demand and brand's support».

Figure 8

Arrex Le Cucine (2009), available at http://blog.arrex.it/la-presenza-di-arrex-le-cucine-nel-mondocina/ (accessed on 18/12/2017)

At the first stage of its internationalization process in China, only few people were interested in Made in Italy products, while in the last decade, thanks to the progressive evolution of the Chinese society and the increasing purchasing power of Chinese people, more and more consumers started to furnish their home with prestigious products of design and Arrex's kitchens are among the first choice for Chinese consumers (Vescovi, 2012). As the interviewed manager stated:

> «艾度维在温州是2008年开始的。2008年以前，虽然当地的客户有钱并且他们的收入水平比较高，但是他们没有这样的一个知识。在那个时候当地客户的需求很简单，他们还没有买意大利进口产品的需求。但是到了2008年的时候，客户对意大利产品开始感兴趣。艾度维看到一部分少数人开始买意大利的厨房以后，决定在温州开张了一个商店»。
>
> «Arrex was opened in Wenzhou in 2008. Before 2008, even though local customers had enough money, and their salaries were quite high, they did not have this kind of awareness. At that time, local costumers' demand was very easy, and they did not have the need to buy Italian imported products. But in 2008, customers started to be interested in Italian products. Arrex after seeing that a small group of costumers was starting to purchase Italian kitchens, it has decided to open a point of sale in Wenzhou».

Nowadays, the continuous process of Westernization of lifestyle, and the symbolic status associated with Italian brands contributed to increase Chinese people's interest in the Italian design, making China a big potential market for lots of Italian companies in the furniture sector (Bianchini and Parent, 2008; Zhou and Hui, 2003). Currently, the main opportunities for Arrex Le Cucine come from medium-high end market composed of consumers with high purchasing power that look for Made in Italy furniture since such products are perceived to be high symbolic values, more reliable and with a higher quality compared to the ones of competitors (Bianchini and Patent, 2008). Such customers represent a significant segment of the market and during the interview the store manager stated that:

> «我们的客人年龄阶段差不多在35岁到55岁之间。但是最近几年少数年轻人开始买我们的产品。以前我们的客户的平均年龄大概35–55岁，但是现在有一些25岁到35岁的客户开始增加。我们的客户大部分都是自己开公司，他们是商人。他们可能是富二代».
>
> «Our customers are approximately 35-55 years old. But in recent years a small group of young consumers started to buy our products. Before the average age of our costumers was 35-55 years old, but now a group of younger consumers (25-35 years old) started to increase. Most of our customers are businessman, entrepreneurs or they are children of rich families that became wealthy under Deng Xiaoping's economic reforms in the 80's».

3.2.3.3. Arrex store image strategy

Nowadays, retail environment is changing dramatically, retailers are facing an increasing global competition and they find it more difficult to distinguish their products only on the base of price or promotion (Floor, 2006). Many retail companies in order to remain competitive in the global market are using the store for building a strong brand identity. As far as the Chinese market is concerned, the store image strategy applied by Arrex Le Cucine is traditional but with some distinctive projects that aim at boosting brand recognition.

Since the interviewee is the store manager of the point of sale in Shanghai, a focus of the store image strategy adopted in such store is provided. The point of sale visited by the researcher is a mono-brand store located in an urban area of Shanghai. It is noted

that in order to maintain a certain integrity among all Arrex Le Cucine stores and not to compromise the global perception of the brand, the company tends to replicate the same distribution format, modifying only few details related to the in-store communication. The atmosphere of the store expresses a "good living" and models of products displayed in the store are chosen according to researches based on consumers preferences and desires.

As it has been previously highlighted, in recent years the growth of Chinese economy and the consequently increase of the purchasing power of its citizens, has lead Chinese consumers to imitate the Italian lifestyle and to buy prestigious Made in Italy products in order to gain a social status symbol (Zhou and Hui, 2003). As a result, Arrex's store image strategy in Shanghai insists on communicating cultural aspect of Made in Italy in order to influence consumer's buying decision. For example, the Made in Italy is recalled with some pictures in some of the walls of the store which show Italian traditional food. In addition to this, as we can see from the picture (*Figure 9*) taken by the researcher during the visit of the store, real Made in Italy products (such as different kind of pastas) are used with the purpose to recall in the consumer's mind positive images of Italy and consequently influence their buying decisions.

Figure 9

Picture taken by the researcher during a visit of the point of sale of Arrex in Shanghai

Moreover, Arrex store image strategy is implemented with some unconventional activities such as invitation to special events and cooking demonstrations which have the purpose to engage consumers during the shopping process by conveying in a more efficient way the Italian lifestyle. During the interview the store manager declared:

> «为了转达意大利方式我们用的方式是：我们想让客户看一看怎么使用我们的厨房所以我们通常请客户来我们的餐厅吃饭。这样我们的客户不仅可以看一看我们的产品，而且可以使用我们的厨房。我们常常会请厨师过来。他做一些意大利的食物给客户吃比如：意大利面，比萨等等。然后我们也提供一些意大利的红酒或者白葡萄酒，但是现在我们认为葡萄酒太贵了。通过这些事情我们认为客户可以了解这就是意大利的生活方式。有的时候我们也会请客人注册一些活动。我们邀请客人和他们的孩子来到我们这里。我们教他们怎么使用烤箱来做比萨，或者我们教他们怎么用烤箱来做意大利的一些食物».
>
> «Our way to convey the Italian lifestyle is: We want to show to customers how to use our kitchen and in order to do that we usually invite them to come to our store to eat. In this way our customers not only can have a look at our products but they can also try our kitchens. We often invite chefs to cook some Italian food for clients such as pasta, pizza, etc. Then we also offer some Italian red or white wines, but now I think wine has become too expensive. We believe that through these activities customers can understand that this is the real Italian lifestyle. Sometimes we also ask customers to sign up for some activities. We invite customers and their children to come to our store and we teach them how to use the oven for making pizza, or for cooking any other Italian food».

3.2.3.4. Arrex digital stores

With the advent of the *New Retail* strategy, new retail formats that imply the integration of digital technologies into the shopping experience are adopted. Given the increasing relevance of digital stores among Chinese consumers, more and more foreign retailers integrated their retail strategies with e-commerce channels in order to promote brand awareness (Fung Business Intelligence Group, 2017).

Arrex Le Cucine has its own e-commerce platform on the webpage of the company[5] where consumers can first consult the catalogue and obtain all the information they need

[5] http://www.arrex.cn/ (accessed on 11/02/2018)

and then purchase the product. Such virtual space usually contains a stock of information such as product's descriptions, pictures, videos, customers' impressions and tools to have direct contacts with the producer.

Although PWC's survey (PWC Group, 2017) reveals that Chinese consumers' purchases in digital stores are more frequent than those made in-store, online furniture purchases did not experience this trend yet. The reason is that purchasing a piece of furniture or a kitchen requires a higher level of involvement than buying a bag or a pair of shoes. It has been noted that nowadays an increasing number of consumers tends to use e-commerce platforms only for the purpose of collecting information and ideas but then at the end before taking the final decision, they prefer going to the physical store and watching personally products (Verhoef *et al.*, 2010). As the interviewed manager stated:

> «我们有我们自己的电子商务，但是并没有销售。虽然最近几年数字商店的重要性有了很大的提高，但是现在用电子商务来采购的客户群体比较少。我们也有一个微信公众号去宣传品牌，但是客户要真正购买产品的时候，他们不用电子商务平台这个方式来购买产品。 所以我们电子商务平台的主要目的是宣传推广»。
>
> «We have our own e-commerce platform, but there are no sales. Although the importance of digital stores has greatly improved in recent years, only a small group of customers uses our digital store for purchases. We also have a WeChat public number to advertise the brand, but when customers really want to buy the product they do not use such digital platforms. So, the main purpose of our e-commerce platform is to promote products».

Moreover, in order to further strengthen the brand image and to interact with consumers, Arrex Le Cucine promotes its products also on the main Chinese social media platforms such as We Chat and Weibo. Such virtual spaces have the purpose to attract the Chinese consumers by providing lot of product information and allowing them to contact directly the company.

Unlike other Italian companies operating in the fashion and food sector, Arrex Le Cucine does not use Key Opinion Leaders (KOLs)[6] in order to spread brand awareness

[6] Key Opinion Leaders (KOLs) are social media influencers with a strong social status such as media

more effectively. As highlighted by the store manager:

> «我们的客户通常是这样的人。基本上我客户的权责很有影响。有钱的人通常跟有钱的人在一起并且他们的孩子也通常在一起玩。比如说两天前是一个客户的女儿的生日。他邀请他的朋友过来，其实这些朋友都是我们的朋友。我认为我们所有的客户会有影响的能力，因为他们自己都是开公司，毕竟在中国谁有一定的社会地位和稳定收入在他的范围之内可能有影响力»。
>
> «Our customers are usually such people. Generally, my customer's power is very influential. Rich people usually spend time with wealthy people, and also their children play usually together. For example, two days ago was the birthday of a client's daughter. He invited his friends over, and these friends are actually our customers. I think all our customers can have such ability to influence, because most of them have their own companies, moreover in China who has a defined social status and a stable income may be very influential within his range».

3.2.4. Discussion and managerial implications

The current empirical analysis investigated the communication of COO and COB used by Italian companies in China. The research sample was composed of 13 stores belonging to the furniture sector located in Nanjing and Shanghai. In such analysis, primary data were collected using three different techniques: in store observation, analysis of digital stores and semi-structured interview with key informant. From the results of the analysis it emerges that almost half of our sample used COO or COB references in their physical store. The most common elements used to recall the Italian Lifestyle were texts. This confirms Insch and Florek (2009)'s research which found out that simple and explicit elements (such as the "made in" label, the Italian flag or other iconic images) are more common than complicated symbols. However, in order to improve COO and COB references, manager should understand that in new and culturally distant market as China the value of the COO and COB has a different dimension and is more related to multi-country regions than specific countries. For most

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celebrities, politicians or powerful organizations. They are considered by their own communities as real experts and their recommendations are valued and listened to (Shan and Yang, 2017, pp. 239-240)

of Chinese consumers "Made in Italy" association is not clear in favor of a general idea of "Made in Europe" as highlighted by Hu *et al*. (2013) research. As a result, static and self-explanatory elements such as the Italian flag or other iconic images might not immediately enhance the brand recognition. If managers do not take this aspect into consideration, they can make a logical and partially ethnocentrically mistake. Therefore, retailers when operating in China should develop the COO and COB communication in a different way. In such market, in order to exploit the benefit of the COO and COB image it is not sufficient to stress the origin of the product or of the brand, but it is also necessary to take into consideration the following aspects.

First, manager should spend much efforts to increase store personnel's involvement in the description of the reputation inherent brand's COO and COB. From the empirical analysis it emerges that the strategic advantage offered by the relationship between store personnel and customers is not used. Even though the general impression of sales assistants encountered during the in-store observation was positive, during the shopping experience, descriptions were provided with generic references and more emphasis was given to product quality rather than stress the origin of the product.

Second, retail strategies should pay more attention on entertainment and storytelling activities and engage more the consumer with the brand, since previous studies have stressed that in China shopping is high experimental (Yu and Bastin, 2010) and sales assistants' argumentations are more likely to influence consumers' purchase experience (Lane *et al.*, 2006) and their satisfaction with the brand (Grace and O'Cass, 2004).

Third, given the increasing importance of e-commerce among Chinese consumers, it is fundamental for all Italian brands to have a specific website in Chinese language. In fact, from the analysis of the digital stores emerges that only 8 stores out of 13 had a local website to advertise and provide information about products and sales promotions. Moreover, the majority of the considered brands did not have an integrated marketing communication between physical and digital stores. In fact, only one store with COB and COO elements in the physical point of sale displayed COB reference on the homepage of the Chinese website.

Therefore, Italian brands when operating in a new and culturally distant market should manage COB and COO according to the cultural and society references, since they can be different from those normally used in mature markets.

Conclusion

The three chapters that constitute the body of this work aim at explaining how the Italian Style is conveyed in the Chinese furniture sector. After a literature review in the first chapter, and a description of the main retail channels used in China provided in the second chapter, the third chapter shows the outcomes of the empirical analysis conducted in China. The discussion of the results suggest that it is crucial to identify a strategy that could be adopted in the future by other Italian furniture companies that want to convey the Italian Style in China in a successful way.

The considerable growth of the Chinese furniture market has created enormous opportunities for Italian companies operating in this field. In fact, with the improvement of China's living standards, consumers started to have an adequate disposable income to spend on household decorations. However, it is not all a "bed of roses" for those Italian companies interested in such potential market. It must not be forgotten that the Chinese market presents many challenges among which the absence of big Italian retailers and different cultural norms. In order to improve COO and COB references in physical and digital stores, managers should understand that in China the value of the COO and COB has a different dimension and is more related to multi-country regions than specific countries.

Moreover, during the time spent in China for the purpose of this analysis, I realized that Italian companies that operate in the Chinese furniture market tend to invest very little in marketing campaigns. Even though such companies are almost all small and medium enterprises, which means that they have limited financial resources, they should consider the influential power of advertisement campaigns in order to reach out the target market and create brand awareness on the Chinese market. Furthermore, advertisement campaigns should possibly employ some local celebrities since many studies have showed that celebrity endorsements could have a great impact on Chinese consumers' attitude and purchase behavior (Sharma, 2015).

As far as the Italian Style is concerned, numerous studies have been conducted on this topic and the majority of them confirmed that country image of Italy is perceived in a positive way by Chinese consumers. Managers operating in the Chinese market should take this aspect more into consideration and try to use more COO or COB references in

their points of sale. As we have seen in the first section, the store from a simple point of sale has turned into a point of permanence and a point of meeting becoming a "theatre" in which the consumer live new sensorial experiences (Grewal *et al*., 2014). More storytelling activities should be done during the shopping process with the purpose to educate the consumer about the values and the meaning of the COO and COB associated to the product and the brand.

Even if the current study presents some limitations due to the fast-paced changes that occur in the Chinese market and due to the limited number of stores visited, the results obtained from the empirical research could be relevant in the future for other Italian firms operating in the same sector that want to convey the Italian Style through the store in a more efficient way. In fact, so far there are not many studies on how Italian companies in the Chinese furniture sector use COO and COB references in their points of sale, and therefore, future research in this direction could contribute to fill this gap in literature.

In conclusion, we can say that compared to Hu and Checchinato (2015)'s research, COO and COB references are much more present in the physical stores of the analyzed stores, especially in an iconic and textual way.

Whereas, as far as the digital analysis is concerned, the current study confirms Hu and Checchinato (2015)'s findings, since both COO and COB references have a marginal role in such platforms and only one of the brands with COB and COO in store showed such references also in its Chinese website.

Appendix

Appendix 1：Interview with the store manager of Arrex Le Cucine

1. 艾度维什么时候进入了中国市场？

2002年。

2. 目前在上海你们有多少员工？

现在在上海大概有16个员工。

3. 目前在中国你们有多少商店？这些商店都在一流城市马？

我比较了解上海的情况。除了上海以外，艾度维还在杭州，成都。所以艾度维不只在一流城市，而且还在二流城市。

4. 根据什么样的条件你们公司决定你们公司决定在中国开张一家新的商店？

艾度维根据两个主要的条件决定在那儿开张一家新的商店：一个是客户的需求，另外一个是品牌的支持。

5. 还有其它条件呢？比如说在那个地方已经有对手，总人口或者平均收入等等

不一定。比如说在温州有艾度维。艾度维在温州是2008年开始的。2008年以前，虽然当地的客户有钱并且他们的收入水平比较高，但是他们没有这样的一个知识。 在那个时候当地客户的需求很简单，他们还没有买意大利进口产品的需求。但是到了2008年的时候，客户对意大利产品开始感兴趣。艾度维看到一部分少数人开始买意大利的厨房以后， 决定在温州开张了一个商店.

6. 你们公司认为商店是一个很重要的渠道吗？如果是这样的话，你们公司用什么样的店铺形象战略?

为了转达意大利方式我们用的方式是：我们想让客户看一看怎么使用我们的厨房所以我们通常请客户来我们的餐厅吃饭。这样我们的客户不仅可以看一看我们的产品，而且可以使用我们的厨房。我们常常会请厨师过来。他做一些意大利的食物给客户吃比如：意大利面，比萨等等。然后我们也提供一些意大利的红酒或者白葡萄酒，但是现在我

们认为葡萄酒太贵了。通过这些事情我们认为客户可以了解这就是意大利的生活方式。有的时候我们也会请客人注册一些活动。我们邀请客人和他们的孩子来到我们这里。我们教他们怎么使用烤箱来做比萨，或者我们教他们怎么用烤箱来做意大利的一些食物.

7. 您可以解释一下你们公司的主要目标码？比如年龄，收入，他们的工作等等。

我们的客人年龄阶段差不多在35岁到55岁之间。但是最近几年少数年轻人开始买我们的产品。以前我们的客户的平均年龄大概35-55岁,但是现在有一些25岁到35岁的客户开始增加。我们的客户大部分都是自己开公司，他们是商人。他们可能是富二代.

8. 考虑到在中国厨房行业是最近才慢慢发展起来的。你们公司为了满足中国客户的要求对产品进行调整吗？ 中国人的习惯根意大利人的不一样尤其是在做饭方面 。

没办法调整。因为工厂在意大利所有的产品都在意大利生产的。然后我们提的建议不一定公司就会采纳。

9. 你们公司的主要竞争对手是什么？

德国品牌。

10. 你们公司有没有一个电子商务平台？

我们有我们自己的电子商务，但是并没有销售。虽然最近几年数字商店的重要性有了很大的提高，但是现在用电子商务来采购的客户群体比较少。我们也有一个微信公众号去宣传品牌，但是客户要真正购买产品的时候，他们不用电子商务平台这个方式来购买产品。 所以我们电子商务平台的主要目的是宣传推广。

11. 实体店和数字商店之间有什么关系？

没有关系。

12. 你们公司用哪个社交媒体平台与消费者沟通？

微新和微波。

13. 你们公司与主要意见领袖合作？

我们的客户通常是这样的人。基本上我客户的权责很有影响。有钱的人通常跟有钱的人在一起并且他们的孩子也通常在一起玩。比如说两天前是一个客户的女儿的生日。他邀请他的朋友过来，其实这些朋友都是我们的朋友。我认为我们所有的客户会有影响的能力，因为他们自己都是开公司，毕竟在中国谁有一定的社会地位和稳定收入在他的范围之内可能有影响力。

14. 关于互动活动这一点，除了请你们的客户使用厨房之外，你们组织什么样的活动来推动艾度维和意大利方式？

艾度维组织的活动比较少，因为他们给我们的支持不是很多。但是我们很想做一些意大利和中国之间的交流活动。这是我们非常愿意开张。比如说我们常常会开张活动让意大利的设计师和中国的设计师坐在一起。这样大家一起来沟通交流一个具体，这样可以建立一个长期文化交流。

Appendix 2: English translation of the interview with Arrex Le Cucine store manager

1. Year of entry in China.

2002.

2. Number of employees.

At the moment in Shanghai there are approximately 16 employees.

3. Currently, how many stores do you have in China? Are they mainly located in first tier cities?

I know more about Shanghai. Besides the store in Shanghai, Arrex is also present in Hangzhou and Chengdu. So Arrex's stores are not only located in first tier cities but also in second tier cities.

4. According to which criteria does the company decide to open a new store in China?

Arrex's decision about where to open a new store is based on two main criteria: consumer's demand and brand's support.

5. Are there other criteria? For instance, the presence of other competitors in that place, the total population, the average income etc.

Arrex was opened in Wenzhou in 2008. Before 2008, even though local customers had enough money, and their salaries were quite high, they did not have this kind of awareness. At that time, local costumers' demand was very easy, and they did not have the need to buy Italian imported products. But in 2008, customers started to be interested in Italian products. Arrex after seeing that a small group of costumers was starting to purchase Italian kitchens, it has decided to open a point of sale in Wenzhou.

6. Does the company consider the store as a strategic channel for conveying the Italian Style in China? If yes, which are the store image strategies used by the company?

Our way to convey the Italian lifestyle is: we want to show to customers how to use our kitchen and in order to do that we usually invite them to

come to our store to eat. In this way our customers not only can have a look at our products but they can also try our kitchens. We often invite chefs to cook some Italian food for clients such as pasta, pizza, etc. Then we also offer some Italian red or white wines, but now I think wine has become too expensive. We believe that through these activities customers can understand that this is the real Italian lifestyle. Sometimes we also ask customers to sign up for some activities. We invite customers and their children to come to our store and we teach them how to use the oven for making pizza, or for cooking any other Italian food.

7. Can you describe your main target? Age/income/job?

Our customers are approximately 35-55 years old. But in recent years a small group of young consumers started to buy our products. Before the average age of our costumers was 35-55 years old, but now a group of younger consumers (25-35 years old) started to increase. Most of our customers are businessman, entrepreneurs or they are children of rich families that became wealthy under Deng Xiaoping's economic reforms in the 80's.

8. Since the development of the kitchen industry is quite recent in China, did the company adapt or modify their products according to local consumers' habits?

There are no ways to modifying products because the factory is in Italy and all products are manufactured there. Moreover, we are not sure that our suggestions can be accepted by the company.

9. Which are your main competitors?

German brands.

10. Does the company have an e-commerce channel?

We have our own e-commerce platform, but there are no sales. Although the importance of digital stores has greatly improved in recent years, only a small group of customers uses our digital store for purchases. We also have a WeChat public number to advertise the brand, but when customers really want to buy the product they do not use such digital platforms. So, the main purpose of our e-commerce platform is to promote products.

11. Is there an interaction between physical and digital stores?

No, there is not.

12. Which social media platforms do you use to communicate with Chinese consumers?

Wechat and Weibo.

13. Do you collaborate with Chinese KOLs (key opinion leaders)?

Our customers are usually such people. Generally, my customer's power is very influential. Rich people usually spend time with wealthy people, and also their children play usually together. For example, two days ago was the birthday of a client's daughter. He invited his friends over, and these friends are actually our customers. I think all our customers can have such ability to influence, because most of them have their own companies, moreover in China who has a defined social status and a stable income may be very influential within his range.

14. As far as interactive activities are concerned, besides inviting customers to your canteen, do you organize any other activities to promote the brand and the Italian Lifestyle?

Arrex organizes just few activities, because it does not give us lot of support. But we really want to promote exchange activities between Italy and China. This is what we really would like to start. For instance, we would like to promote activities where Italian designers can meet Chinese designers. As a result, they can share ideas and discuss about specific topics and in this way they can establish a long-term cultural exchange.

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