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## An Evaluation of the Customer Perceptions towards Chinese Consumer Electronic Brands in Cape Town

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**Abstract:** Chinese Consumer Electronic Brands (CCEB's) are expanding at a rapid rate not only in Cape Town but globally. An investigation was conducted to understand whether the gains in market share can be translated into an increase in brand performance and loyalty. It aimed to investigate whether the historical investment transactions concluded by the Chinese on the African continent can influence consumer perceptions of Chinese consumer facing brands in Cape Town. The literature review highlighted that there are many journals articulating the negative perception created by Chinese investors due to their involvement in alleged corruption, importation of Chinese labour, and illegal repatriation of profit. While these issues are publicised in the media, the research undertaken highlights that the Chinese are not treated objectively. The investigation provided evidence to counter existing literature that depicts the Chinese as negative investors in Cape Town and the rest of the continent. Evidence was also presented to highlight the correlation between a consumers' perception and the origination of a brand also known as country of origin (COO). Finally the thesis focused on the importance for CCEB's to understand the importance to consider partnering with the local technology ecosystem to drive innovation and commercial opportunity generation in Cape Town. Key themes were identified during the primary research collection process, where the identification of key areas CCEB's should consider to appoint at a corporate executive management level to enhance their image amongst consumers in Cape Town.

**Keywords:** Electronic Brands, Corporate Branding, consumer perception, China FDI, Cape Town Tech Industry

## INTRODUCTION

China is one of the foremost producers of manufacturing goods [1]. This is largely due to their labour-intensive approach in their manufacturing sector coupled with a strategy to produce at a low labour cost. This led China to become an original equipment manufacturer (OEM), whereby the country produced most of the leading technology brands. This however saw the very low returns for the Chinese producers as the bulk of the profits, approximately 60 per cent revenue from sales, was retained by the brand for design, engineering and marketing costs, opposed to the one per cent received by the Chinese producers for assembly and packaging [2]. In 2002, the Chinese government wanted to shift the perception of Chinese productions and undertook a strategy of promoting the shift from OEM to Original Brand Manufacturer (OBM). This was achieved through a government initiative with the establishment of China Brand Strategy Promotion Commission. The aim of the commission was to enhance and assist with

**Research Article**

the advancement of the top 100 Chinese national brands [3]. The promotion of the shift from OEM to OBM was to promote Chinese brands to compete with their Western counterparts. This would promote foreign competition and also shift consumer perceptions from cheap inferior products to industry leaders. This would ultimately be achieved as a by-product of competing, as Chinese producers will look at ways to innovate and improve product offerings to differentiate themselves [1]. Chinese consumer electronic brands (CCEB) are starting to penetrate established and emerging markets which were previously dominated by Japanese, US, German and, more recently, South Korean brands.  A United Nations (UN) report [4], illustrated the growth of the ratio of outward Foreign Direct Investment (FDI) from developing countries as compared to that of total outward foreign direct investment. From the paper it can be seen that the percentage has increased over the period from 8.7 percent to 26.9 percent.  The proliferation of outward FDI has seen a rise of Asian brands and, more recently, CCEB. In recent years, a clear shift from Chinese resource-based investment to consumer-facing investment has taken centre stage. The study will also aim to articulate whether Chinese consumer-facing brands are also negatively affected, due to the negative image created by informal Chinese traders. The study considers whether this growth and, in particular, the growth of CCEB, equates to a more positive perception towards brand credibility, trust, quality, transparency and recognition in South Africa.  The aim of this study is to investigate the underlying reasons that are driving this negative perception of CCEB and what recommendations should be considered.

## RESEARCH CONTEXT: BACKGROUND

The significance of this research aims to investigate the following problem areas:
- What are the underlying factors driving negative perceptions towards CCEB in Cape Town;
- Whether Chinese brands and products are seen as innovators both globally and on the African continent; and
- If country of origin (COO) influences a consumers purchasing decision.

These key problem areas have been created by a multitude of events over the last few years. According to some studies, one of the biggest OEM base countries for the western developed economies is China. This is ironic as China is considered to be a country which lacks business practices, technological advancement and produces products of a poor quality [5]. These studies have reinforced the view that Chinese brands and products are not seen as innovative and premium compared to their competitors, for example: USA (Dell, Apple, and HP), Japan (Sony, Panasonic, and Sharp), and South Korea (Samsung, LG) in the consumer electronics market. There is an assumption that Chinese consumer brands are seen as 'price-only competitors' and 'not value-for-money propositions'. These on-going challenges are exacerbated by cheap Chinese imported products sold via informal to semi-formal trading markets and isolated 'China Town' establishments in South Africa. The seemingly inculcated view of negativity towards CCEB presents a number of challenges, aimed at shifting perceptions towards a more deeply engaging consumer relationship.

## THE RESEARCH PROBLEM

Chinese products, rightly or wrongly, are still often seen as an inferior product or a copycat version of better products produced elsewhere. These issues are perpetuated by corporate intellectual property violation (reinforces lack of Chinese product innovation perception); utilisation of cheap labour; questionable governance; lack of operating transparency; and zero commitment towards environmental issues. These are all common problems working against CCEB acceptance as quality brands. These problems can exacerbate the negative perception of Chinese brands in Cape Town. The research therefore aims to identify the stigmatic view of Chinese consumer electronic brands.

## RESEARCH QUESTIONS

- Can CCEB develop and build deeply engaging consumer relationships and loyalty in Cape Town?
- What strategies and tactics should industry players, manufacturers and importers of CCEB consider employing to drive positive perceptions?
- Should CCEB collaborate with the local technology industry in Cape Town?
- What strategies should corporate executives at CCEB's consider?

## SIGNIFICANCE OF THE STUDY

The importance of this study will assist company executives and marketers of CCEB to determine the factors driving the assumed negative perceptions; to determine if Country of Origin (COO) influences brand perception; and whether CCEB can occupy premium and innovation status in Cape Town. The articulation of the points above should determine whether CCEB market share growth from a comparative point of view delivers the brand equity returns to inspire current and future customers to fully embrace the brand. According to Kotler and Keller [6] "brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability the brand commands". The significance of this approach will be the identification of thought leaders within Cape Town, who are subject matter experts in the field of corporate strategy and marketing management. The significance of this approach will be the identification of thought leaders within Cape Town, who are subject matter experts in the field of corporate strategy and marketing management. Industry executives have hands-on industry experience and are able to provide insight that often cannot be found on the internet. Their expertise and exposure to the development of consumer brands and deep understanding of the importance of customer insights are important to discern whether the status of CCEB in Cape Town projects a positive and inspiring perception towards their brands. Engaging thought leaders through a semi-structured interview approach present a very compelling strategy to obtain the story behind an industry expert experience.

# LITERATURE REVIEW

According to various travel companies, Cape Town is considered to be one of the world's most multicultural cities. As the environment is heterogeneous, these diverse factors influence the perception of brands and how a consumer engages with it. Although multiculturalism plays an important role as to the conceptualisation of a marketing strategy, the factors driving CCEB perception are not isolated to a single particular cause. The importance to understand the multitude of factors is critically important to understand the very diverse nature of this subject. The underlying perception of CCEB varies from country to country. In some cases the perception is more positive and open to engaging CCEB as compared to other countries on the African continent. A more favourable perception of China tends to be the norm with the exception of Zambia and Cameroon. The reason for the barring in these two countries revolves around publicity of their labour practices as well as safety issues.

## Shift in Trend for Chinese Brands

In the Mckinsey quarterly the question was posed if Chinese brands could compete internationally and the answer was an unequivocal yes. The reason being is that China has dominated the manufacturing industry due to the low-cost of labour. However, in the 1990s and early 2000s Chinese companies were content with being an OEM supplying the world's biggest brands [1]. The Chinese government started emphasising that large companies started to sell their products abroad. Their reasoning was that these companies would be more profitable. Furthermore, they would be able to compete with foreign companies as well as move away from the perception/image of them being producer of cheaper/inferior products.

## Factors driving brand perception

**Definition of a Brand:** "One of the most valuable intangible assets of a firm is its brands, and it is incumbent on marketing to properly manage their value. Building a strong brand is both an art and a science. It requires careful planning, a deep long-term commitment, and creatively designed and executed marketing. A strong brand commands intense consumer loyalty at its heart is a great product or service" [6]. In 2010, there were approximately 3.15 million trademarks registered, according to WIPO, 42 percent were Chinese. These astounding figures provide further evidence that the rise of Chinese brands is now a global occurrence demonstrating that the sleeping dragon is firmly awaken.

## Perceived Lack of Chinese Innovation Competence

An underlying factor driving perception is the view that CCEB are not able to innovate or disrupt technology trends continues to intensify the view that CCEB lag behind their Western peers. Abrami, Kirby and McFarland [7] highlights that, today, the perception is still that innovation and creative thinkers are Western qualities and that China is stagnant and has not expanded or improved these processes. Given this perception, the failure to be seen as an innovator deepens the challenge for CCEB to be seen as technology trend setters and disruptors in Cape Town. Because China's internet ecosystem was less developed than that of the US, looking at successful American technology companies was like looking into China's future.

**Research Article**

Although the above may be true for Chinese technology entrepreneurs to offset their risk by using proven models that their Western counterparts have created, in the global context, consumers might view brands that are seen as the levers of technological change differently to brands that are perceived to lag behind the technology curve. The unprecedented progress made by CCEB within the global context is nothing short but phenomenal. There are four CCEB that stand out (Huawei, Haier, Xaomi, Hisense) that are dominant in their home market and are now globalising their businesses to validate the notion that the recent strategy pursued by the Chinese government to thrust firms into more sophisticated hi-tech international markets are not only theories but clear intentions to reconfigure this very old and stale narrative that brands originating out of China are unable to lead global product categories.

**Huawei:** Huawei Technologies was established in 1988 in Shenzhen (Guangdong, China) as an importing Private Branch Exchange (PBX) of switches from Hong Kong. After more than twenty years of development, Huawei has become one of the world's leading communication equipment manufacturers and telecommunication solution providers, with USD33.8 billion sales revenue, USD1.9 billion net profits in 2011 and with an overseas sales income of USD23 billion (67 percent of the total sales revenue). It operates in more than 100 countries and regions and serves 45 telecom operators among the top 50 in the world. In the 2008 financial crisis year, Huawei's sales revenue still grew by 46 percent and market shares almost tripled in several market segments [8]. Huawei has penetrated the South African market and has been disrupting the smartphone and broadband equipment and infrastructure market over the last few years.

**Haier:** Chan [9] expounds that Haier Group, founded in 1984 with its headquarters in Qingdao, China, is the leading brand of white goods globally and the most valuable brand in China. With considerable awards and achievements, Haier has involved into a giant multinational corporation. Haier aims to build a local Haier brand in each geographic area all around the world. It is on the way to integrate global resources to satisfy consumers' needs all over the globe. Qingdao Haier Co., Ltd. (600690: SH) has been listed on the Shanghai Stock Exchange since 1999. Haier re-entered the South African market in 2013 and although are not as active in South Africa as other CCEBs, their global presence positions them as one of the leaders in most product categories they operate within.

**Xiaomi:** Xiaomi was founded in 2010 by the renowned investor and entrepreneur Lei Jun, who had a vision of creating a company, that made it possible for the consumer to acquire a high-end quality product, at a reasonable price. Xiaomi is primarily focusing on the Chinese and adjacent markets, which is why the company name to most people outside of Asia, may be unknown, despite it being the third largest smartphone company in the world. Given that it is only in existence for six years, its rapid expansion has capitalised approximate USD10 billion of revenue by a task force of around 3,000 employees in 2013 [10]. Xiaomi has recently launched in South Africa and will present a formidable force should it be able to replicate its success as seen in China.

**Hisense:** In 2014, the company's overseas sales revenue reached USD2.6 billion, while brand sales revenue reached USD1.3 billion, increasing by 40.8 percent and brand sales revenue percentage reached 50.5 percent. Hisense stripped straight business off from overseas sales

                                                        **Research Article**

business, established straight sales department, greatly improving the straight business professional level and management efficiency. Around the world, Hisense has built 16 overseas companies which are located in North America, Europe, Australia, Africa, the Middle East and Southeast Asia. Hisense has four overseas production bases in South Africa, Algeria, Egypt and Mexico. Additionally, Hisense has seven overseas R&D centres including China, USA, Canada and Europe to strengthen key technologies and create leading edge products constantly. The review on the four firms above demonstrates that the literature review incorporated into this research review reveals that the correlation between COO and brand perception and performance is not entirely accurate. Although there is merit to a certain extent, the expansion and performance of these CCEB into a diverse range of product categories at a global level from broadband infrastructure and equipment, smart devices (phones and tablets), TV's, and home appliances provides clear evidence that there is a clear gap in existing literature. From the West to the Japanese and South Korea should certainly not underestimate the innovative capacity and competence of CCEBs ability to capture the global market for many years to come.

## RESEARCH METHODOLOGY

The necessity to conduct research into any field is fundamental to understand the context of any subject matter. Saunders, Lewis and Thornhill [12] define research "as something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge. Two phrases are important in this definition: 'systematic way' and 'to find out things'". A 'systematic way' refers to applying a clear methodology to source critical information to assist in shaping the research project. Whereas, 'to find out things' articulates a path in finding out answers to questions the researcher has prepared and in some cases not prepared for. The research study was conducted by employing both primary and secondary research. The decision to appoint the use of the phenomenological (qualitative) method was based on the proposition that it provided a better orientation towards the interpretation of the research objectives which often gives more cogency and lower level of artificiality to the endeavour due to the setting.

## RATIONALE FOR RESEARCH METHODOLOGY

A qualitative (phenomenological) research approach was appointed due to its advantages over a quantitative method. A qualitative study provided a clearer interpretation of the research findings as it attempted to study the whole situation in order to evaluate the complexity and to ensure that their conclusion take account of both unique and general factors. Quantitative research paradigm on the other hand is empirical in nature; it is also known as the scientific research paradigm [13]. As the focus of the study was not focused on hard data, the interpretation of consumer perceptions and beliefs required an approach that allowed complex theories to surface. Cho and Lee [14] confirms that the other great benefit with a qualitative approach is that the inquiry is broad and open-ended, allowing the participants to raise issues that matter most to them. The qualitative researcher typically does not have a preconceived, finite set of issues to examine. It can also be argued that a qualitative study inherently has its

**Research Article**

own shortcomings. The process is time-consuming, and secondly, a particular, important issue could be overlooked. The second potential problem is that a particular issue could go unnoticed. All researchers' interpretations are limited. As positioned subjects, personal experience and knowledge influence the observations and conclusions [14]. The research study specifically uses an exploratory research method, which essentially refers to exploring the field of interest, evaluating and analysing consumer perceptions in relation to CCEB.

## RESEARCH DESIGN

The study explored different types of research methods to consider before conducting an investigation into the drivers of customer perceptions towards CCEB. Saunders *et al*. concluded that within your research design you will need to use one or more research strategies, to ensure coherence within your research project. This research study was conducted through the use of an inductive research method. According to Saunders *et al*. [12] an inductive approach designed to generate theoretical concepts and to build theory may lead to a greater emphasis on the use of qualitative methods. Atieno [13] corroborates that the process of qualitative research is inductive in that the researcher builds abstractions, concepts, hypotheses, and theories from details. This approach assisted in providing rich detail as to how and why the phenomena occur. Given the diverse views on this subject, an interview-based approach was used to obtain the data. Hence, an inductive approach presented the most compelling method to shape the research methodology. Saunders *et al.* [12] articulates that many varieties of qualitative research commence with an inductive approach to theory development, where a naturalistic and emergent research design is used to build theory or to develop a richer theoretical perspective than already exists in the literature. In addition to this, the research design as a framework can be categorised into the following areas: Exploratory; Descriptive; Explanatory; and Evaluative purpose.

**Exploratory Studies:** An exploratory study is a valuable means to ask open questions to discover what is happening and gain insights about a topic of interest [12]. Exploratory research, as the name states, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. This method was considered and utilised during the research project as it was necessary to acquire more information about the phenomenon, as the collection of data was critical to determine causal associations to consumer perception in relation to CCEB.

**Descriptive Studies:** According to Saunders *et al.* [12] descriptive research may be an extension of a piece of exploratory research or a forerunner to a piece of explanatory research. It is necessary to have a clear picture of the phenomenon on which you wish to collect data prior to the collection of the data.

**Explanatory Studies:** The emphasis in explanatory research is to study a situation or a problem in order to explain the relationships between variables [12].

**Evaluative Purposive Studies:** Evaluative research in business and management is likely to be concerned with assessing the effectiveness of an organisational or business strategy, policy, programme, initiative or process. This may relate to any area of the organisation or business: for example, evaluating a marketing campaign, a personnel policy, a costing strategy, the

          **Research Article**

delivery of a support service. [12]. 'Qualitative' is often used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numerical data [12].

## RESEARCH STRATEGIES

There are several research strategies to pursue, it was important to select the research strategy that presented the appropriate fit and in addition, to ensure that the research strategy integrated firmly with the objectives of the topic. According to Saunders *et al.* [12] the following **Phenomenological** research strategies are:

**Interviews:** Interviews are best used when you want to learn detailed information from a few specific people. Interviews are also particularly useful if you want to interview experts about their opinions [15]. This was chosen as the preferred method as the aim of the study demonstrated ambition to obtain detail information. It was therefore motivated that face to face interviews yielded the most tangible results.

**Focus Groups:** A focus group could be defined as a group of interacting individuals having some common interest or characteristics, brought together by a moderator, who uses the group and its interactions as a way to gain information about a specific or focused issue [16]. As oppose to one on one interviews focus work when participants feel respected, calm, and allowed to share their views without being judged. While this has its benefits, it is however not suited for this research project. This is due to the fact that the research has targeted individuals who have demonstrated track record and credibility in the field of the appointed research topic.

## TARGET POPULATION

The respondents were carefully selected based on their industry experience and involvement with CCEB in one form or another. These interviews enabled constant probing and engagement, it allowed the use of distinctive questions but intersecting questions. It allowed a flow that tied back into the process of the research problem, the aim of the study, the research objectives and questions, the significance of the study and the constructive articulation of the literature review. The target population was eight participants, with all participants occupying senior executive management roles.

**Sampling Strategy:** When embarking on a qualitative study researchers are faced with many constraints such as time, money and access when collecting and analysing potential data. Due to these constraints a sample size was decided on [12]. According to Landreneau [17] the major groups of sample designs are probability sampling and non-probability sampling:

**Probability sampling:** This includes some form of random selection when choosing the elements. Greater confidence can be placed in the representativeness of probability samples. This type of sampling involves a selection process in which each element in the population has an equal and independent chance of being selected. For the purpose of this paper a qualitative approach is used to gather the necessary information required. A semi-structured interview approach was used which entailed that the questions posed to the respondents 'open- ended', the questions were similar in its nature but necessarily worded the same for each of the

                                                    **Research Article**

participants. Open-ended questions, participants are free to respond in their own words to the questions posed, and these responses tend to be more complex than simply "yes" or "no." [18].

## THE RESEARCH INSTRUMENT

Saunders *et al.* [12] explains that structured interviews use questionnaires based on a predetermined and 'standardised' or identical set of questions and we refer to them as interviewer-completed. However, in semi-structured interviews the interviewer has a list some key questions, however, given the participants response the structure and questions asked during the interview may vary [12]

**Semi-Structured Interviews:** A semi structured interview approach was used. The characteristics of this structure is that the interview consists of several key questions that assists in defining the areas to be explored but also allows the respondent some leniency to diverge from the set question to provide more detail where they feel necessary. This approach offered flexibility as it allowed the participants the opportunity to elaborate and provide the researcher the opportunity to discover information that was not previously considered as pertinent.  A list of questions was provided as a basic framework to assist in collecting critical data, the engagement was ultimately be conversationally driven to unravel a number of potential complexities linked to the perceptions towards CCEBs in Cape Town. Saunders *et al.* [12] expands that this implies that the interviewer may omit some questions in particular interviews.

## PILOT STUDY

According to Welman and Kruger [19], many novice researchers are disillusioned when they find out that the guidelines for research are only valid in an ideal environment, and not in the practical research environment where they conduct their research study. This might be the main reason why a pilot study is needed.

## ADMINISTRATION OF QUESTIONNAIRES

The questionnaire administered in this research project was face-to-face. This method allowed the interviewer to make personal observations from the respondents. The nine respondents interviewed expressed great satisfaction with the face-to-face engagement. It was noted that at senior executive level, face-to-face contact ensures that intellectually it stimulates a deeper discussion when the questions asked are compelling and very relative to the scope.

## DATA ANALYSIS

**Thematic Analysis:** There are various data analysis methods, for the purpose of this research a *thematic analysis* approach will be undertaken, Saunders *et al.* [12] explains that thematic analysis is less rigid in its structure due to its nature. Using this approach will allow in-depth interviews to be guided by a path that serves the best interest of developing rich and valuable data. Depending on which themes you decide to explore in an inductive approach, you may also modify your research question [12]. The utilisation of an inductive research approach in

parallel with a data analysis method such as thematic analysis presents clear advantages in shaping the research without restrictive thinking and, in addition to this, avoids certain predetermined interest that will direct the research into certain predisposed outcomes.

**Methods of Validating of Qualitative Research**

Unlike quantitative research the validation of qualitative research cannot make use of sampling or statistical manipulation to control the validity threats. It is therefore imperative to rule out validity threats in the research phase. This can be achieved by collecting evidence which will identify and the research can disprove alternative hypotheses. There are two types of validity threats, namely: research bias; and reactivity. Research bias refers to the way that data is collected and analysed in such a way that it is distorted by researchers' theories, values, or preconceptions. Whereas, reactivity refers to the effect of the researcher has on the research setting or respondent. One of the validation strategies is through respondent verification. This process entails soliciting feedback concerning the data and conclusion the researcher may have drawn. This would effectively rule out any possibility of misinterpretations of events and meanings. This process would also assist in identifying any biases and misunderstandings. Another validation strategy is looking for discrepant evidence and negative cases. In so doing, the researcher is able to identify and analyse cases which can't be accounted for. It would also allow the researcher the ability to assess whether these cases are more plausible to maintain or modify the research conclusions.

## LIMITATIONS OF THE STUDY

As the study alluded to matters affecting consumer perception, certain senior executives at global CCEB operating in Cape Town had to specifically request both their legal department and international department for permission before participating. This to some extent limited one target on the short list. Fortunately, other senior executives were highly interested to participate. Furthermore, while a qualitative approach allows deep engagement with industry experts, their experience whether positive or negative can influence their own perception or bias towards CCEB. While these industry experts have seen the rise of CCEB, they indicated that there is not sufficient objective secondary data available to provide more insight into the challenges and opportunities encountered by CCEB on the African continent, most data is centred on Western Media Agencies perception of Chinese companies which in most cases are negative opinions, therefore limiting the studies ability to gauge a balanced overview.

## ETHICAL CONSIDERATIONS

Most ethical issues can be anticipated and dealt with during the design stage of any research project. This should be attempted by planning to conduct the research project in line with the ethical principle of not causing harm and by adapting your research strategy or choice of methods where appropriate [12].

**Ensuring participants have given informed consent:** Saunders *et al.* [12] confirms that the researcher will need to engage on the premise which will require consent for the continuation

of the research. Participants will be treated with the required respect and dignity when conducting the interviews. Participants will be given a letter providing the necessary detail of the proposed project. The respondent will therefore be in a position to provide full consent.

**Ensuring no harm comes to participants:** Participants will also be given the option whether their name should be quoted or not. The respondent will also be notified that according to the ethics code the respondent can withdraw at any moment. It will be explained to the respondent that 'harvesting' data may be seen as violating the principle of the voluntary nature of participation [12].

**Ensuring confidentiality and anonymity:** Ensuring confidentiality and anonymity should mean that no harm should result from participating in this research. Part of the covering letter will state that participation is entirely voluntary and if an intended participant does not wish to take part, they are not under any obligation to do so [12]

**Ensuring that permission was obtained:** Obtaining signed permission from the respondent will be included. It will also be noted that permission seeking will not be a once off event. The proposed research will consider all the ethical factors when pursuing the research project.

## DATA ANALYSIS

Eight semi-structured interviews involving industry leaders were conducted. Five of the respondents were female respondents and three male respondents with industry experience ranging from 7-25 years. Interviews are particularly useful to obtain the story behind a participant's experiences. The interviewer can pursue in-depth information around the topic. Interviews are useful as follow-up to certain respondents to questionnaires, e.g., to further investigate their responses. [20].

**Data Collection:** Participants were selected based on the position held within their organisation, industry experience and knowledge on the subject matter which would aid a deeper understanding of the current industry trends and perceptions. Initial contact was made with a representative within these organisations who assisted with facilitating the interviews. Participation in the study was entirely voluntary. The interviews were carried out by an interviewer. Each interview lasted approximately two to three hours.

**Participants:** The participants selected for the interviews were based on their expertise in the field relating to CCEB. These specialists have the exposure and expertise as they were and are involved in building and developing CCEB. These individuals are respected within the industry as they have done similar work with other CCEB. It should be noted that these respondents are not easily accessible as they occupy executive positions.

**Analysis:** Open questions were posed to participants and interviews were recorded that were later transcribed. Transcripts were analysed using thematic analysis, a qualitative method used for identifying, analysing and reporting patterns (themes) within the data'[21]. On analysis of each of the interviews, a coding framework was devised. There are a few CCEB that have successfully entered the South African economy and their stories may assist other CCEB to gain the necessary access. However, no one story can be replicated and guarantee success for the company. From the industry experts participating in this qualitative study, felt that certain in-roads have been made where others felt that some stereotypes/perceptions needed to be

**Research Article**

addressed first. There was also a consensus amongst most of the respondents that consumers pre-conceived notions of CCEB had to be addressed and in doing so these companies had to focus on corporate image, social responsibility and branding. By addressing these points, they would gain themselves market share as well as addressing the market constraints which has hampered their successful entry into the Cape Town market. For decades' consumers in Cape Town has synchronised with Western culture, customs and norms. The rise of Asian brands has created a feeling of unfamiliarity as local consumers' lack brand education of the successes achieved by CCEB both in their home market and abroad. The data revealed that while certain brands such as Hisense, Huawei and Lenovo have achieved significant market share in Cape Town, they are yet to inspire the same brand loyalty and excitement that Apple, Samsung, LG, Defy, Whirlpool and Sony are experiencing. However, a clear message was communicated that the development of brand equity is in no uncertain terms and event, it is most certainly a process that requires active work from a management team to assure the market that it demonstrates all the fundamentals to grow the footprint of the brand. The findings from the engagements with the interviewees shows a strong correlation with the findings in the literature review. The data also suggested that certain CCEB were making in-roads in terms of brand image whereby products are being differentiated and that consumers are no longer basing their preference in terms of brand loyalty but rather on product offering. This is indicative that Chinese products are becoming more successful in terms of OBM. Respondents also established from their experience that consumers are becoming more aware of corporate social responsibility and started to justify their purchasing decisions on companies which are contributing to programmes that consumers' self-determines as worthy causes. The respondents further felt that this was a key factor in contributing to the success of certain CCEB. In addition, respondents felt that CCEB would make greater in-roads if they contributed to alleviating one of South Africa's greatest economic issues, reducing unemployment. The respondents felt that CCEB should to a certain degree manufacture their products here. However, they agreed that this may not be feasible but felt that the software development could be produced here through collaboration with Cape Town based technology firms. Respondents felt that through collaboration and partnerships CCEB will further entrench their positioning in the market.

**FINDINGS**

There were three central questions posed when undertaking this study, many of the findings presented in the literature review supported/answered the questions posed. These questions and the subsequent findings to which answers/supports these questions are as follows:

**Can CCEB develop and build deeply engaging consumer relationships and loyalty in Cape Town:** From the literature review and qualitative study undertaken in this research paper the findings supported that certain CCEBs' such as Hisense, Huawei and Lenovo has had some success in developing and building and enriching customer relationships. This relationship is also based on something more essential than from a competitive pricing point of view. Furthermore, these CCEB have made significant progress to develop a customer base in Cape Town and are successfully accessing the consumer electronics market as a serious threat.

However, not all CCEBs' have achieved the same level of success. Companies such as Sinotec, Haier, Xaomi and ZTE are yet to develop their brand and a loyal customer base within the Cape Town market.

**What strategies and tactics should industry players, manufacturers and importers of CCEB consider employing to drive positive perceptions:** From the literature and the study, the focus of CCEB is to change consumer perception from the stereotypical Fong-Kong notion of Chinese products or from the fact that Chinese products are cheaper or inferior to their Western counterparts. With the promotion of the development of OBMs' from government initiatives, CCEB's competing in the arena with leading brands have emphasised innovative and improved product offerings which has added to the value proposition of these CCEBs. It has strengthened the brand image and corporate brand by having product offerings which differentiates themselves from their competitors. This is supported by the qualitative findings when engaging with industry experts who stated that electronic purchases are no longer cold purchases and customers are willing to pay more for products which has slightly more features. This has assisted in changing the perception of CCEB, in addition innovation and improvement of products have shifted the opinions of consumers to view these corporations in a more positive context.

**Should CCEB collaborate with the local technology industry in Cape Town?:** The study corroborates this statement as the industry experts all agreed that it may not be possible for all CCEBs' to open factories in the South African economy. However, they do agree that Cape Town is now a software hub and forging partnerships would greatly assist with entrenching their brand in consumers' mind. The collaboration in conjunction with social investments that customers can associate with will help build the brand as well as the corporate image of these brands in the minds of the consumers, thus changing the perception and context these customers view CCEB.

**To determine consumer perceptions of Chinese brands and products in Cape Town:** The primary research revealed that a number of factors influence consumer perception towards CCEB's. The key theme identified was the overall value proposition of CCEB's. The research revealed that all CCEB's cannot be lumped into the same category as consumers see brands autonomously. While Lenovo was not identified fairly often as a Chinese brand, the respondents conferred that Cape Town consumers continues to link Lenovo to IBM, however more informed consumers realise that the Chinese have advanced the technology over the years. While negative stereotypes unfortunately exist, only two companies have managed other than Lenovo to counter this stereotype that is Hisense and Huawei.

**To determine what Chinese brands have done to promote their brands and to engage with customers:** Hisense and Huawei were mentioned most frequently as CCEB success stories amongst Cape Town consumers. However, there are companies whom have not achieved similar success, companies such as Haier, Xaomi and Sinotec. A few key sub-themes can be identified that differentiates the successful CCEB's from those that are not so successful. The CCEB's who are yet to inspire the same level of confidence should learn from Hisense and Huawei what to do in order to promote their brands to achieve deeply engaging relations with Cape Town consumers.

                                                                    **Research Article**

**To investigate if CCEB should collaborate with the technology ecosystem in Cape Town:**
The primary research revealed an overwhelming consensus that all CCEB's should identify a
strategy to forge these relations with local technology disruptors. While the aesthetics of a
product is important, co-developing a content platform that differentiates CCEB's from
Korean, Japanese and US brands presents an opportunity worth exploring. Cape Town has
recently developed a reputation for its successful technology enterprises. Merely approaching
these partnerships without a clear collaboration framework can prove to be troublesome. The
primary research revealed that CCEB's should identify which areas to focus on. For instance,
companies such as Hisense and Huawei should consider how to converge their smartphone and
tablet capability with mobile application developers in Cape Town. This can vary from
developing consumer applications to co-developing applications that focuses on mobile
education, public transportation or mobile health.  These opportunities can only be developed if
CCEB's are opening up these discussions as oppose to focusing on selling products into
channels as its only strategy. Forging a collaborative partnership with local technology
disruptors will position CCEB's as innovative and thought leaders within the consumer
electronics industry.

## RECOMMENDATIONS

A culmination of the literature review as a secondary source and the primary research revealed
critical themes CCEB's should focus on to enhance their image and profile in Cape Town.
While there isn't a single factor to enhance CCEB's position in the local market, a number of
themes should be considered as extrapolated from the analysis of the data. China–South
African political and economic relations one could argue is probably at its strongest. Since
South Africa's inclusion into the Brazil, Russia, China South Africa (BRICS) block we've seen
an aggressive push from both governments' to forge closer strategic relations. While CCEB's
such as Hisense and Huawei have demonstrated success in gaining market share, the data
reveals that they continue to lag behind the established incumbents from a brand performance
point of view.

**Corporate and Product Image:** Although Hisense, Huawei, and Lenovo have made
significant progress in growing their market share, this was primarily done through a product-
orientated strategy. During this phase of their strategic growth path it certainly yielded results,
however the primary research results indicated that they should now focus on promoting their
corporate brand image as little is known about their corporate history. Many consumers believe
that the more successful CCEB's are a subsidiary operating under a different brand for a
Korean or Japanese technology corporation. CCEB's should prioritise their focus on their
master brand as it will uplift the image of the brand irrespective of the product/market it
considers to penetrate. The importance of this is paramount, as we've seen with other brands,
such as Sony or Apple, how they have leveraged their master brand to enter new markets. It is
therefore recommended that CCEB's should make this a priority.

**Strategic Social Investment:** The primary research conducted affirms that a technology
purchase will not hinge on a corporation social investment commitments. While this may be
true, it is critical to identify how a specific social investment project can contribute to their long

**Research Article**

term strategic goals. **Strategic Partnerships:** Both secondary and primary research affirms that collaboration drives innovation and new business opportunities. Cape Town is now regarded as the technology hub of South Africa and leveraging off the software and mobile application development capability in Cape Town can yield unique opportunities for CCEB's to define their own market position.

**Focus on Technology and Innovation:** The overwhelming consensus from the primary research indicated that CCEB's while not applicable to all in its entirety, should focus on their technology advancements and innovation capability as the next phase of their strategy. While pricing is an important factor when purchasing a technology product, the packaging of the overall product should not be based on price only. For many years CCEB's have gained market share through aggressive pricing strategies. To uplift the image of the brand the focus should diversify away from pricing as the key unique selling proposition. As CCEB's start to penetrate the higher end of the market where price is not the key factor, it will validate that consumers are purchasing the product based on other factors such as features, aesthetics, design, warranty, functionality, character, and brand personality. Once the shift moves into this direction the correlation between price increase and volume decline will become less of a factor.

**Channel Strategy:** The two largest channels in South Africa are your mass merchants. Massmart and JD Group are your most dominant groups by retail footprint and volume. Massmart's core retail brands are Makro, Dion Wired, and Game. JD Group core retail brands are Hi-Fi Corporation, and many of the top furniture brands such as Joshua Doore, Morkels, Price and Pride. Many of the CCEB's have made progress within these channels. CCEB's should identify the channels that serves their long term strategy as these mass merchants subsidiary brands are targeting different segments of the market. Brands such as Hisense, Lenovo and Huawei should target Makro, Dion Wired and the middle to higher income furniture stores as they are established players in the market and that these channels focuses on the more affluent market. Brands such as Sinotec, Haier and Xaomi should target Game and Hi-Fi Corporation as they are targeting customers who are driven by price.

**Post Sales:** It remains one of the major reasons why there is a lack of trust between Chinese brands and consumers in Cape Town. For many decades Chinese brands were focused on exporting competitively priced products from China into the global market. These products were sold via agents and exacerbated the unfamiliarity of the brand credentials and history. Consumers preferred to trust brands such as Sony and Defy as established post sales operations were in place to service the market should any technical issue arise. This ultimately forged a relationship of trust with consumers. It is therefore strongly recommended as CCEB's volume increases, failure to recognise the importance of post sales can have irreversible effects on the business.

**Areas for Further Research**

It is recommended that further research should include other major economic cities not only in South Africa but on the African continent. While this study was limited to Cape Town only, there might be comparative findings with other cities. However, to determine those findings with certainty, a similar research approach should be conducted to broaden the scope to include

the entire African region.  By broadening the scope, CCEB executives and marketing strategists can use the findings to assist with the development of their corporate strategy.

## CONCLUSION

These star performers such as Hisense, Huawei and Lenovo present the blue print for future CCEB engagement in the local market. It can be concluded that the research was very relevant and the recommendations presented in this research should be considered by CCEB's company executives.

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