

UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**AN ANALYSIS OF SLOVENIAN CONSUMERS' PERCEPTION OF
CHINESE CARS**

Ljubljana, May 2025

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LIST OF ABBREVIATIONS

COO – Country of origin

EU – European Union

FAW – First Automotive Works

NEV – New Energy Vehicles

PRC – People's Republic of China

US – United States of America

USSR – The Union of Soviet Socialist Republics

1 INTRODUCTION

With the rise of globalization, companies are increasingly looking to expand into foreign markets in search of new business opportunities and to increase their revenues. In doing so, they offer consumers a wider range of products to choose from. Consumers' perception, evaluation, and willingness to purchase these products are often influenced by the product's country of origin (COO). According to Jaffe and Nebenzahl (2001), the concept of COO refers to the nation a consumer associates with a product or brand as its source, regardless of where it is actually manufactured.

The importance of the COO is especially relevant, when consumers are not familiar with the brand name. Zeugner-Roth et al. (2008) believe that in this situation, consumer's perception of the product would be positively or negatively affected by the image of the country consumer has. Kotler (1993) defined an image of a country as "*the sum of all those emotional and aesthetic qualities such as experience, beliefs, ideas, recollections, and impressions that a person has of a country*" (p. 15). Simply put, this means that some people may prefer to buy products from lesser-known Swiss or German brands due to the high regard they have for Switzerland and Germany, rather than choosing products from developing countries like China or India.

According to Chao et al. (2005), consumers use two models to evaluate products, single-cue and multi-cue model. The former is used when consumers only rely on the COO information when evaluating products, while the latter suggests consumers depend on many different informational cues, such as price, product warranty, product type and material contents of products (Wang & Gao, 2010). In addition to that, several researchers have included more emotional cues such as consumers' ethnocentric tendencies (Shimp & Sharma, 1987) and consumer patriotism and national animosity (Klein et al., 1998). The multi-cue model better explains why the COO effect benefits German car companies in promoting their vehicles, but not German wine companies. It also helps clarify why some Chinese consumers choose not to buy Japanese products, despite their quality, due to the resentment from the events of the war in 1937.

In this thesis, the focus will be on China as the COO. In general, when it comes to Western consumers' perception of Chinese products, previous research (Leonidou et al., 2007; Pappu et al., 2007; Sharma, 2011) has shown that Western consumers prefer Western products over Chinese. However, despite the negative impact of the »Made in China« label, there are examples of Chinese companies that have achieved global success. Notable examples include Haier and Hisense in the home appliances industry as well as Lenovo, Huawei, Xiaomi and Anker in the consumer electronics industry. After having successfully entered several other industries, Chinese companies are also planning to make a mark in the

automobile industry, which is still dominated by car makers from the USA, Germany, France and others.

Holtbrügge and Zeier (2017), who researched the perception of Chinese cars by German and French consumers, suggested that future research should focus on Eastern European countries where the income level is lower and no strong local automobile industry exists. Despite not being an Eastern European country, Slovenia ticks both of these boxes. The median net income in Slovenia in 2023 was 18.053€, which is lower than Germany and France with 26.274€ and 24.179€, respectively (Eurostat, 2024). Furthermore, there are no local car brands, even though the automotive industry in Slovenia plays a very important role. However, most of the Slovenian automotive industry consists of making parts for other car brands with the only car manufacturer being Revoz, which is owned by the French Renault.

Slovenia has already experienced the impact of Asian automotive manufacturers entering its market. In particular, Japanese and South Korean companies have established a strong presence and are performing successfully. According to AMZS (2024), based on the numbers of cars sold, three Asian companies were in the top 10. This demonstrates that car companies initially facing a negative COO effect when entering a new market, can achieve success by changing and managing their brand image and implementing the right strategic approach.

Because of the limitations of previous studies, the purpose of this thesis will be to explore the possibility of Chinese car companies entering the Slovenian market and providing Slovenians an alternative when making car purchasing decisions. While living in China, I frequently used Didi, a ride-hailing app, and was often picked up in BYD car, a Chinese brand from Xi'an. I was impressed by their design and affordability, comparable to mid-range European cars. When I suggested a Chinese car to my father during his car search, he was hesitant despite liking the looks and price. My own view of the 'Made in China' label improved over time, but after returning to Slovenia, I became curious whether others shared this shift, especially when comparing Chinese cars to more established brands like German, French, Korean or Japanese ones.

Thus, my main research question is how are Chinese cars perceived by Slovenian consumers and is this perception influenced by whether the car is electric or not, since not only are Slovenian consumers increasingly more open to purchasing electric vehicles, China hold the position as the EV market leader in 2024 (International Energy Agency, 2025).

To achieve this, the following goals have been outlined:

- explore if the country of origin has a significant effect on Slovenian consumers' car evaluation,

- determine what socio-demographic factors, i.e. age, gender, education and income, affect the relationship between the country of origin and product evaluation,
- examine if Chinese cars can follow the success path of other Asian car brands that are already present in Slovenia,
- analyze if the success of Chinese electronic companies can positively affect Slovenian consumers' perception of Chinese electric cars,
- determine what cues Slovenian consumers' find important when evaluating products.

The thesis consists of a theoretical and empirical part. In the first part, I begin by looking at the evolution of the COO construct, examining how this concept has evolved over time and why it has become such a critical factor in consumer decision-making. I then take a closer look at the specific case of "Made in China", which has become increasingly relevant in today's global market. I explore how consumer perceptions of Chinese-made products have shifted over time and the challenges or opportunities these products face, particularly in the automotive sector. In the second part I dive into the Chinese automotive industry. I begin with a historical overview by describing different phases and industry's major milestones, policy changes and overall changes over these different periods. I then discuss how Chinese automakers have moved from being partners in joint ventures to attempting to become leaders in the electric vehicle sector. I then describe the Slovenian automotive industry, including an outline the current structure of the Slovenian industry, with a particular focus on its electric vehicle sector and it's development.

The empirical part consists of the hypotheses development based on previous literature and focuses on the COO effect in the automotive industry, testing hypotheses on how COO impacts consumer perceptions and purchasing intent. In particular, I compare the COO effect on Chinese versus German gas and electric cars. I then test these hypotheses by having the participants rate German and Chinese gas and electric cars. This is followed by a detailed analysis and interpretation of the results. The discussion section outlines theoretical and managerial implications, acknowledges limitations and provides directions for future research, concluding with a summary of the study's main findings.

My overarching goal is to provide a deeper understanding of the effect of the reputation of Chinese cars on Slovenian consumer preferences and behaviour. By doing so I want to provide directions on how Chinese car companies entering the Slovenian market should position themselves from a marketing perspective.

2 DEFINING THE COUNTRY OF ORIGIN EFFECT

Whenever consumers have to make a purchasing decision, they tend to evaluate a product based on the information that is available to them (Bilkey & Nes, 1982). Bilkey and Nes (1982) believe each product has a series of both intrinsic and extrinsic cues based on which

consumers determine the quality of a product. Intrinsic cues are cues such as taste, design and fit, which, if changed, would change the actual physical product itself (Szybillo & Jacoby, 1974). Extrinsic cues on the other hand are nonphysical product characteristics, such as price, brand name, warranty and COO. Furthermore, consumers' ethnocentric tendencies and their national animosity have also been discovered to influence consumers' opinions on products from foreign countries (Shimp & Sharma, 1987; Klein et al., 1998). Understanding the importance of these informational cues has become of great importance to foreign companies trying to sell their products or offer their services.

In the first part of the thesis, the theory of product evaluation and how it has changed through the years will be presented, starting with the original product evaluation theory that focuses only on the product's COO and continuing by introducing other informational cues that influence or moderate the COO effect as well as other issues that researchers found important when researching the process of evaluating a product. The chapter will be concluded with an explanation of how the 'Made in China' tag affects consumers' perception of Chinese products as well as an overview of different types of Chinese companies that have entered foreign markets.

2.1 Evolution of the COO construct

The importance of the COO effect was first studied by Schooler (1965), who tested if Guatemalan consumers evaluated products based on their national origin. After testing with two different products, he was able to confirm his primary hypothesis that Guatemalans prefer products from their own country and products from Mexico over those from Costa Rica and El Salvador and their preference is related to their general negative attitude towards people from these countries. The COO of a product is usually communicated by the phrase "Made in (name of country)" (Bilkey & Nes, 1982). One of the first researchers to define the above-mentioned concept was Nagashima (1970) who defined it as "*the 'made in' image is the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions*" (p. 68).

Hong and Wyer (1989) gave four reasons for how a product's COO can directly or indirectly affect product evaluations. First, the COO may influence how consumers interpret other available product attribute information. Second, consumers may form an opinion on the quality of the product without considering other attributes. Third, the COO may act as just another informational cue to help consumers make purchasing decisions. Fourth, the COO may affect the attention other informational cues get and thus increase or decrease the impact they have on the product evaluation.

In appendix 2, I summarize key aspects from the reviewed literature on the COO effect, which highlights the longevity of the construct as well as main concepts, methodologies and conclusions drawn by various researchers throughout the years.

2.2 Antecedents of the COO evaluations

Antecedents are the precursors to or determinants of a construct (Pharr, 2005). In the case of COO antecedents are the factors that explain how the COO images are formed. Gürhan-Canli and Maheswaran (2000) who studied cognitive antecedents explored the assumption that processing motivation, goals, and the type of information can influence the COO evaluation. In their study, subjects received attribute information about a single product or dispersed across several products all manufactured in a country with relatively unfavorable associations. They found that consumers under high motivation conditions are more likely to thoroughly examine the attribute information and consider the COO information as just one of the product attributes. Subjects under low motivation on the other hand may try to form their opinions with a minimum effort and thus only rely on the COO information. When consumers intentionally focus on the COO, they are more likely to give positive COO evaluations. In contrast, when consumers' processing goal directs their attention away from COO information, they are less likely to use the COO information in their judgment (Gürhan-Canli & Maheswaran, 2000).

When reviewing the studies that researched the antecedents of the COO evaluations, Pharr (2005) found that researchers divide them into two groups, 'endogenous' and 'exogenous'. Endogenous antecedents are described as measurable traits within consumers such as values or psychographic dimensions. Exogenous antecedents, on the other hand, consist of sources outside of consumers, such as the characteristics of a target country. For example, the country's level of economic development, which Verlegh and Steenkamp (1999) found to have a significant impact on COO evaluations. Pharr (2005) found that endogenous antecedents have been researched more thoroughly compared to exogenous antecedents. Among the antecedents are the following: country image, country stereotypes, consumer ethnocentrism, and consumer animosity, all of which are explained in more detail in the following subchapters.

2.2.1 Country stereotypes

Several studies have confirmed that consumers hold stereotypes of countries, which affect the ways they perceive products (Liu & Johnson, 2005). According to Ehrlich (1973) stereotypes are part of a society's social heritage and every member of society internalizes these stereotypes. This means that stereotypes of certain countries are widely held in society and are passed on to future generations through the socialization process. Despite the lack of empirical work on the origins of stereotype contents, most of our stereotype perceptions are based on a combination of direct or indirect experiences with relevant national groups

(Schneider, 2005). This is in line with the belief of Janda and Rao (1997) that stereotypes are learned through primary influences, such as family and secondary influences, such as education and media. However, other researchers argued that one's personal beliefs can be different from the cultural stereotype and that they are formed through either direct experience or inferential beliefs (Holbrook, 1981). The first one includes visiting the country, meeting people from the country, etc., while the second one refers to conclusions made upon past purchase experiences (Holbrook, 1981; Fishbein & Ajzen, 1981).

Chattalas et al. (2008) argue that consumers tend to place countries on a spectrum of warmth and competence based on their previous knowledge or familiarity with those nations. As a result, if a country is associated with positive stereotypes of warmth and competence, products from that country will generally receive a favorable evaluation. Conversely, if a country is linked with negative stereotypes, its products are likely to be evaluated less positively.

Hong and Yi (1992) have shown that the COO effects are different for different nationalities. In their research, they have shown that consumers who are used to buying products from certain countries do not attach a negative country image to these products, whereas consumers who are not accustomed to such products evaluate them based on the stereotypical country image. Their observation has shown that Americans did not consider the country image of China and Mexico when buying their products. Koreans on the other hand evaluated the products according to the stereotypical country image. Their findings are in line with the theory that Koreans relied on the stereotypical images of China and Mexico because of their lack of direct experience with Chinese and Mexican products. The opposite is true for Americans, who put their personal experiences with products from these countries over the stereotypical image of the two countries when evaluating the products.

Not only do stereotypes differ between nationalities, but they can also vary by product category (Eroglu & Machleit, 1989). A person's stereotype of a country can have different levels of specificity (Janda & Rao, 1997). Janda and Rao (1997) stated that stereotypes can range from a very generic level, such as stereotypes about a country (e.g. Japan), to lesser generic levels, such as a country's certain product category (e.g. Japanese hi-tech products).

Stereotypes develop very early in our lives before we have the cognitive ability to question them or their accuracy (Allport, 1954). Personal beliefs are developed later, which leads to the conclusion that stereotypes precede personal beliefs in both accessibility and retrieval (Higgins & King, 1982; Devine, 1989).

2.2.2 Consumer ethnocentrism

The term consumer ethnocentrism was originally regarded as a sociological concept to distinguish between groups that an individual identifies with (ingroups) and groups an individual opposes to (outgroups). It later became a psychosocial construct relevant on the

individual level as well as the social and cultural level (LeVine & Campbell, 1972). An ethnocentric person views one's own group as superior to others based on criteria such as nationality or ethnicity (Orth & Firtasova, 2003). They consider their own group as the center of the universe and are inclined to accept people who are culturally closer to them while rejecting people who are culturally different (Worchel & Cooper, 1991).

Consumer ethnocentrism was defined by Shimp & Sharma (1987) as "*the beliefs held by consumers about the appropriateness of purchasing products originating in a foreign country*" (p. 280). In their study, they found that the US consumers with a higher level of ethnocentrism evaluated products based on how purchasing them would affect the economy. Such consumers believe purchasing imported products is wrong because it hurts the domestic economy, causes unemployment and is unpatriotic. Non-ethnocentric consumers on the other hand evaluated imported products based on their attributes, not the COO of the product.

Sharma et al. (1994) stated consumer ethnocentrism "*results from the love and concern for one's own country and the fear of losing control of one's economic interests as the result of the harmful effects that imports may bring to oneself and countrymen*" (p. 27). They found that consumer ethnocentrism affects the purchasing decision less if the product is considered a necessity. Consumer ethnocentrism results in either overestimating domestic products or underestimating foreign products as well as a preference (Sharma et al., 1994). Therefore, the effect of the COO of a product on a purchasing decision is indirect, meaning it is more about the appropriateness of purchasing foreign products rather than the information where the product was made.

2.2.3 Consumer animosity

Klein et al. (1998) defined the concept of consumer animosity as "*remnants of antipathy left by the previous military, political, or economic conflict*" (p. 91) and researched how it could affect consumer's willingness to buy products from that country. Unlike consumer ethnocentrism, consumer animosity is a country-specific construct. It explains why consumers might avoid buying products from certain countries because of the above-mentioned reasons, even if they are not against buying imported products in general. Their refusal to buy products from a country towards which they feel animosity is completely personal and does not mean they think less of the quality of the product (Klein et al., 1998).

Klein et al. (1998) divided consumer animosity into several components, two of which were "war animosity" and "economic animosity." They were able to prove the former when testing Chinese consumers' attitudes towards Japan and its products. Their research was conducted in Nanjing, a city where 300,000 civilians were slaughtered by the Japanese in December 1937 and January 1938. The event known as the "Nanjing Massacre" is still one of the biggest reasons why some Chinese consumers refuse to buy Japanese products despite thinking highly of their products' quality.

Hoon Ang et al. (2004) state that there are four types of animosity, stable versus situational and personal versus national. Stable animosity towards a country can be a result of previous economic or military events, such as the before mentioned Japanese occupation of China during the Second World War. Jung et al. (2002) believe stable animosity towards a specific country can be started by a historical event but is later made more enduring by other similar events that follow. They give an example of Murray and Meyer's (1999) study of the Soviet Union and the United States. American animosity towards the Soviet Union started because of the cold war but future events and news made it stronger. Stable animosity is passed on to the next generation, meaning consumers who were not alive during those events still harbor animosity towards that country. This is especially true for animosity stemmed from military events because the atrocities and consequences of war can be remembered by generations who did not personally experience it (Leong et al., 2008). Such events can be communicated to younger generations through history books, stories or any other formal or informal channels and by doing so, gradually turning negative feelings about a country into animosity (Jung et al., 2002). Baron and Richardson (1994) argue that an individual's perceptions or expectations of another party's hostile intentions can be enough to create feelings of animosity, even if an individual experienced no actual hostility.

Situational animosity on the other hand can be temporary and is situation-specific (Riefler & Diamantopoulos, 2007). It is a result of negative feelings due to a specific and current provocation (Jung et al., 2002). An example of such animosity was reported by Ettenson and Klein (2005) who tested the level of animosity of Australian consumers towards France. After measuring it twice, first during France's nuclear testing in the South Pacific and a year later when the testing had stopped, they have found that level of animosity decreased during that time, thus proving its temporality. However, it is worth mentioning that situational animosity may become stable over time (Hoon Ang et al., 2004, Jung et al, 2002).

Animosity can also be divided based on how a country or a person has been affected by another country. The former is called national animosity and was defined by Jung et al. (2002) as "*an individual's resentment of how his or her country has suffered because of the actions of another country*" (p. 528). National animosity is on a macro level and can be felt towards a nation that caused harm to one's home country. All of the previously mentioned examples would fall under this category. Personal animosity on the other hand arises from completely personal reasons. Jung et al. (2002) defined it as "*an individual's resentment toward another country because of negative personal experiences he or she has with the foreign country or with people from that country*" (p. 528). Some Americans feel animosity towards Mexico because they believe their unemployment is a result of Mexican people immigrating to the US. However, this is not the case for all Americans as those who did not lose their jobs do not feel the same resentment towards Mexico.

Table 1: Types of animosity

	Stable	Situational
National	Arises from general historical background	Arises temporarily due to specific actions or circumstances
Personal	General negative feelings due to personal experience	Temporary negative sentiments caused by specific actions or circumstances

Source: Ang et al. (2004).

2.3 Factors moderating the COO effect

2.3.1 Price

Price is one of the most important extrinsic cues since it is present in all purchase situations and it represents what consumers must give up in order to buy the product (Lichtenstein et al., 1993). Erickson and Johansson (1985) believe price can be considered a constraint or a quality signal. It can be viewed as a constraint because it limits how much is available for spending on other goods and services. In this context, it is important to consider how big of an impact the purchase of the product will have on the consumer. Regarding price as a quality signal depends on the availability of other signals (Erickson & Johansson, 1985). The higher price leads to a higher perceived quality and willingness to buy, but at the same time represents a monetary measure of what must be sacrificed to purchase the good and thus reducing the willingness to buy (Dodds et al., 1991). This can be seen as paradox, since a commodity that is priced lower than competing commodities would be both more attractive to the consumer because it is cheaper as well as less attractive because of its suspected inferior quality.

Despite expectations of a positive relationship between price and quality, the results of more than 90 studies have been mixed (Brucks, 2000). However, price is still recognized as an important cue for assessing quality when other cues are not available, when the product cannot be evaluated before purchase, and when there is a possibility of making the wrong choice (Dodds & Monroe, 1985). The influence of price on product quality has been studied thoroughly and has been confirmed as one of the strongest extrinsic cues that been constantly used by consumers across a wide range of products (Verdu Jover et al., 2004; Kardes et al., 2004). Erickson and Johansson (1985) have found that the price-quality relationship works in a reciprocal manner, meaning higher-priced items are perceived to be of higher quality and high-quality items are perceived to be priced higher than they actually are.

Chen et al. (1998) believe consumers understand that “they get what they pay for” and therefore see price as an indicator of product quality. However, they have confirmed that the relationship between price and perceived product quality is not always positive, and it

depends on the product category and the product evaluation situation. Several researchers have confirmed that the price of a product is used as a predictor of quality, especially when consumers' knowledge of the product category is limited (Bredahl, 2004). It has been found that consumers believe there is a 'natural' ordering of products according to their price, where higher quality products are more expensive and poorer quality products are cheaper (Veale & Quester, 2009). For example, when Jover et al. (2004) measured the influence of price on the evaluation of wine, they discovered that consumers with low knowledge of the product category and experience had trouble assessing intrinsic cues. The correlation between price and quality can therefore lead to consumers using the price to reduce the risk of poor buying decisions or being socially embarrassed. In the absence of experience, knowledge, or more reliable interpretable information, the price may be used as a primary indicator of quality (Veale & Quester, 2008).

With regard to the COO, Aqueveque (2008) found that consumers are willing to pay a higher price for products from countries such as the USA, which shows there is a positive bias towards developed countries. Cordell (1997) found that consumers tend to be more cautious about products from less developed countries, especially when the financial risk is higher and they are seeking products with superior physical qualities or performance attributes. He found that when the price of high-quality products is reduced, consumers tend to prefer purchasing those products from a developed country rather than from a less developed country. When analyzing the demand after lowering the price of an inferior product they found the country had little effect. In a similar study, Schooler and Wildt (1968) examined the trade-off between price and COO in consumer preference. They discovered that COO bias can be influenced by adjusting the price. As the price of Japanese products decreased, consumers became less hesitant to purchase them. Similarly, Chao (2001) found that in some cases companies may adjust the price of products made in countries other than the USA as a way to compensate for a poorer perceived product image.

2.3.2 Product warranty

A warranty can be defined as a type of guarantee that a manufacturer makes, that assures consumers the product will be either repaired or exchanged if it does not function as intended. The mere existence of a warranty positively influences the purchasing process of consumers, who will, in general, prefer the product, which has a warranty over a product that doesn't, even if it costs more (Feldman, 1976). On top of that, a warranty can also be a sign of the manufacturer's confidence in the quality of a product (Li et al., 2000). It assures consumers that redress is possible if the product doesn't perform as expected (Thorelli et al., 1989). Improvement in warranty quality is hypothesized to reduce risk (Shimp & Bearden, 1982).

Research done on this topic so far has shown that warranties provide security and assurance with respect to the minimum performance of purchased products (Darden & Rao, 1977) and

by doing so help consumers handle perceived risk (Bettman, 1973; Bearden & Shimp, 1982) as well as enhance their confidence in product purchases (Armstrong et al., 1975). Li et al. (2009) have found that warranty affects overall product quality ratings as well as many functional and symbolic quality dimensions, such as performance and reliability. Their findings indicate that warranty significantly and positively affects consumers' functional and symbolic evaluations of televisions. Similarly, Schooler et al. (1988) who researched how price, warranty and endorsement can affect consumers' preference, have found that out of the three, the warranty has the biggest impact. Thorelli et al. (1989) have discovered that the effect of COO on the perceived quality and overall attitude is significantly lower when the product has an excellent warranty and is sold in a prestigious retail store and by offering an excellent warranty it is possible to reduce the effect of negative country image. They believe their findings are product-specific, meaning the interaction between the three extrinsic cues might be different when using a different product. These findings suggest that warranty can at least partially improve the negative bias towards less familiar foreign-made products (Lee & Venkataraman, 2022).

In the automotive industry, data supports the significance of warranty offerings. After Hyundai introduced their groundbreaking 10-year/100,000-mile powertrain warranty for cars sold in the USA, their market share in the country rose from 1.1% to 4%. Similarly, when Dodge extended their powertrain warranty from 3 to 7 years, their sales increased by 5% between November 2001 and July 2002. In contrast, Volkswagen experienced a decline when they reduced their powertrain warranty from 10 years/100,000 miles to 5 years/60,000 miles, seeing a 30% drop in sales in the USA over the following three years. (Choi & Ishii, 2009).

2.3.3 Product type

The type of the product as an informational cue becomes relevant when the product's features are easy to evaluate. In the opposite case, when products possess features that are more complex, consumers are more likely to rely on the COO information when evaluating a product (Zhang, 1996).

Previous studies support the premise that the COO effect may vary with different products. Kaynak and Cavusgil (1983) examined how consumers perceive quality across four product classes: electronics, food products, fashion merchandise, and household goods. The responses obtained from a sample of consumers from Nova Scotia suggest that quality perceptions tend to be product-specific, meaning consumers might think highly of certain products from a specific country, but think poorly of different products from that same country. For instance, Japanese electronics were rated highly, while their food products received lower evaluations. Similarly, French fashion items were regarded as high-quality, but products from France in other categories were not rated as favorably.

Eroglu and Machleit (1989) came to a similar conclusion when testing two products with different technical complexity, typewriters and beer. They discovered that the value of the COO cue is much more important when evaluating typewriters than beer. Their discovery is in line with the idea of Johansson et al. (1985) that the tendency to use COO information as an additional cue when evaluating products is strongest in cases of poor product knowledge or awareness of its attributes.

Roth and Romeo (1992) examined how countries and product categories can either match or mismatch. The former occurs when the perceived strengths of a country and the product characteristics are related. These types of matches were confirmed between Germany, Japan, and the USA for automobiles and watches. Knowing when the country and product category match can be very valuable for marketers as they can use the COO information the advertising strategies. This explains why the German car manufacturer Volkswagen used slogans like “Pre-tuned by German engineers” and “That’s the power of German engineering” in their advertisements. Similarly, the German brewery St. Pauli Girl featured both “Brewed and bottled in Germany” and the slogan “Germany’s fun-loving beer” on their logo.

By using the COO information in such ways, the advertisers assume consumers think highly of German manufacturing. However, using the COO information when promoting a product whose features mismatch with the image of the country can even have negative effects, as consumers would likely perceive such claims as weak (Roth & Romeo, 1992). This is why companies seldom use COO information as a marketing strategy and prefer to focus on other features the product has.

2.3.4 Product knowledge

Consumers with different levels of product knowledge tend to use the COO cue in different ways (Biswas & Sherrell, 1993). When researching the effect of product knowledge on product evaluation, consumers are usually divided into two types: consumers with low product knowledge and consumers with high product knowledge. Consumers with low product knowledge are either not motivated or unable to process product information (Lee, 2009). These types of consumers base their product evaluation on cues that are completely unrelated to the functional performance of the product, such as its COO, brand name, color, etc. (Chu et al., 2010). In other words, the COO cue works in the product's favor when the consumers with low product knowledge think highly of the product's COO and the exact opposite is true when the image of the country is unfavorable (Lee, 2009).

Consumers with high product knowledge on the other hand, are more likely to analyze other informational cues rather than base their evaluation on the stereotypical information that has little do to with the product performance (Chao et al., 2005). Such consumers are less likely affected by the COO cue because they can consciously control information available to them and are more resistant to the effect of COO cues (Lee & Lee, 2009). Consumers with high

product knowledge are less likely to be affected by the COO cues because they can consciously control information processing (Lee & Lee, 2009).

Previous research on the importance of product knowledge has faced issues when defining the term product knowledge. Brucks (1985) believes that product knowledge consists of both objective and subjective knowledge. Objective knowledge is the true knowledge consumers have in their memory and it relies on the stored information about the product. Consumers with high objective knowledge tend to search and process attribute-related information actively (Lee & Lee, 2009). Subjective knowledge on the other hand represents what consumers think they know about the product or their product-related experience (Park et al., 1994). It is a combination of knowledge and self-confidence and may have a different effect on information processing than objective knowledge. The two different types of product knowledge are conceptually different and may influence the consumers' choice behavior in a different way (Lee & Lee, 2009; Alba & Hutchinson, 2000).

2.3.5 Socio-demographic factors

Earlier studies have confirmed that socio-demographic factors, such as age, education, gender and income play an important role when determining the influence of the COO effect. The results of these studies are inconclusive for some variables and somewhat consistent for others.

Generally, younger people are believed to have a more positive attitude toward other countries (Kreppel & Holtbrügge, 2012). Kreppel and Holtbrügge (2012) tested how German consumers perceive Chinese products in three different industries: IT/electronic equipment, consumer goods and automotive industry. They found that older participants rate the attractiveness of Chinese electronic products and consumer goods lower than younger respondents. Their findings might be a result of younger individuals being less traditional and open to trying new things, while the older individuals may associate China with the former Maoist regime and political oppression. The perceived attractiveness of Chinese cars however is not age-dependent, which might be because when buying expensive and durable goods individuals tend to do more research and seek out more information. Similarly, Han (1988) found older consumers to be more patriotic, while McLain and Sternquist (1991) have found younger consumers to be less ethnocentric than older consumers.

When it comes to education, the results of previous studies are inconsistent (Insch & McBride, 2004). Wall et al. (1991) have found that higher educated individuals have a more positive attitude toward foreign products, while Han et al. (1988) found no connection between education and the perceived attractiveness of foreign products. The unclear effect of the impact of education on quality perception might be because different products were tested in these studies. Insch and McBride (2004) have found that the relationship between the level of education on the influence of the COO effect does not only vary between product categories but between countries as well. In their US sample, there seemed to be no such

relationship between the level of education and the effect of COO, while they found a positive relationship in their study of Mexican consumer's attitudes to mountain bikes.

Another socio-demographic factor that can affect the likelihood of using the COO information as a cue when evaluating a product is gender. Previous studies have shown that the role of gender in relation to the country of origin effect is unclear. Several studies have found that females rate foreign-made products higher than men (Dornoff et al., 1974; Schooler, 1971), while Han et al. (1988) found women to be more patriotic than men and thus less likely to choose foreign products. Hong and Toner (1989) suggest that products can be classified as either masculine or feminine. For example, clothing, fashion, and food products are considered feminine, while electronics and mechanical products are viewed as masculine. As already mentioned, when people are knowledgeable about a product they will use the product's attribute information to evaluate it. On the other hand, when they are not knowledgeable about a particular product they will only use the COO cue to evaluate a product. According to Hong and Toner (1989), men know more about masculine products and females know more about feminine products and they will evaluate them accordingly. Their research revealed that men were more likely to rely on the COO cue when evaluating feminine products, but paid less attention to the COO cue when assessing products they were more familiar with. When females evaluated a familiar product they used other informational cues more than the COO, but evaluated a product they did not know much about based on the reputation of its COO.

When it comes to income, individuals with higher earnings tend to have a more positive attitude towards foreign products and consumers with higher incomes are less likely to buy domestic products (Wall & Heslop, 1989). The reason why there is less research done on the relationship between income and the effect of COO in comparison to other socio-demographic factors might be because respondents deem questions about income to be intrusive (Tourangeau & Yan, 2007). Kreppel and Holtbrügge (2012) even excluded income as a variable when during the pretest a large number of their German respondents either refused to answer the question about their income or even aborted the survey.

2.4 Made in China

China is very likely the country that people think of first when hearing the “Made in” phrase. Today, seeing a “Made in China” label on a product has become expected rather than a surprise. It is a powerful brand image that most foreign consumers associate with watches, socks, shoes, toys, pens, and Christmas decorations (Wang & Gao, 2010). Consumers who buy Chinese goods do so not because of the quality of the products but because of their lower prices (Schniederjans et al., 2004).

China is already taking the next step and trying to convince consumers they are no longer a developing country that only manufactures low-quality products. In the past, they have faced many challenges to change the perspective consumers have of the Made in China image. The

biggest crisis they faced was in September 2006 with a pet food recall in the United States. A year later the US Food and Drug Administration (FDA) was informed by a Canadian-based pet food manufacturer that animals were dying after eating Chinese products (Peijuan et al., 2009). Because of that a number of consumer products including toothpaste, toys, candies were either recalled or banned. Peijuan et al. (2009) stated that this was arguably the first time that allegations of product deficiency were aimed at a country and not an organization. However, they concluded that China was able to repair its image by showing sincerity and correcting the problem.

Companies from China face the problem of the consumers not being familiar with the brand names and therefore relying more on the COO when evaluating a product (Kerbouche et al., 2012). This is in line with the findings of Wang and Gao (2010) who claimed European consumers are not aware of Chinese-owned brands and only associate China with the “Made in China” label. However, as the market grows Chinese brands are becoming increasingly more famous and common. Brands such as Haier and Hisense in the home appliances industry and Lenovo, Huawei, Xiaomi and Anker in the consumer electronics industry are setting an example on how to change consumers' perspective of Chinese brands with the right marketing strategy. With the success of these brands, Chinese companies are getting to a phase where they are or should be considered powerful rivals to the already established multinationals.

However, despite the success of a few Chinese companies in the international markets, Zeng and Williamson (2003) gave three reasons why global managers do not consider Chinese brands to be rivals just yet. First, Chinese companies are not big enough or profitable enough to compete overseas. A number of Chinese companies are successful in their own region within China and have trouble selling their products in regions where the level of income is lower, as well as facing taxes from the provincial government on goods that are not manufactured in that region. This leads to China having many regional brands but few national brands that have to face a lot of bureaucracy in order to take over their rivals.

Second, a lot of Chinese companies that are doing well on the national scale are owned by the state. Their success on the national level can be due to the monopolies they enjoy rather than having a business that can be competitive on a global scale.

Third, the Chinese government used to deny private companies permission to borrow money from commercial banks or sell their equity in order to raise funds. Such a financial system restricts both private and public companies to become competitive.

Zeng and Williamson (2003) believe there are four different types of Chinese companies trying to succeed in the global market. The first one are China's ‘national champions.’ These are companies that have already done well on the Chinese market and have started to sell their products abroad as well. An example of such company is Haier, a home appliances and consumer electronics company based in Qingdao. When Haier entered the USA refrigerator

market in 1994, their main product was small-sized refrigerators mostly used in hotel rooms and student dormitories. By doing so they were able to leapfrog other big players trying to enter the USA market and slowly build their brand image as a quality brand. They are now one of the market leaders in the refrigerator industry.

The second are dedicated exporters. Their biggest strength is their low manufacturing costs which separate them from their international competitors. An example of such a company is Pearl River Piano, a Guangzhou-based manufacturer founded in 1956. Known for producing reliable pianos, the company wanted to enter the US market when recognizing the demand for high-quality, affordable pianos. However, their brand was relatively unknown in the West. To address this, they acquired established piano brands like Ritmuller and took a majority stake in Schimmel, helping to build credibility and encourage consumer trust. Today, Pearl River Piano Group is one of the largest piano manufacturers in the world.

The third are competitive networks. They are designed to bring together smaller specialized companies that are geographically close to each other. The Wenzhou network operates through a collaboration of approximately 700 private companies that function together as an informal industrial cluster. It began when many families in Wenzhou started manufacturing lighters. As competition increased, smaller businesses shifted to producing components for the lighters, while larger companies focused on assembling the final product. By dividing the work in this way, they were able to reduce production costs significantly, allowing them to enter international markets. The lighter industry is just one example. Several other industrial clusters in China, including those producing watches, toys, pens, neckties, and decorations, follow a similar model of cooperation and specialization. These types of products are often associated with the “Made in China” label, which is now commonly expected by consumers.

The fourth category consists of technology upstarts, which are leveraging innovations from government-owned research institutes to enter emerging sectors. While China has a long history of innovations, such as gunpowder, paper, and the compass, the commercialization of research is a more recent development. Initially, research was primarily used by the government or military. However, in 1984, China began requiring state-owned laboratories to commercialize their technologies in order to generate funding. This shift encouraged the creation of companies like Legend, nowadays known as Lenovo, which was founded by researchers from the Chinese Academy of Sciences. Lenovo became one of China’s largest computer manufacturers. Similarly, other emerging companies in sectors like biotechnology and information technology were formed as government-backed research institutes encouraged their scientists to become entrepreneurs and bring their innovations to market.

Wang and Gao (2010) believe that Chinese companies that have entered the international market have done very well not because of their brand image but largely due to the excellent manufacturing, low cost, and high economies of scale. Their attempt at succeeding in the global market depends on having a source of competitive advantage with which they can

compensate for being newcomers as well as set themselves apart from established global players (Williamson & Zeng, 2009). They found their competitive advantage through the so-called cost innovation which simply put is the ability to offer consumers more for less. Chinese companies apply this concept to these three areas:

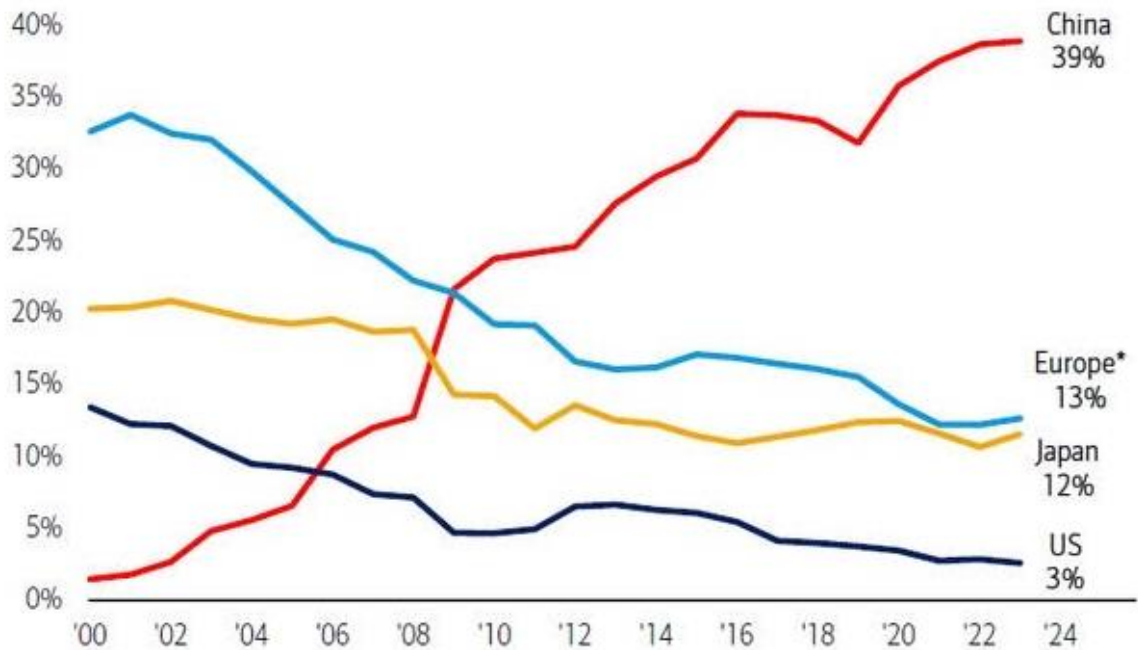
- 1) High technology at low prices: For example, Dawning, a computer manufacturing company, managed to incorporate supercomputer technology into affordable servers that are used globally.
- 2) Product variety at mass-market prices: Goodbaby, a parenting products company, offers a wide range of over 1600 types of strollers, car seats, bassinets and playpens, providing consumers with an extensive product selection at competitive prices.
- 3) Specialty products at low prices: As previously mentioned, Haier is an example of a company that offers specialty products at affordable prices, particularly in the home appliance sector.

No matter how Chinese companies are classified, the success of the largest Chinese brands in the global market indicates that this is only the start. The range of industries they have entered and left a significant impact on continues to expand.

3 CHINESE AUTOMOTIVE INDUSTRY

In the following chapter, the automotive industry will be analyzed. The history of the Chinese automotive industry will be presented, along with an introduction to the key players in the market, the current market structure, and a description of the important government policies that have contributed to China becoming the largest automotive industry in the world. As illustrated in Figure 1, China has been steadily increasing its presence in the global automotive market for many years. A key milestone came in 2009, when it surpassed the US in both sales and production, reaching 14 million new vehicle sales, including approximately 10.3 million passenger cars, marking a 45% increase from 2008 (Li et al., 2015). This upward trend has continued in the years since, with China's share of global car production climbing to 39% by 2024, underscoring the rapid and sustained growth of its automotive industry.

Figure 1: Global share of automotive car production by country/region



Source: Bloomberg (2024).

3.1 History of the Chinese automotive industry

Holweg et al. (2009) believe the development of China's automotive industry has been shaped by the circumstances of China's wider political economy. They propose to consider the history of China's auto industry in terms of four key phases of development: the central control and planning era of 1949-1979, the proliferation phase (1979-1994), the phase of concentration (1994-2004) and the most recent phase, since 2004.

Before examining the first phase, it is important to understand what the situation was like before the founding of People's Republic of China (hereinafter PRC). According to Harwit (1995), the first automobiles arrived in China in 1901 and were mainly driven in Shanghai. In the next two decades, there were only about 7000 cars and 600 trucks, with nearly all of them being imported and owned by foreign residents. Harwit (1995) offers a few reasons why the growth of the automotive sector at that time was so slow. During that time, China had relatively few miles of paved road and the majority of Chinese citizens too poor to afford buying a car. Some were even against the development of automotive industry as it would be more difficult to earn money by being a rickshaw puller or horse cart driver. Furthermore, the political conditions at that time discouraged people from buying private vehicles as there was a change they could be confiscated by the army during the civil war years. At that time,

there were only a few small-scale bus and cargo truck factories and it wasn't until after the civil war that the country began its economic recovery.

3.1.1 The central control and planning era (1949 – 1979)

The first phase began in 1949, the year Mao Zedong announced the establishment of the PRC, before a massive crowd at Tiananmen Square. After relying on imported vehicles for so long, the leaders of PRC felt the need to develop their own automotive industry. Harwit (1995) believes there were two main reasons why they felt a need to develop this industrial sector. First, having more vehicles would help revive the nation's economy as it would help with transporting rural produce and thus spur agricultural development. Second, the beginning of the Cold War along with other security threats China faced, China felt the need to enhance their military mobility.

In 1950, China approached the Soviet Union (hereinafter USSR) for help in planning an auto factory (Harwit, 1995). The USSR assisted China with many large projects during 1950-1960, one of which was the First Automobile Works (Holweg et al., 2009). The government chose Changchun as the site for First Automobile Works (hereinafter FAW), because the area was close to the USSR's border and had a large number of railways lines left from the Japanese occupation in the early 1930s" (Harwit, 1995). The construction of China's first automotive production base was completed on July 13, 1956 (FAW, n.d.). Three days later, the first car made in China was manufactured, a 4-ton commercial truck called Jiefang, which translates to "liberation" in English. In the mid-1950s, the Chinese recognized the need for a car intended for national leaders, which led to the production of the Hongqi or Red Flag in English, China's first passenger car (Harwit, 1995). The forming of FAW, unofficially represents the start of the Chinese automotive industry and was an important part of New China's first five-year plan, an economic program that set ambitious goals for industries considered important by the Chinese Communist Party (Xi. et al., 2009).

At that time, the Chinese automotive industry was heavily reliant on the USSR, which provided technical support, tooling, and more than 80% of the production machinery. There was also a significant presence of Soviet advisors at the factory, ensuring that production ran smoothly (FAW, n.d.). Along with FAW, there were several other car producers in China, such as Nanjing Automotive works and Beijing Automotive works, both of which were set up in 1958. Two years later, Jinan Automotive Works and Shanghai Automotive Words were founded. By then the Chinese automotive industry had 104 plants that produced 40.542 units in 1965, but only 133 of these were cars (Collis & Donnelly, 2012; Buckley et al., 2007). The majority of the vehicles produced were special-purpose vehicles, including military trucks, civil fire engines and ambulances.

During the 1960s, the relationship between China and the USSR ended, which resulted in the latter withdrawing 1390 experts, terminating 3343 contracts and asking China to pay back all its debts (Holweg et al., 2009). After their cooperation ended, China had to rely on

their own abilities and resources, which is the main reason for the slower development at that time. The production of passenger cars was still secondary as Chinese consumers were told sedans are a luxury item. In 1964, the government decided to establish factories in third-tier cities. As a result, the Second Automotive Works, now known as Dongfeng Motor Corporation, was built, along with the Sichuan and Shanxi automotive factories, as well as several other local production sites. By 1980, there were 2379 factories producing a total of 222,288 units, with the vast majority being trucks and only 5418 cars. In addition to focusing on vans rather than passenger cars, the Chinese automotive industry faced another challenge. Because of how far away from each other FAW in Dongfeng were, there was no competition between them and no need for new inventions. The smaller factories could absorb the knowledge of FAW and Dongfeng, but the two biggest factories could only learn by doing (Xi et al., 2009). Most of the innovations at that time came as a result of technicians being unsatisfied with the old methods of working and developing something new. Xi et al. (2009) argue that the Chinese automotive industry was still in its early stages during this period, as companies were underdeveloped, technology was insufficient, and production was more focused on vans rather than passenger cars.

3.1.2 The proliferation phase in the reform era (1978 – 1994)

In the 1970s, China-US relations normalised and PRC joined the United Nations. In 1978, Deng Xiaoping, who was the leader of the PRC after Chairman Mao's death in 1976, announced the Open Door Policy. The new policy, as the name suggests, allowed foreign companies to conduct business in China. At this point, China started to move from a planned economy to the market economy, which led to provincial and municipal governments to have more freedom to make decisions (Holweg et al., 2009). As a result, the number of local automobile producers and assemblers rose from 58 in 1982 to 114 in 1985 (Chin, 2010). Furthermore, 25 out of 31 provinces deemed automobile production to be a 'pillar industry' and considered it to be a way to develop their regions (Thun, 2006). Passenger cars were no longer exclusively for government officials and in 1984, the government officially allowed individuals to own cars, leading to a surge in demand. During this period, both the volume of output and the range of products increased. (Holweg et al., 2009).

In 1987, China implemented their first industrial policy (Eun & Lee, 2002). The policy was a result of seeing how well other Asian countries did after implementing their own policies as well as an attempt to address the problem of uneven development. One of the policy's most important elements was the so-called "Big Three, Little Three" plan, which as the name suggests meant that the government wanted to limit the number of automobile firms and develop national champions (Harwit, 1995). The Big Three were the FAW in Changchun, the Second Auto Works in Hubei and the Shanghai vehicle factory, which already formed a joint venture with the German Volkswagen at that time. The Small Three refers to three important joint venture companies in the early development of China's automotive industry: Beijing Jeep, Guangzhou Peugeot and Tianjin Automotive Corporation (Harwit, 1995).

Beijing Jeep was the first significant Sino-foreign joint venture in the automotive sector, established in 1984, marking a milestone in China's efforts to modernize its automobile industry. Guangzhou Peugeot, formed in 1985, was a partnership between the Chinese government and the French company Peugeot, aiming to produce cars specifically for the growing domestic market. Meanwhile, Tianjin Automotive Corporation entered a licensing agreement with the Japanese-based Daihatsu Motor Company, facilitating the production of small, affordable vehicles in China. In 1989, the government imposed a ban on new investments in passenger car production outside of the previously mentioned sites (Huang, 2002). As a result of the policy, the share of passenger cars in total car production increased from 5.69% in 1988 to 8.33% in 1990, and again to 15.33% in 1992 (Eun & Lee, 2002). However, there was still very little improvement of the technology as firms preferred short-term profits instead of technological upgrades (Lo, 1997).

With the new policy and a rapid rise of sedan consumption, China witnessed an increase of imports because the domestic production was simply not enough (Xi et al., 2009). To protect domestic producers the Chinese government placed high tariffs of around 250% and started investing money and resources through “High Baseline, Large Scale and Specialisation” policy (Xi et al., 2009). The policy’s key elements were to allow the companies to sell their cars throughout China, to focus on producing passenger cars and to improve Chinese companies’ technological capabilities (Chin, 2010). Because China at that time could not follow the global standards, they had to rely on the help from the more knowledgeable market leaders from foreign countries. They received help by cooperating with international car manufactures in form of licensed trade and later through joint ventures (Xi et al., 2009; Chin, 2010).

Chin (2010, p. 111) stated that the Chinese auto industry in the early 1990s was characterized by:

1. Proliferation of plants and fragmentation of investment.
2. A chaotic situation of ministerial and local approvals.
3. Duplication in technologically backward projects and outdated technology imports.
4. Sluggish development of core state enterprises/assemblers and slow progress in upgrading local contents production for foreign-designed vehicle assembly in these core Chinese enterprises.

3.1.3 The concentration phase (1994-2004)

The third phase started in 1994, when the central government designated the automotive industry as a ‘pillar industry’ together with telecommunication, transportation, construction, electronics, machinery, petroleum and chemical production in an attempt to drive the national economy (Eun and Lee, 2002). Chin (2010) stated that the primary goal of the 1994 Automotive Industry Policy was to "*transform the Chinese auto sector into a modern and*

comprehensive automotive industry, making it a pillar industry and a driving force for growth and modernization across the entire economy" (p. 105).

Hong and Wyer (1989) identified four reasons why the Automotive Industry Policy of 1994 had more specific objectives and a clearer outline compared to previous attempts. These objectives included more financial support to large automotive firms and fresh bans on investments in projects that the government didn't sanction (Huang, 2002). The government also added two additional firms to the original 'Three Big, Three Small' scheme, Chang An Automobile Corporation and Guizhou Aviation Industry Corporation.

Eun and Lee (2002) assert that the key aspect of the 1994 industry policy was the central government's decision to support the development of a few "national champions". In terms of the automotive industry, they intended to allow the market to determine automobile prices. This was because the main issue during the central planning period was what the government decided the price of automobiles, which allowed small-scale factories to survive, but at the same time hindered the development of large-scale automotive plants who were the only ones capable of competing with foreign automakers (Holweg et al., 2009).

The 1994 Automotive Industry Policy aimed to correct earlier mistakes from the first decade of foreign collaboration by introducing more specific objectives. These included reducing the number of domestic manufacturers, implementing tariff barriers to protect Chinese companies and mandating a 40% localization rate in joint ventures. Additionally, foreign companies entering joint ventures with Chinese firms were required to transfer advanced technology, managerial expertise and R&D knowledge. The policy also introduced the important condition that joint ventures must maintain at least a 50-50 ownership control between the Chinese and foreign partners (Chin, 2010).

The abovementioned high tariffs were changed when China joined the World Trade Organization (WTO) in 2002 and changed again in 2018.

Table 2: Tariffs, pre- and post-WTO membership and the current situation

	Before entry into WTO	After entry in WTO
Tariffs	200% in the 1980s 80%-100% in 1990s	25% by 2006 and lowered to 15% in 2018 (25% remains for cars imported from the USA)
Import quotas	30,000 vehicles a year allowed from foreign carmakers	Quota increased by 20% a year, eliminated in 2005
Local content requirements	40% in first year of production, increasing to 60% and 80% in second and third years, respectively	No local content ratio requirement after 2002
Auto financing for Chinese domestic consumer	Foreign, non-bank financial institutions prohibited from providing financing	Foreign, non-bank financing permitted in selected cities before gradual national rollout after 2002
Foreign participation in sales distribution	Limited to wholesaling through JVs; prohibited from consolidating sales organisations of imports, JVs	Foreign ownership restriction on special-purpose vehicles and NEVs have been removed in 2018, commercial vehicles in 2020 and passenger cars in 2022.

Source: Source: Gao (2002) , Lin & Liu (2018) ; Zhang (2019).

Table 2 shows that after entering the WTO, China could no longer play the game by their own rules. Many of the key aspects from their previous policies had to be abolished within five years, including tariffs and import quotas. However, their automotive industry began to grow faster than ever. When the overall production increased by 38.8% and 36.7% in 2002 and 2003, respectively, China became the fourth largest auto producer and third largest auto market in the world (Holweg et al., 2009). This led to an increase of foreign investments from new manufacturers as well as those already present in China. With the increase in production the demand was once again not high enough, which is why the government had to interfere again in the beginning of 2004.

3.1.4 The new era and electric vehicles (2004 – present)

After China joined the WTO, the government had to revise the previous Automotive Industry Policy. The expanded capacity and production, which were a result of an increase of foreign

investments, forced the government to implement certain cooling-down policies, including discouraging bank lending and slowing approval for investments (Holweg et al., 2009). In 2004, the National Development and Reform Commission released the New Automotive Industry Policy. The important difference between the initial Automotive Industry Policy of 1994 and the New Automotive Industry Policy is that the latter was designed to solve issues such as potential conflicts of growing individual car ownership, insufficient existing transportation infrastructure and local environmental policy goals (Chu et al., 2011).

According to Holweg et al. (2009) the New Automotive Industry Policy had several new objectives that differentiated it from the initial Automotive Industry Policy in 1994 and was designed to do the following:

- Promote the harmonious development of the automobile and associated industries.
- Drive industrial structural adjustment.
- Encourage self-reliant product development and local brand development, with a view to build up a few famous brands and globally competitive automobile groups by 2010.
- Encourage independent research and development and production on a large scale for key components and parts, and to foster the local suppliers and their international operations.
- Promote light duty vehicles and new energy-efficient vehicles.

However, China's rise to the top came at a cost. Its expansion had a negative environmental impact that raised concerns for both Chinese government authorities and the international community (Vennemo et al., 2009). This was a key reason why China views new energy vehicles (hereinafter NEVs) as the best path forward. Developing NEVs began much earlier before the term was defined in 2007 (Gong et al., 2012). By definition, “*NEVs include hybrid electric vehicles, battery electric vehicles, including solar-panel-powered vehicles, fuel cell vehicle, hydrogen internal-combustion engine vehicles, and other vehicles with new fuels, such as di-methyl ether and high-efficient energy storage capacitors*” (Gong et al., 2012, p. 208)

China's first big step in the development of the NEV industry was taken in 2001, when the Ministry of Science and Technology established the “Electric Vehicle Key Project” into its ‘863 program’ and selected the next generation of electric vehicle technology as the primary focus of automotive technology innovation (Zheng et al., 2012). The so-called ‘863 program’ was originally established in 1986 with the aim to be the leading policy initiative for advancing China's technological growth, backed by substantial state resources (Zhi & Pearson, 2017). Through the “Electric Vehicle Key Project”, the Chinese government financially supported the development of energy-efficient technology and NEVs, with most of the funding going to Chinese famous research institutes, which were considered to be the most capable of developing NEV technologies (Chen & Li Hua, 2020).

By focusing on NEV China believed they could solve their own problems, such as energy security and urban air pollution as well as become globally competitive on the automotive market. Experts estimated that the technological gap of Chinese manufacturers for internal combustion engines at that time was much bigger than the technological gap for electric vehicles (Sun, 2010). In 2000, China's state of R&D on lithium-ion batteries and electric drive systems was considered to be 10 years behind Japan's from both the technology performance and cost perspective, but they managed to close the gap to less than two years by 2005 (Graham et al., 2021).

The first new energy car available to the Chinese consumers was Prius, a car made by Japanese car manufacturer Toyota, which was introduced to the Chinese market in 2005 (Liu & Kokko, 2013). Five years later, the first electric vehicles manufactured by a Chinese auto manufacturer was launched (Li, 2020). However, the biggest issue at the time was that the demand was still small due to the prices of these cars, which led to another government intervention (Liu & Kokko, 2013).

With the new program, China supported the promotion of R&D, but the problem of low demand for NEV still remained. Both central and local government had to overcome the 'Catch 22' problem regarding the costs and production volume: while to former was high, the latter was low and vice-versa (Wang & Kimble, 2011). The Chinese government hoped to solve this issue with the Automotive Industry Readjustment and Revitalization Plan, which was launched in January 2009. The plan set a very clear goal for production of NEV. 500,000 electric vehicles should be produced by 2011, which should represent 5% of all cars sold by the end of 2011 (Gong et al., 2012). In order to reach the above-mentioned goal, the Ministry of Science and Technology and the Ministry of Finance initiated the 'Ten Cities, One Thousand Vehicles Program'. The program set to introduce 1000 NEVs in each of the 10 cities over three years. A year later three more cities were added to the program (Zhou et al., 2015). The 13 cities were Beijing, Shanghai, Chongqing, Changchun, Dalian, Hangzhou, Jinan, Wuhan, Shenzhen, Hefei, Changsha, Kunming, and Nanchang. In the second stage of the program seven more cities were added: Tianjin, Haikou, Zhengzhou, Xiamen, Suzhou, Tangshan, and Guangzhou. In late 2010, three more cities were added: Shenyang, Hohhot, Chengdu, Nantong, and Xiangyang. These 25 cities were selected because of their overall population and vehicle stock numbers and by the end of 2010 they accounted for 18% of the Chinese population and 33% of vehicle stock (Gong et al, 2012).

The program demanded the participation of both the national and the local governments. The former provided financial support to the NEV demonstration, while the latter partially covered the extra purchase cost of the vehicles and focused on infrastructure development and vehicle maintenance which is considered to be one of the key features that allowed the Chinese NEV market to flourish (Gong et al., 2012; Graham et al., 2021). Graham et al. (2021) listed four important changes in the policy, which allowed Chinese car manufacturers to grow faster. First, foreign automakers working with Chinese manufacturers in a joint venture had to share their plug-in vehicle technology with their Chinese partners. Second,

the subsidies from both provincial and city governments were given only to companies assembling vehicles in China, which excluded companies such as Tesla to get financial support. Third, Chinese automakers had to use lithium batteries supplied by Chinese manufacturers to be eligible for the subsidy, which meant Japanese and Korean battery producers were no longer able to participate on the Chinese market. Finally, Chinese companies that produced lithium batteries and electric motors received financial support from the Chinese banks and the government, with which they were able to acquire ownership in mines and processing facilities all over the world.

In 2015, China issued a 10-year national plan, “Made in China 2025”, with a goal to change their production from labor intensive to knowledge intensive (Li, 2018). The plan focused on “*improving the quality of products made in China, creating China's own brands, building a solid manufacturing capability by developing cutting-edge advanced technologies, researching new materials, and producing key parts and components of major products*” (Li, 2018, p. 67). Among the 10 industries that were prioritized, energy-saving vehicles was one of them. The government set the target of 1 million domestic NEVs by 2020 and 3 million by 2025, which would account for 70% and 80% of the market share, respectively (Li, 2018).

On November 2nd, 2020, the State Council Office of the People’s Republic of China published the “New Energy Vehicle Industry Development Plan (2021 – 2035). China considers the development of NEVs as their only way to become an automotive powerhouse, address climate change and promote green development. The plan was formulated to address the challenges China faces, such as lacking innovation in core technology, need for improvement of the quality assurance system, lacking infrastructure construction and competitiveness of the market. While the policies might have fallen short of their initial numerical adoption targets, it is clear they were instrumental in building the foundation for China’s current NEV market, which is now the largest market worldwide.

The fast development of China’s NEV market, however, was not only influenced from within the country, but was shaped by the geopolitical dynamics as well, in particular the US-China trade war. Not only are the two countries the biggest countries in the world in terms of the size of their economies, defense budgets, and global greenhouse emissions, they were also each other’s largest trading partner in 2017 (Steinbock, 2019).

In 2018, the trade war between the two countries began as they started to exchange a number of tariffs against each other (Itakura, 2020). The trade war started as a result of China being accused by the US officials of «*pursuing unfair trade policies, exploiting the benefits of trade liberalization and WTO membership, while at the same time keeping its domestic market safeguarded against foreign competition by providing subsidies and facilitating export through currency devaluation*» (Kapustina et al., 2020, p. 2).

The first trade war tariffs were imposed on July 6, 2018 during the administration of Donald Trump, who was the US president at the time, when the US implemented the 25 percent duties, which covered \$34 billion of imported products. China immediately responded with the same percentage tariff on the same amount of the US exports on different products (Bown, 2021).

At the start of the trade war in 2018, China exported 1 million cars, which meant very little in the early trade disputes. Since then, however, the number has grown very quickly, reaching 5 million by 2024, largely due to China's ability to produce low-cost NEVs, making China the largest car exporter in the world (The Economist, 2024). The importance of dominating the NEV industry is evident in the high tariffs being implemented around the world. In May 2024, US President Biden announced that the US would impose tariffs on an estimated \$18 billion worth of goods, including an increase from 25% to 100% on all electric vehicles from China (White House, 2024). In August 2024, the Canadian government also applied the same percentage tariff (The Economist, 2024).

Similar to the US, the European Union (hereinafter EU) also considers China's NEV exports to be a threat to its domestic industry for the same reasons mentioned above. As a result, the EU also decided to increase tariffs on electric vehicles built in China to up to 45.3% (Reuters, 2024). The tariffs vary by manufacturer, ranging from 17.0% for BYD to 20.7% for other companies that cooperated with the EU. For companies that did not cooperate, they are assigned a tariff of 35.3% (European Commission, 2024). This proposal was received differently across the EU; for example, Germany and Hungary opposed it, while France, Italy, and Poland supported it (The Economist, 2024).

As a result, China retaliated by imposing tariffs on imports of European brandy and is considering new tariffs on other imports such as pork, dairy and cars (BBC, 2024). Setting a high tariff on European brandy could be seen as a direct response to France's support for implementing high tariffs on electric cars, given that almost all of the brandy imports penalized by China come from France (The New York Times, 2024). However, given Germany's opposition to tariffs implemented by the EU, a high tariff on gasoline-powered vehicles with large engines seems unlikely at this point, since it would have a huge impact on German carmakers in particular, such as Mercedes, BMW and Porsche (Swaine, 2024).

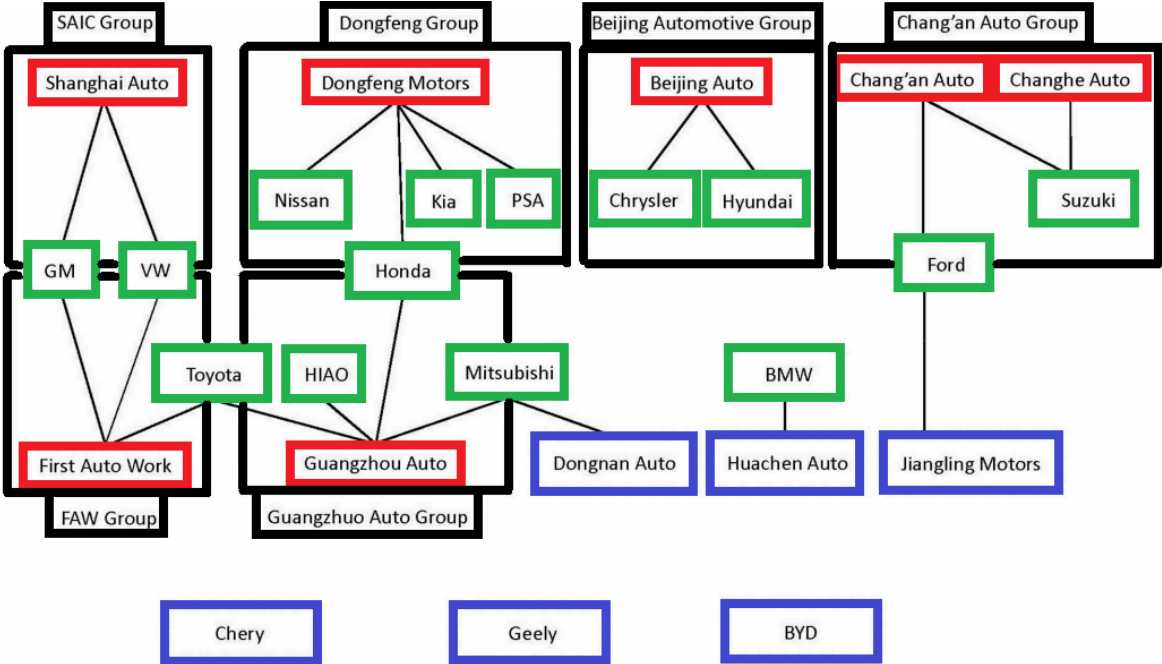
It will be interesting to see how the trade war continues to develop in the coming years, especially as Donald Trump, who started the trade war between China and the US, begins his second term as the US president in 2025.

3.2 Current structure

Chinese manufacturers of passenger vehicles can be classified into two categories: indigenous-brand manufacturers, such as BYD, Geely, and Chery, and joint ventures between local manufacturers and foreign car makers, including Shanghai Automotive

Industrial Corporation (SAIC) with Volkswagen and General Motors (GM), Beijing Automotive Investment Company (BAIC) with Hyundai, and Dongfeng with Honda (Chen et al., 2020). The complexity of the current structure of the Chinese automobile industry can be seen in figure 2.

Figure 2: Market Structure of Chinese automobile industry



Source: Hu et al., (2014).

Chinese firms that are at least partially state-owned are indicated by red rectangles, private Chinese firms are shown in blue rectangles, and international firms are represented in green rectangles. The lines connecting the firms denote joint ventures. The black rectangles surrounding the state-owned firms and the international companies with which they collaborate in joint ventures represent the largest state-owned automobile groups in China.

According to Chinese automotive policy, there are two important rules that one needs to understand before examining the current structure of the Chinese market. First, a Chinese automobile company can form joint ventures with multiple foreign car manufacturers. As seen in figure 2, Shanghai Auto works with both General Motors and Volkswagen, while Dongfeng Motors cooperates with Nissan, Honda, Kia, and PSA. Second, a foreign car company can only form joint ventures with at most two Chinese automobile companies. Honda partners with both Dongfeng Group and Guangzhou Auto, while Toyota works with both First Auto Work and Guangzhou Auto. Private Chinese car makers also partner with foreign car manufacturers. An example of such partnership is Huachen Auto and the German BMW (Chen et al., 2020).

3.2.1 Joint ventures

The Chinese Government was well aware of the potential the Chinese market had for foreign companies, so they limited the amount of equity the foreign company could own to 50%. Chin (2010) stated that such structure was designed to ensure China still has the ultimate control of the industry's development. The Chinese government first tried to attract investments from American Ford and General Motors and Japanese Toyota. None of them saw potential in the Chinese market and eventually Beijing Automotive Works and Chrysler from the USA entered the first joint venture partnership in 1984. A few months later the already mentioned joint venture between Shanghai Automotive Industry Corporation and Volkswagen of Germany was founded, followed by the joint venture between Guangzhou Automotive Company and the French Peugeot. These three joint ventures all had different outcomes. The joint venture between Volkswagen and SAIC was the most successful especially because the mayor of Shanghai Zhi Rongji helped them by supplying them with appropriate skilled labor and encouraging the opening of a Shanghai taxi company, which was eventually created in 1989 and mostly used the Santana models made by SVW (Harwit, 1995). Peugeot's investment on the other hand failed because the produced vehicles were old fashioned hatch backs, which did not appeal to Chinese consumers (Collis & Donnelly, 2012). The partnership ended when Peugeot sold its share in 1997 and Guangzhou Automotive Company found a new partner in Japanese Honda. After 1977, joint ventures between FAW and Volkswagen-Audi, Beijing Automotive Works and Hyundai as well as Tianjin Automotive Industry Corporation and Toyota were set up. As a result, strong competition was nonexistent during this time and the number of produced cars was still limited which enabled sellers to keep the prices high.

The initial joint ventures were mostly assembling cars with imported parts and components. By allowing such partnerships, the Chinese government hoped Chinese companies will be able to learn from their foreign partners. However, in the early days, foreign firms feared infringements of intellectual property rights and were reluctant to bring their newest technology to China (Collis & Donnelly, 2012). Despite withholding their latest knowledge, Buckley and others (2007) provided empirical evidence that supports the predictions of foreign direct investment theory that foreign companies transferred not only capital but advanced technologies and managerial skills as well.

3.2.2 Indigenous-brand manufacturers / Chinese electric vehicles start-ups

Yang et al. (2019) believe China's auto industry is still dominated by joint ventures, where the foreign side enjoys most of the profits. However, they argue that in the EV industry, there is no significant gap between China and other countries meaning developing electric vehicles represents the best way for local brands to get to the top. This is why in this subchapter; the focus is on companies that are only producing EVs as they are the ones that will likely leave the biggest mark outside China.

Among the Chinese automotive companies that produce only EVs the most valuable is BYD. BYD, which stands for Build Your Dreams, was founded in 1995 and is working in four industries – IT, new energy, automotive and rain transportation (Gao, 2021). They used to produce both internal combustion engine automotives as well as EVs, but announced on April 3rd 2021 that they will no longer produce internal combustion engine automotives from March 2022 (Reuters, 2022). According to their annual report (BYD, 2022), they are mostly engaged in automobile business, which mainly includes new energy vehicles, handset components and assembly business, rechargeable batteries and photovoltaic business. Gao (2021) identified BYD’s technological superiority as their biggest strength, as they can develop, design and produce batteries on their own, but claims there is a significant gap between the durability and performance of BYD cars in comparison to other well-known brands on the international market. In 2019, the company opened a new design center lead by experts from well-known and established companies such as Audi, Ferrari and Mercedes-Benz and revealed their E-SEED GT concept car at the Shanghai International Automobile Industry Exhibition (BYD, 2019). In 2018, BYD launched its e-platform, with version 3.0 officially unveiled at the 2021 Shanghai Auto Show. According to BYD (2024), the e-Platform 3.0 prioritizes safety and extending the driving range in low temperatures as well as improving the intelligent driving experience. InsideEvs (2024) reported that the platform allows the development of the cars with a range of more than 1000km, reaching 100 km/h in 2.9 seconds and a fast charging rate of 150 km in 5 minutes, thus addressing all insecurities potential NEV buyers have.

While BYD represents a somewhat already established brand, there have been several start-ups that were founded in the recent past. Zang et al. (2022) consider the arrival of Tesla on the Chinese market as the reason for the emergence of these start-ups, as Tesla’s success piqued the interest of many Chinese entrepreneurs, who wanted to replicate their successful path. Among such companies are NIO, XPENG and Li Auto, which are all briefly described below. The teams behind these companies are mainly from traditional car companies or internet giants and are all listed in the US stock market and have raised more than 1.4 billion USD in their initial public offerings (Jiang et al., 2022).

NIO was founded in 2014 and is headquartered in Shanghai. It was listed on the New York Stock Exchange on September 12, 2018 and became only the second EV company to be listed in the US after Tesla (Ma & Mayburov, 2021). NIO was the first company in China to support the battery swap mode, meaning the drivers can replace depleted packs with fully charged packs instead of charging the vehicle at a charging point, with the whole process being entirely autonomous and taking about five minutes (Wu, 2021). They have 1323 swapping stations all over the world with a target of 2300 by the end of 2023. To cut costs for users, NIO is also offering customers the option of leasing a battery. As many Chinese companies in the past, NIO is aware that they must work on their brand image. As Aaker and Keller (1990) pointed out, consumers will rely on the brand image of the product, when they lack product knowledge. Jiang et al. (2021) provided three reasons how NIO is working

on their brand image. First, they have set up R&D, design, production and business offices in 13 locations all over the world, including Europe and US. Second, in the beginning they publicly acknowledged that they have received funding from various well-known institutions, including Baidu Capital, Lenovo Group and others. Third, they also introduced the so-called NIO House, a living space and offline community that includes features such as product showcases, test drive opportunities and charging facilities. There are currently 110 NIO Houses all over the world, with several opened in Europe in 2023.

The second Chinese NEV company worth mentioning is Xpeng, also known as Xiaopeng Motors. As NIO, it was also founded in 2014 but is headquartered in Guangzhou. More than 90% of their team members are technicians, from large automotive companies such as GAC, BMW, Lamborghini, Ford and well-known IT companies such as Samsung, Huawei and WeChat (Jiang et al., 2023). Their first vehicle was an electric SUV called XPeng Beta, a prototype that was later released in 2017 under a different name, Xpeng Identity X, with the purpose to compete with Tesla's Model 3 at a lower price point. They are one of the first companies who developed an automatic driving system without external collaboration (Jiang et al., 2023). The system called XNGP is the latest advanced driver-assistance system claims to make driving easier by using software that assists with smooth braking at traffic lights, turning at intersections and other tasks on city streets. According to Xpeng Q&A that was held on a Chinese social platform Wechat, Xpeng is the automaker with the largest number of cities where its intelligent driving technology is possible, since it is available in 243 cities. They plan is to expand its coverage in 2024 and release the global version sometime in 2025.

The third is Li Auto. It was founded a year later, in 2015 and is headquartered in Beijing. According to the company's 2021 report, their mission is to "create homes on the move that bring happiness to the entire family", which is why their first volume production model was a six-seater SUV called Li ONE. The Li ONE features a small gasoline engine with the purpose of extending the range of the vehicle which is why it has a range of 1080 kilometers (Li Auto Inc., 2024). The company considers themselves pioneers in successfully commercializing extended-range electric vehicles in China.

With the growing support of the government through their policies, there has been a number of start-ups established in the past years. Song and others (2019) stated that by 2019, 500 new firms developing EVs were founded. It is safe to assume most of them will fail, however as pointed out by Tian and Wu (2015), Huawei, which is now one of China's biggest international companies, also had approximately 400 competitors in the beginning. A summary of the companies described in this subchapter can be seen in table 3.

Table 3: Main Chinese electric vehicles manufacturers

Name	Founded	Vehicles	Differential
BYD	1995	BYD Tang, BYD Han, BYD Qin	Battery production, vertical integration, diverse portfolio, affordable pricing
NIO	2014	NIO ES8, NIO ES6, NIO EC6, NIO ET7	Battery swapping, NIO House and NIO Service, Autonomous Driving, NIO power (home charging solutions and public fast charging stations)
Xpeng	2014	Xpeng P7, Xpeng G3, Xpeng P5	AI powered voice commands, Xpeng Pilot (autonomous driving), Software updates to improve the vehicle without requiring dealership visits
Li Auto	2015	Li ONE, Li L9	Range-extender technology, luxury and space

Source: Wu (2021); Jiang et al. (2021); Jiang et al. (2023); InsideEvs (2024); Li Auto Inc. (2024).

4 SLOVENIAN AUTOMOTIVE INDUSTRY

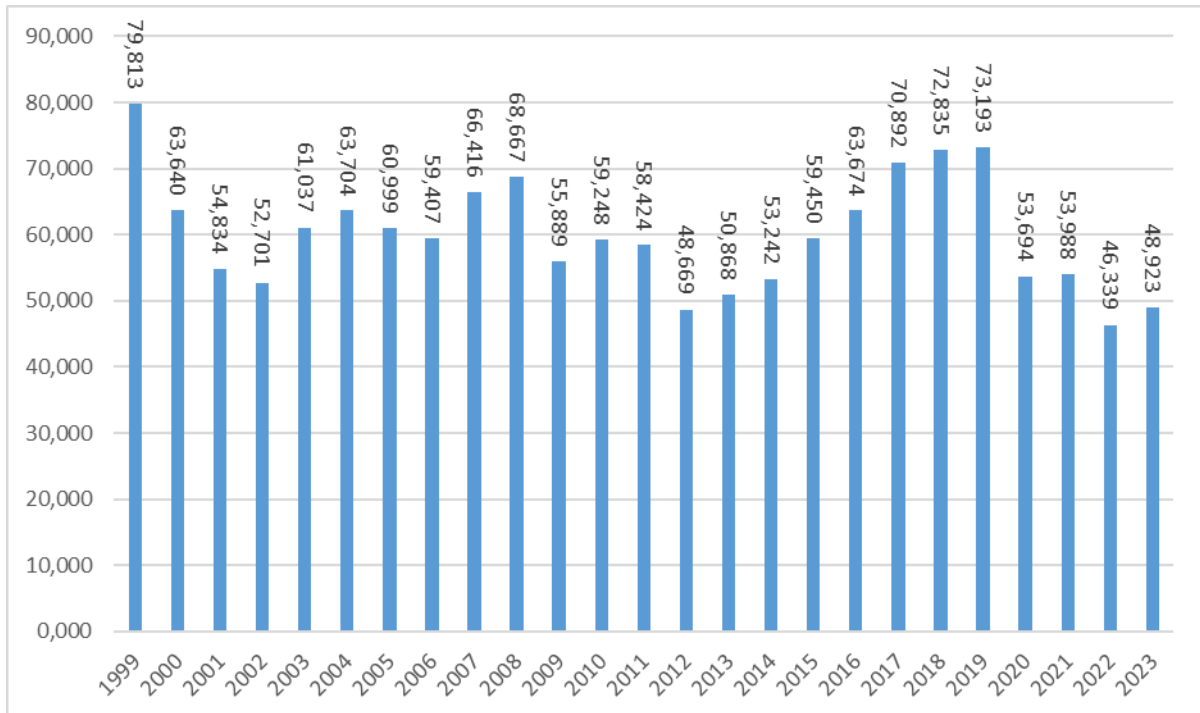
Slovenia's automotive industry contributes approximately 10% of the country's GDP and accounts for 20% of its exports of goods (Slovenia Business, 2023). Slovenian companies supply automotive parts to companies from Germany, France, Italy, Austria, the UK, and the US. However, the only car manufacturer in Slovenia is Revoz, which is owned by the French Renault. The factory based in Novo Mesto produces Renault model Clio and has signed a Memorandum of Understanding with the Slovenian government in 2024 for the development and production of Renault Twingo E-Tech (Revoz, 2024; Government of Slovenia, 2024).

4.1 Current structure

In 2023, there were 56.609 new passenger cars and light commercial vehicles sold on the Slovenian market. Compared to the year before, the number increased by 5,58%. According to AMZS (2024), the increase was expected since the number of vehicles sold in 2022 was

the lowest in this century and there were vehicles delivered in 2023 that were ordered a year before but could not be delivered due to the supply chain issues. According to the European Manufacturers Association (2023), compared to other European countries, Slovenia is in the upper half with 22 cars registered per 1000 inhabitants, while the EU average is 21. As shown in figure 3, the number of passenger cars sold in 2023 is higher than the year before, but still a lot lower than in the previous years.

Figure 3: Number of passenger cars sold in Slovenia



Source: AMZS (2024).

According to AMZS (2024), the top three car manufacturers in 2023 based on the number of passenger cars sold were the same as the year before. The market leader Volkswagen sold 7273 passenger cars and is far ahead from Škoda with 5325 passenger cars sold and Renault with 4625 passenger cars sold. Among the top 10 car manufacturers in 2023, three were Asian companies with Japan's Toyota ranked 4th, followed by South Korean's Kia and Hyundai placed 5th and 7th, respectively.

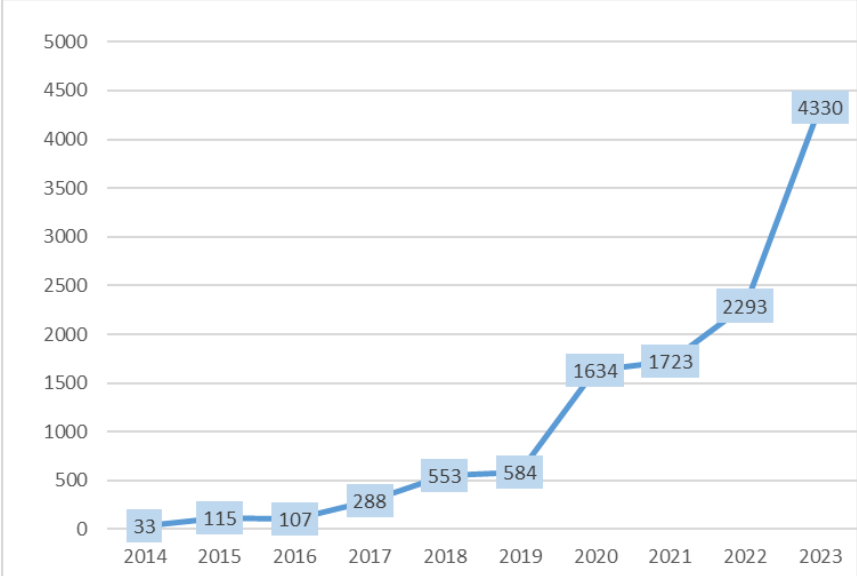
4.2 Electric vehicles

The demand for electric vehicles in Slovenia is relatively new, however it seems that electric vehicles will play an important role on the Slovenian automotive market in the future. The first electric vehicles available to Slovenian consumers were manufactured by the German BMW and Volkswagen along with French Renault. These three car manufacturers started selling their electric vehicles in the Slovenian market in March 2015. Before 2015 there were

only a few registered electric vehicles on the Slovenian roads, most of which were owned by Avantcar, a long-term vehicle rental company (AMZS, 2015).

As seen in figure 4, the number of electric vehicles sold in Slovenia was relatively low in the first two years. The low number of applicants was largely due to the fact that the majority of grants offered by the Slovenian Environmental Public Fund (hereinafter Eco Fund) were claimed by the already mentioned Avantcar, leaving very little to everyone else (AMZS, 2015). After a relatively slow start, both demand and supply of electric vehicles quickly grew. Despite the lower overall numbers of passenger cars sold in Slovenia in 2022, the number of electric vehicles sold on the other hand nearly rose from 1723 in 2021 to 2293 in 2022. This means that in 2022, 1 of every 20 passenger cars sold in Slovenia had an electric engine. In 2023 the number of electric cars sold almost doubled, with 4330 electric vehicles sold.

Figure 4: Number of electric vehicles sold in Slovenia



Source: AMZS (2024).

The most sold electric vehicle in Slovenia in 2023 were Tesla models. The American manufacturer sold 1394 cars in total, which accounts for one-third or all electric vehicles sold in Slovenia. The most affordable Tesla models, model Y and model 3, were the top sellers among electric vehicles, with 957 and 396 units sold, respectively.

In the next five positions are electric car models from brands within the German Volkswagen Group: the VW ID.4 ranks 3rd with 286 cars, followed by the Škoda Enyaq in 4th with 251 cars, the VW ID.3 in 5th with 172 cars, the Cupra Born in 6th with 164 cars, and the Audi Q4 in 7th with 156 cars. Completing the top ten are the Peugeot 208 (137 cars), BMW i4 (135 cars), and VW ID.5 (115 cars). In 11th place is the MG4, produced by the British brand MG, now owned by China’s state-owned SAIC Motor, with 109 cars sold. The Citroën C4

and Dacia Spring follow, as the only other models with over 100 cars sold. The wide range of options is supported by the fact that in 2023, customers purchased at least one unit of 82 different electric car models (AMZS, 2024).

The most common argument against buying electric vehicles are its price and range (Melliger et al., 2018). The former issue can be mitigated through Eco Fund. Established in 1993, Eco Fund's primary mission is to promote environmental protection by providing financial incentives, such as soft loans and grants, for various environmental investment projects. (Eco Fund, 2024). While it began offering grants in 2008, it wasn't until 2011 when it started awarding grants for electric vehicles buyers, however only 3 people applied (Eco Fund, 2011).

In 2024, a buyer of an electric vehicle without CO2 emissions could apply for either a grant or a soft loan. The size of the grant varied from 300EUR to 6500EUR, depending on the type of electric vehicle. The highest grand, 6500EUR could be received if the following criteria was met:

- The electric vehicle was new;
- the electric vehicle was registered for the first time in Slovenia;
- the price of the vehicle was less than 35.000EUR.

The largest grant amount available was in 2016, when applicants could receive up to 7500EUR. This figure remained the same in the following years until 2020, when it was reduced to 6000EUR for applications submitted after March 13 of that year. The grant was further reduced in 2021. The reduction was based on expectations that electric vehicle prices would decrease due to increased competition in the market; however, due to the COVID-19 pandemic, vehicle prices actually rose (Božin, 2023). While the current grant amount is higher than it was in the past, it would be interesting to investigate whether the size of these grants correlates directly with the number of electric vehicles sold.

4.3 Slovenian consumers

To fully understand Slovenian consumers, it is important to understand how a small Central European country with a population of 2.1 million can be so diverse. Geographically located in Central Europe, Slovenia has been influenced by both Eastern and Southern Europe. Historically, Slovenia was part of the Austro-Hungarian Empire and later Yugoslavia before gaining independence in 1991. A major milestone for Slovenian consumer culture was when the country joined the EU in 2004, which exposed Slovenians to a wider range of global brands and products. This subchapter will provide a concise summary of the previous research exploring Slovenian consumers in order to provide a better understanding of their preferences and behaviors.

Vida & Damjan (2001) observed that when having the knowledge of global brands, Slovenian consumers are generally less likely to exhibit consumer ethnocentrism, meaning

they are less biased towards products from their own country and less resistant to foreign products. Not only that, they also noted that demographic variables, such as age, income or gender did not significantly influence ethnocentric attitudes. Their findings show that Slovenian consumers are open to global products and getting familiar with global brands correlates with decreased likelihood to purchase a domestic product.

Žabkar & Kolar (2010) discovered that Slovenian consumers differ in their personalities and values, leading to different behaviors and identified five consumer personality based groups: Conscientious consumers, Neurotic consumers, Extroversive consumers, Agreeable consumers and Open-minded consumers. The findings revealed that conscientious but non-agreeable consumers place more trust in experts than in peers. Neurotic consumers who lack self-confidence strongly rely on both expert opinions and peer influence. The third and fourth group both view shopping as an enjoyable activity. For marketers and companies targeting Slovenian consumers, being aware of these groups and having the know-how how to target them is essential.

In terms of consumer animosity, Perviz et al. (2014) who investigated consumer animosity in Slovenia and the effects of country-specific negative attitudes on foreign purchase behavior found that “*the most important sources of animosity related to the dimensions of the people, politics and personal experience*” (p. 133). While they did find correlation between consumer animosity and purchase behavior, this was only observed in certain product categories, such as food, consumer durables and services. For Slovenian consumers, animosity towards countries perceived to have lower economic development often leads to concerns about product quality. In contrast, when it comes to developed countries, the quality of products is generally not questioned, even if some animosity toward the country exists.

As expected, given that NEVs have only become an important topic of discussion in recent years, the literature on Slovenian consumers and NEVs is still quite limited. However, some parallels can be drawn with the research of Krsnik & Erjavec (2024), who investigated the sustainable behavior of Slovenian consumers. In terms of socio-demographic factors, they found that women are more environmentally conscious and engage in sustainable behavior more often than men. On the other hand, when it comes to marketing communication related to sustainability, men are more influenced by trust, while women are more skeptical about advertising. In terms of age, marketing communication had a greater influence on consumers aged 35 and older than on younger consumers. Younger people, in the 18-24 age range, are more skeptical about green products and less concerned about being perceived as environmentally friendly. In the case of education, the research found that consumers with higher levels of education tend to think more critically and are less likely to be influenced by marketing communications related to sustainability than consumers with lower levels of education. Similarly, consumers with lower household incomes were found to be more likely to make their purchasing decisions based on marketing messages than consumers with higher incomes.

Knez et al. (2021) investigated what consumers from three different countries, Slovenia, Poland and Spain, prioritize when considering the purchase of a zero-emission vehicle. They divided the reasons into two categories: non-financial and financial features. Among the former, Slovenian consumers prioritize the overall condition and mileage of the vehicle, if buying a used car, safety features and body style. On the other hand, they pay the least attention to acceleration, engine type and power and vehicle model. In terms of financial considerations, the three most influential features were fuel economy, total vehicle price and maintenance/repair costs. On the other hand, annual road tax, trade-in value and payment options were the three least important financial features. They also divided the participants into three groups based on their interest in purchasing a zero-emission vehicle in the future: "No-greens," "Go-with-the-flow greens," and "Go-greens. Using a questionnaire, they categorized 19%, 42% and 38% of the respondents into the three groups, respectively, showing that while Slovenian consumers are still on the fence regarding zero-emission vehicles, it is clear which direction they are leaning.

Although research on Slovenian consumers' attitudes toward NEVs remains relatively limited, previous studies in other product categories suggest that Slovenia is an attractive market due to consumers' openness to foreign products and their low levels of ethnocentrism and animosity.

5 THE EMPIRICAL STUDY

The main objective of the research is to see how Slovenians perceive Chinese cars in comparison to cars from a country that is already present on the Slovenian market. By conducting an empirical study I want to understand what type of consumer has the most favorable perception of Chinese cars. In countries such as Slovenia, Chinese cars are barely known among consumers. In such countries they are likely to be judged based on consumers' stereotypical beliefs about China (Yasin et al., 2007). However, analyzing the effect of COO on an evaluation of a product is not as straightforward as it used to be. As described in Chapter 1.3, there are several factors moderating the COO effect.

The main goal of this research is to investigate if the COO has a significant effect on Slovenian consumers' car evaluation and whether this effect is different for gas and electric cars. In the second step I aimed to determine what moderates the COO effect on product evaluation. Here, I focused on socio-demographic factors (i.e. age, gender, education and income), psychographic factors and personal values. Finally, I examined how the COO affects the actual intent to purchase a vehicle.

With this research I hope to examine if Chinese cars can follow the success path of other Asian car brands that are already present in Slovenia. In particular, I aim to analyze if the success of Chinese electronic companies can positively affect Slovenian consumers' perception of Chinese electric cars.

5.1 Hypothesis development

One of the biggest challenges Chinese companies face when marketing their products in Europe is the negative ‘Made in China’ image that they hold (Holtbrügge & Zeier, 2017). Previous research supports the premise that Western consumers usually prefer Western products or products from Japan or Korea over Chinese products. Wang and Gao (2010) who investigated the Irish consumers’ perception of Chinese brands have found that more than half of their respondents consider the COO effect to have a major role in their product choice. When it comes to cars, Pappu et al. (2007) results have shown that Australian consumers consider both Japanese and Malaysian cars to be better than Chinese cars. Furthermore, German cars are considered to be prestigious, more expensive, reliable, comfortable and spacious compared to Japanese, Italian, or French automobiles (Lawrence et al., 1992). Hsieh (2004) discovered that consumers prefer cars from their home country or the same geographic region. Based on the findings of previous researches, the following hypothesis is proposed:

Hypothesis 1a: The COO has a significant effect on Slovenian consumers’ car evaluation. Chinese gas cars will be evaluated as worse than German gas cars.

However, Yunus and Rashid (2016) have discovered that Chinese effort in technological and economic development is starting to have a positive effect on how consumers are viewing Chinese products. Thus:

Hypothesis 1b: The perceived quality gap between Chinese and German cars will be significantly reduced when evaluating electric cars, which would also influence the intention to buy.

Previous research has shown that the relationship between the COO and product evaluation may be influenced by socio-demographic factors. For example, younger people tend to be more open to foreign products. This is likely a result of having more extensive media exposure and because of the internet access to other information platforms (Smith, 2007, Kreppel & Holtbrügge, 2012). Furthermore, younger people in developed countries with open economies have more access to foreign products, which is especially important when considering high-tech Chinese products that have not been available for a long time (Auger et al., 2010). Wang and Gao (2010) have also found that Chinese products are more likely to be successful with younger consumers, who pay less attention to the COO of the product. Thus:

Hypothesis 2a: Perceived quality gap will be moderated by the age of consumers. Specifically, for younger consumers, the COO effect will be smaller regardless of car type.

When it comes to gender, previous research had different findings. However, Wang and Gao (2010) found that women are slightly more aware of Chinese brands than men. Furthermore, Cleveland et al. (2011) stated that women prefer smaller, less-performing, cheaper cars with

high quality and high safety aspects. Men, on the other hand, prefer expensive cars with a good reputation, exclusive design and great performance. Based on the two studies and keeping in mind that Chinese car brands are all new to the market the following hypothesis will be tested:

Hypothesis 2b: Perceived quality gap will be moderated by the consumers' gender. Specifically, for female consumers the COO effect will be smaller.

Similarly to the effect of gender, the results of studies of the influence of education levels on the COO effects are also mixed. However, for products coming from China and Southeast Asia, people with higher education tend to be less open to these products (Ahmed & d'Astous, 2001). When it comes to cars, Holtbrügge & Kreppel (2012) have found a significant negative effect of education on the perceived attractiveness of Chinese automobiles in Germany. This leads to the following hypothesis:

Hypothesis 2c: There will be a bigger gap in perceived quality among higher-educated consumers compared to consumers with a lower level of education.

Ahmed and d'Astous (2001) found that the lower the income of consumers, the more fond they are of Chinese products. When it comes to cars, individuals with higher income are more likely to buy expensive cars with a good reputation, design and high performance (Dargay, 2001). Individuals with lower income, on the other hand, are more inclined to buy cheaper cars which are easier and cheaper to maintain. Assuming that Chinese products cost less than German products the following hypothesis is proposed:

Hypothesis 2d: There will be a stronger COO effect in high-income consumers compared to consumers with a lower level of income.

Chinese products are usually priced lower than products from Western countries, which means that price-sensitive consumers are more likely to evaluate Chinese cars more positively (Holtbrügge & Zeier, 2017). While products from China are increasingly more common, European consumers are still not aware of Chinese-owned brands (Wang & Gao, 2010). As Temporal (2005) stated, Asian companies are facing the challenge of convincing consumers of their products' quality and until they do so, consumers are more likely to judge their products based on the country's image. Therefore, I can assume that consumers who usually buy cars with high performance and exclusive design will likely continue buying expensive and luxurious cars. Similarly can be expected of consumers who consider the safety of the cars to be the most important. They will evaluate Chinese cars more negatively. Lastly, consumers with high subjective knowledge about cars tend to favor cars with a good reputation and want to exchange their experiences about their cars with others (Holtbrügge & Zeier, 2017). They are also more likely to view Chinese cars in a negative way. Based on all the above, the following hypothesis is proposed:

Hypothesis 3: COO effects on consumers' evaluation of cars will be moderated by psychographic factors such as price consciousness, brand loyalty, need for design and performance, quality and security consciousness, and interest in and knowledge about cars.

To explore how differences in personal values affect the study results, an explorative analysis was conducted looking at how essential human values measured by the Schwartz Value Survey (Schwartz, 2005) influence the COO effect.

The Schwartz Value Survey is regarded as the most commonly used method in recent value research (Lindeman & Verkasalo, 2005). The author of the survey dr. Shalom H. Schwartz states that each individual has several values with a different degree of importance. According to his theory, there are ten overarching values: self-direction, stimulation, hedonism, achievement, power, security, conformity, tradition, benevolence and universalism. These values influence what people feel, think, act, make decisions, or justify them (Cieciuch et al., 2015). A similar approach was used by Bryła (2022), who aimed to determine the Schwartz values that impact consumer behavior in the food market, specifically regarding the preference for domestic products.

Schwartz values are values that reflect what people consider important or desirable in their environment. These could determine preference for a certain type of product, and provide useful insights into consumer preferences. By exploring how these values influence the COO effect, I wanted to explore if there are any alternative paths for Chinese cars to be successful in Slovenia. Ultimately, my goal is to provide useful insights to the automobile industry in Slovenia about how to approach marketing Chinese cars in this environment.

Hypothesis 4 around Schwartz values is explorative.

According to Grewal et al. (1998), previous research supports the premise that perceived value and perceived product quality positively influence purchase intention. In terms of COO effect, Hui and Zhou (2002) have found that the COO information had a direct effect on overall product evaluation and an indirect effect on purchase intention. Yasin et al. (2007) found that the image of the country is one of the factors considered by consumers when making purchase decisions. Similarly, the study of Wang and Yang (2008) revealed that COO image exerts significant positive main effects on purchase intention. Based on the previous research it is clear that product evaluation is closely related to purchase intention. Therefore, the following hypothesis were formed:

Hypothesis 5: Car evaluation and consequently the COO will have a positive influence on self-reported purchase intention.

5.2 Methodology

5.2.1 Study design

In order to test the research hypotheses, an empirical study was conducted. Data was collected through a questionnaire, which is a frequently used method since it provides an efficient way of collecting responses from a large sample prior to quantitative analysis (Pearlson et al. 2019). I used a study design where all four measures were obtained from each subject (a study design referred to as “within-subject” design according to Encyclopedia of Research Design (Salkind, 2010)), similar to the one used by Sharma (2011). The design of the questionnaire was similar to the one used by Holtbrügge and Zeier (2017), who explored the French and German consumers’ perception of Chinese cars.

Since the majority of the questionnaire was designed based on studies published in English, the questions were initially formulated in English, then translated into Slovenian, and pretested with a small group of Slovenians to ensure clarity and understandability. At the start of the questionnaire, respondents were told that two new car brands from different countries were about to enter the Slovenian market and they were asked to rank the cars based on their first impression.

In the first part, the respondents were presented with pictures of two different cars with two different countries of origin – China and Germany, together with a list of key information about the cars. The key information was selected from a car selling website that displays such information when looking at a selected car and narrowed down after a discussion with a small group of people who at that time were in the process of purchasing a new car. It included information about safety, multimedia, endurance, comfort, engine power as well as price and COO. The choice of Germany was made to represent higher-end brands, considering that the most popular car in Slovenia originates from a German company, as mentioned in the previous chapter. Initially, France was also considered as an additional option but was ultimately excluded due to concerns about questionnaire length, potential respondent fatigue, and a potential impact on response quality. Nevertheless, the hypothesis remained focused on the disparity in Slovenian consumers' perceptions between French and German cars, both expected to be rated higher than Chinese cars. Despite the nearly identical key information for cars within the categories, the presentation order was different. Notably, the car images displayed were of concept cars that are not commercially available, and their selection was entirely random.

The respondents were asked to evaluate the cars with regard to 13 items (Johansson & Nebenzahl, 1986) on a 7-point bipolar scale, developed by Nagashima (1970) and adapted by Johansson and Nebenzahl (1986). A factor analysis was then conducted with the purpose of simplifying the data. An additional item was added at the end, asking respondents of their purchasing intent.

In the second part of the questionnaire, the same questions from the first part were presented again, with one key difference: respondents were informed that all the cars being evaluated were electric. A brief section on the success of Chinese companies in other sectors, such as consumer electronics, was initially considered, but ultimately omitted to avoid emphasizing the COO, as the primary objective was to gather data based solely on respondents' first impressions.

In the third part the respondents first answered socio-demographic questions, followed by questions about their car purchasing behavior to analyze what cues they consider important when evaluating a car. The questionnaire concluded with questions about the importance of their values.

The complete list of questions used in the questionnaire can be found in Appendix 3.

5.2.2 Sample and Data collection

The empirical study was conducted in Slovenia in 2022. Data was collected through a survey hosted on an online platform called 1ka. The survey was active from 9.4.2022 - 9.7.2022. Participants were recruited through social media platforms Facebook, Instagram and Reddit and by directly sharing the link to the questionnaire through friends and family members. During this period 752 people clicked on the link and a total number of 154 respondents was collected. 91 finished the assessment of the car questionnaire and their data were included in the analysis of hypotheses 1, 2, and 5. Out of these, two failed to finish the psychographic questionnaire, so only 89 participants were included in the analysis of hypothesis 3. One further participant failed to finish the Schwartz values Survey, so only 88 participants were included in the analysis of hypothesis 4 and 5.

5.2.3 Questionnaires

5.2.3.1 Car Evaluation

Self-reported car evaluation questionnaire is based on a multi-dimensional scale developed by Nagashima (1970) and Johansson and Nebenzahl (1986) and adopted by Holtbrügge & Zeier (2017). The scale contains 13 items that are evaluated on a 7 point scale, from 1 (I completely disagree) to 7 (I completely agree). According to Holtbrügge & Zeier (2017), this type of car evaluation scale “does not only allow for an overall evaluation, but rather provides an understanding of the specific attitudes that respondents have.”

5.2.3.2 Purchase Intention

Purchase intention was measured by asking the participants to indicate how much they agree with the claim that “I would happily buy such a car” on a 7-point Likert-scale (from “I do not agree at all” to “I fully agree”).

5.2.3.3 Socio-Demographic Factors

Respondents were asked to provide their gender with ‘male’ = 1 and ‘female’ = 2 and state their age. For education, they were asked to mark their highest achieved education level, ranging from primary school to PhD. With regard to income, the respondents were asked to indicate on a scale from 1 - 5 what their income is like in comparison to what they think is the Slovenian average. Answers were given on a scale from 1 - 5, where 1 was “a lot lower” and 5 “a lot higher”.

5.2.3.4 Car-related factors

The respondents were asked to mark the number of cars they have in their household. They were also asked to mark the COO of the car they currently own. The most common countries were chosen and car brands coming from that country were written in brackets next to the corresponding country making it easier to complete the task.

5.2.3.5 Psychographic Factors

For the purpose of analyzing the psychographic factors relevant in the process of evaluating and buying cars, the 5-item scale developed by GfK Mediamark Research & Intelligence (2011) and used by Holtbrügge and Zeier (2017) was applied. It measures five dimensions on a 10-point Likert-scale: 'car brand loyalty', 'interest in and knowledge about cars', 'quality and security consciousness', 'design and performance consciousness', and 'price consciousness'.

5.2.3.6 Values

To measure respondents' values, the 10-item Short Schwartz's Value Survey was utilized, which, as Lindeman and Verkasalo (2005) state, “provides a practicable alternative to the original 57-item Schwartz values survey.” Respondents were asked to use a 9-point scale, where 0 indicates that the value is completely against their beliefs, 1 indicates that the value is of no importance, and 8 indicates that the value is very important to them.

5.2.4 Analysis

All was done in the programming language R (v4.2.2), using RStudio (v2023.09.1) as an interface. Factor analysis was done with R package *psych* using the function *fa*. To check whether a factor analysis was necessary and suitable in the data set I looked at the Kaiser-Meyer-Olkin (KMO) factor adequacy and Bartlett's test (Field et al., 2017).

Mixed linear models were used in most analyses. To examine the effect of COO on perceived quality, a factor analysis on the 10-item questionnaire (as in Holtbrügge & Zeier (2017)) was conducted, and the effects of predictor variables on all three factors were investigated. As these are repeated measures, mixed linear models were applied, with a random intercept estimated for each participant. The package *lmer* was used for estimating the models.

5.3 Results

5.3.1 Descriptive statistics

The main sample (n = 91) consisted of 48 (52.73%) female respondents. The age of respondents was between 18 and 62, with a mean (SD) age of 31.97 (11.53), and a median of 28, suggesting a slight skew towards the young population. Most participants had a university degree (n = 46), with 21 having a higher and 21 having a lower than university degree suggesting a well distributed sample. When participants were asked to assess how their income compared to what they consider to be an average Slovenian income 35 rated as below, 31 as equal and 25 as above the average. Seven participants reported not personally owning a car, and three reported not having a car in their household. For information on mean values, standard deviation, internal consistency, and reliability of questionnaires refer to Table 4.

Table 4: Description and properties of questionnaires

Scale	Type of scale	No. of items	n	Chronbach's alpha	Average inter-item correlation	Mean	SD	Test-retest reliability
Car Evaluation Holtbrügge and Zeier, 2017; Nagashima, 1970;	7-point scale	13 items	91	0.93	0.51	4	1.2	0.72*
Purchasing intention Holtbrügge and Zeier, 2017	7-point scale	1 item	91	NA	NA	3.4	1.4	0.51*
Car-related factors Holtbrügge and Zeier, 2017	Integer, category	2 items	91	NA	NA	NA	NA	NA
Psychographic Factors GfK Mediamark Research & Intelligence, 2011	10-point scale	5 items	91	0.6	0.25	5.8	1.8	NA
Short Schwartz's Value Survey Lindeman and Verkasalo, 2005	9-point scale	10 items	91	0.92	0.56	5.8	2	NA

*The single-rater, absolute agreement measure was used, the score to be interpreted with caution because it does not account of the effects of COO and order

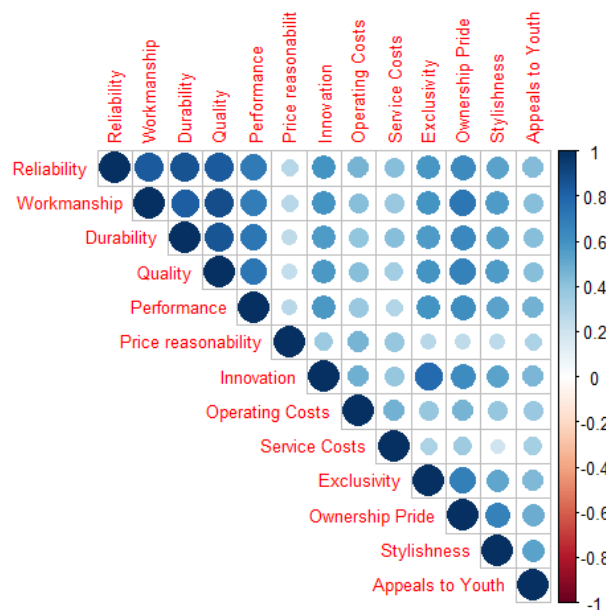
Source: Own work.

5.3.2 Factor Analysis

When checking whether the prerequisites for a factor analysis were fulfilled, the KMO value was found to be 0.92, which is well above the suggested minimum of 0.6. Additionally, Bartlett's test of sphericity was significant ($p < 0.0017$). Internal consistency in the dataset was high, with Cronbach's $\alpha = 0.931$ (see correlation plot in Figure 5).

Based on these findings, it was concluded that factor analysis was suitable. A factor analysis was then conducted with 10 factors using varimax rotation and principal axis factoring, following the approach of Holtbrügge and Zeier (2017). Unlike Holtbrügge and Zeier (2017), only the eigenvalues of the first two factors were above 1 (with values of 7.301 and 1.297 for the first and second factors, respectively). Despite the eigenvalue of the third factor being below 1 (0.919), it was included in the analysis to ensure comparability with Holtbrügge and Zeier (2017). These three factors explained 55.59% of the total variance, slightly less than what was reported in Holtbrügge and Zeier (2017). When examining communalities (the proportion of variance in each item explained by the factors), all were higher than 0.41, so no variables were excluded from the analysis.

Figure 5: Correlation Matrix of all 13-items of the multi-dimensional car evaluation scale



Source: Own work.

As shown in Table 5, the first factor closely aligns with the first factor identified in Holtbrügge and Zeier (2017) and is primarily associated with Quality & Performance. The second factor loads onto questions of innovation and exclusivity, with only partial overlap with the second factor of Holtbrügge and Zeier (2017). The third factor loads onto all three variables related to the cost efficiency of the vehicle. Due to the similarities between the first and third factors, the factor names were retained as in Holtbrügge and Zeier (2017).

However, the second factor was renamed Exclusiveness & Innovation to emphasize the differences between the two studies.

Table 5: Factor loadings

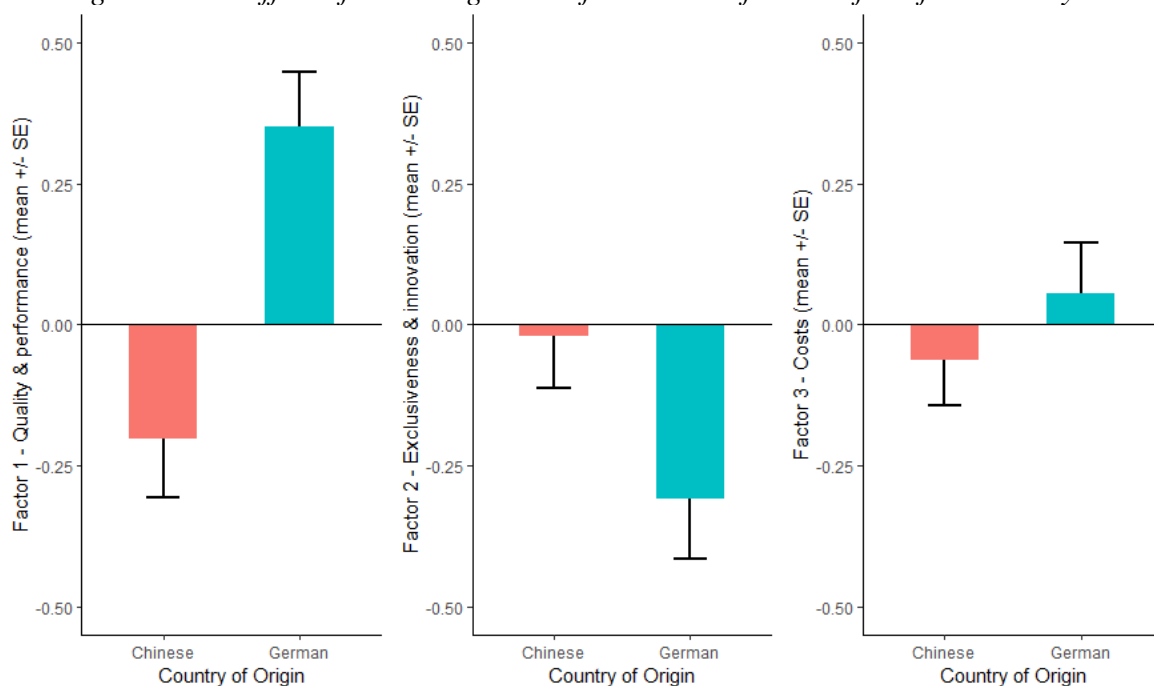
	Factor 1 Quality & Performance	Factor 2 Exclusiveness & Innovation	Factor 3 Costs
Reliability	0.797	0.249	0.259
Workmanship	0.824	0.24	0.215
Durability	0.847	0.212	0.179
Quality	0.868	0.242	0.177
Performance	0.622	0.315	0.19
Price reasonability	0.092	0.135	0.578
Innovation	0.342	0.638	0.354
Operating Costs	0.225	0.152	0.733
Service Costs	0.233	0.117	0.535
Exclusivity	0.331	0.824	0.173
Ownership Pride	0.423	0.368	0.19
Stylishness	0.346	0.241	0.169
Appeals to Youth	0.213	0.204	0.286

Source: Own work.

5.3.3 Hypothesis 1: Effect of COO on car evaluation.

It was hypothesized (Hypothesis 1a) that the COO would significantly influence Slovenian consumers' car evaluations. Therefore, the effect of COO on all three factors was examined when evaluating gas cars.

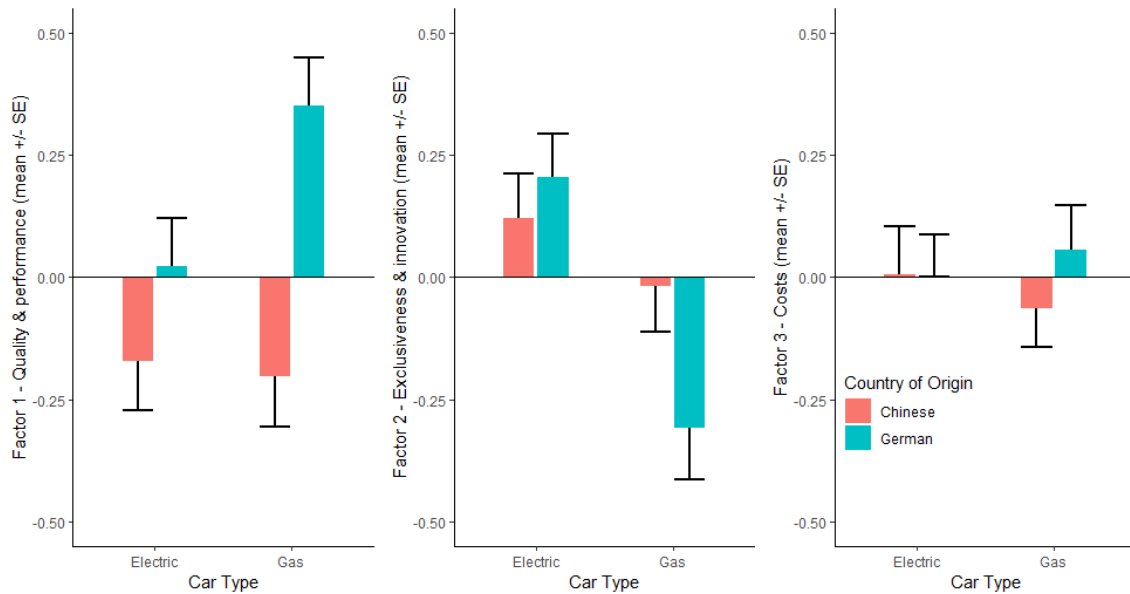
Figure 6: The effect of COO in gas cars for all three factors of the factor analysis



Bar plots with error bars depict means with standard errors.
Source: Own work.

As can be seen in Figure 6, the first factor was significantly higher in German compared to Chinese cars ($b = 0.553$, $SE = 0.092$, $t(90) = 6.037$, $p < 0.001$). Interestingly, the second factor, related to Exclusiveness & innovation was lower in German compared to Chinese cars ($b = -0.289$, $SE = 0.098$, $t(90) = -2.950$, $p = 0.004$). This factor partially overlaps with the second factor from Holtbrügge and Zeier (2017), but the results point in the other direction (see Discussion). I also observe a small but insignificant increase in the third factor of the factor analysis that relates to costs of the vehicles, with German cars being perceived as more cost effective than the Chinese cars ($b = 0.120$, $SE = 0.067$, $t(90) = 1.742$, $p = 0.085$).

Figure 7: The effect of COO plotted separately for gas and electric cars for all three factors of the factor analysis



Bar plots with error bars depict means with standard errors.
Source: Own work.

It was further hypothesized (Hypothesis 1b) that the perceived quality gap between Chinese and German cars would significantly decrease when evaluating electric cars. This hypothesis was supported for the Quality and Performance factor. A significant interaction effect was found between COO and car type, with the COO effect being significantly stronger for gas cars compared to electric cars ($b = 0.359$, $SE = 0.131$, $t(270) = 2.741$, $p = 0.007$, Figure 7). However, it should be noted that for electric cars, the COO still had a significant effect on the Quality and Performance factor, albeit at a lower level ($b = 0.194$, $SE = 0.093$, $t(270) = 2.093$, $p = 0.037$).

Additionally, a significant interaction between COO and car type was observed when predicting the Exclusiveness and Innovation factor ($b = -0.373$, $SE = 0.14$, $t(270) = -2.624$, $p = 0.009$). While German gas cars are perceived as less exclusive and innovative than Chinese gas cars, this difference does not hold for electric cars ($b = 0.084$, $SE = 0.101$, $t(270) = 0.835$, $p = 0.404$).

The results show no COOxCarType interaction effects on the factor associated with costs ($b = 0.124$, $SE = 0.126$, $t(270) = 0.985$, $p = 0.326$).

5.3.4 Hypothesis 2: Sociodemographic moderators of the COO effect

Next, the potential moderation of the main effects of COO on car evaluation by sociodemographic factors was examined. It was hypothesized that the impact of COO would be reduced in younger individuals (Hypothesis 2a), females (Hypothesis 2b), higher-educated consumers (Hypothesis 2c), and consumers with lower income (Hypothesis 2d).

Two separate models were run for gas and electric cars to assess how Age, Gender, Education, and Income moderated the effects of COO on car evaluation, with a specific focus on the Quality and Performance factor. In the case of gas cars, none of the interactions between COO and the sociodemographic variables were found to be significant in predicting the Quality and Performance of the cars (all $p > 0.393$). However, there was a main effect of Gender and Education: female participants generally evaluated the cars as being of higher quality ($b = 0.674$, $SE = 0.209$, $t(86) = 3.248$, $p = 0.001$), while participants with higher education tended to rate the cars as being of lower quality ($b = -0.283$, $SE = 0.106$, $t(86) = -2.675$, $p = 0.008$), independent of the COO.

The findings in the electric cars were comparable, with one small difference. There was a small interaction effect of Age and COO, with the older participants having a stronger effect of the COO on the Quality and performance factor ($b = 0.207$, $SE = 0.096$, $t(86) = 2.160$, $p = 0.034$). As with gas cars Sex and Education were significant predictors, regardless of COO ($p < 0.001$).

5.3.5 Hypothesis 3: Psychographic factors

The moderation of COO effects on consumers' car evaluations by individual psychological differences was then examined. Specifically, the potential moderating effects of price consciousness, brand loyalty, need for design and performance, quality and security consciousness, and interest in and knowledge about cars were investigated. Two separate models for gas and electric cars were estimated to assess how these psychographic factors moderated the effects of COO on the Quality and Performance factor (Factor 1).

In gas cars, none of the interactions of COO with the psychographic variables were reliably significant when predicting the Quality and performance (all $p > 0.256$), with a small but insignificant negative interaction effect of COO with the Need for design and performance ($p = 0.087$). These results mirrored those from the model done on electric cars, with no significant interaction effects, but again, The need for design and performance marginally reduced the COO effect ($p = 0.089$).

5.3.6 Hypothesis 4: Schwartz Values

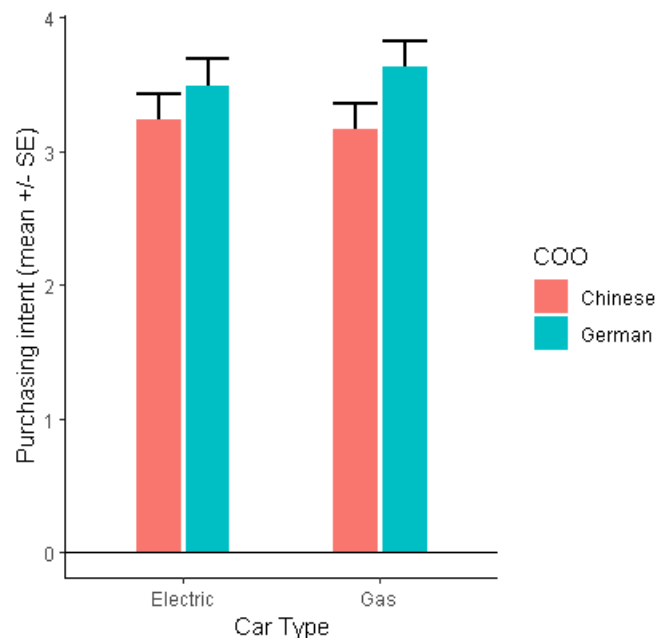
Individuals' value systems, or what they consider important or desirable, may influence their perception of goods. In this context, the effect of personal human values, as measured by Schwartz's Value Survey, on the COO effect in both gas and electric cars was explored. Two separate models were run for gas and electric cars, predicting Factor 1 and including all 10 items from Schwartz's Value Survey as main and interacting effects. For gas cars, higher conformity significantly reduced the COO effect ($b = -0.378$, $SE = 0.145$, $t(80) = -2.629$, $p = 0.010$), while a higher need for security marginally increased the COO effect ($b = 0.276$,

SE = 0.157, $t(80) = 1.757$, $p = 0.083$). All other effects were not significant. In electric cars, none of the effects were found to be significant.

5.3.7 Hypothesis 5: Purchasing intent

Finally, the interaction between the COO effects and self-reported intention to purchase the vehicle was investigated (Figure 8). It was anticipated that the results would align with those of car evaluation outlined in Hypotheses 1a and 1b. Indeed, when predicting the purchasing intent for gas cars, a significant effect of COO was found. Specifically, purchasing intent was higher for German cars compared to Chinese cars ($b = 0.472$, SE = 0.137, $t(90) = 3.461$, $p < 0.001$).

Figure 8: The effect of COO on purchasing intent by car type



Bar plots with error bars depict means with standard errors.

Source: Own work.

In contrast to the COO effects on perceived quality, no significant COO effects were found for electric cars ($b = 0.253$, SE = 0.186, $t(270) = 1.362$, $p = 0.174$), nor were there any significant interaction effects between COO and car type ($b = 0.220$, SE = 0.263, $t(270) = 0.838$, $p = 0.403$).

Next, the factors influencing purchasing intent were examined, and it was found, as expected, that all three factors significantly predicted the intent to purchase a car (all $p < 0.001$). The influence of these factors on the COO effects for purchasing intent in gas cars was also explored. A model predicting purchasing intent from the COO variable and the three factors was run, revealing that the COO effect in gas cars was no longer significant

once the factor effects were accounted for ($b = 0.135$, $SE = 0.134$, $t(100.721) = 1.000$, $p = 0.320$, Table 6).

Table 6: The results from the model predicting purchasing intent from all three factors and the COO, for gas cars

	Estimate	Std. Error	df	t value	Pr(> t)
(Intercept)	3.354	0.162	116.705	20.726	0
COOG	0.135	0.135	100.721	1	0.32
F1	0.796	0.109	169.11	7.307	0
F2	0.48	0.106	163.943	4.537	0
F3	0.304	0.135	175.5	2.246	0.026

Source: Own work.

The possibility that perceived quality of the car accounts for the differences in COO effects between car types was also examined. After including the factors in the linear model, the interaction term was not found to be significant ($p = 0.694$), suggesting that the observed effect is mediated by the perceived quality of the car.

Table 7: Review of the hypotheses testing

Hypothesis	Statement	Supported
H1a	The COO has a significant effect on Slovenian consumers' car evaluation. Chinese gas cars will be evaluated as worse than German gas cars.	Yes
H1b	The perceived quality gap between Chinese and German cars will be significantly reduced when evaluating electric cars.	Yes
H2a	Perceived quality gap will be moderated by the age of consumers. Specifically, for younger consumers, the COO effect will be smaller regardless of car type.	Partially
H2b	Perceived quality gap will be moderated by the consumers' gender. Specifically, for female consumers the COO effect will be smaller.	No

H2c	There will be a bigger gap in perceived quality among higher-educated consumers compared to consumers with a lower level of education.	No
H2d	There will be a stronger COO effect in high-income consumers compared to consumers with a lower level of income.	No
H3	COO effects on consumers' evaluation of cars will be moderated by psychographic factors such as price consciousness, brand loyalty, need for design and performance, quality and security consciousness, and interest in and knowledge about cars.	No
H4	Explorative hypothesis of potential influence of Schwartz values on COO effect	Partially
H5	Car evaluation and consequently the COO will have a positive influence on self-reported purchase intention.	Partially

Source: Own work.

5.4 Discussion

The conducted study aimed to investigate the effect of the COO on Slovenian consumers' evaluation of Chinese and German cars. Importantly, this was done for both gas and electric cars, since the numbers of electric cars sold globally is rapidly rising and China is known as a country that is strong in technology. Additionally, the study examined how sociodemographic and psychographic factors, as well as personal values, moderated this effect. The findings of the study helped achieve the overarching goal of my theses, which was to understand the potential of Chinese car companies to enter the Slovenian market.

By conducting the factor analysis, the car evaluation was described with three dimensions, mapping onto variables describing quality and performance, exclusiveness and innovation, and cost-related factors. Note that this analysis mimics the study done by Holtbrügge & Zeier (2017), however there were slight discrepancies between the two studies that are discussed below.

5.4.1 Theoretical implications

The results confirm the main hypothesis (H1a) that Slovenian consumers perceive German gas cars as superior to Chinese gas cars, particularly in terms of quality and performance.

However, in line with Hypothesis 1b, the quality gap between Chinese and German cars was significantly reduced when participants evaluated electric cars. Although German cars remained preferred, the COO effect was significantly less pronounced for electric vehicles, indicating a shift in perception of Chinese-made electric cars in Slovenia.

The significant effect of COO on gas cars aligns with previous studies, such as those by Holtbrügge and Zeier (2017), which showed that Western consumers generally prefer cars from more established countries like Germany. The reduction in the quality gap for electric cars supports the findings of Yunus and Rashid (2016), who suggested that Chinese technological advancements are beginning to shift consumer perceptions. Interestingly, the smaller COO effect for electric cars may also be linked to the growing recognition of China's success in other high-tech industries, such as consumer electronics, as suggested by Wang and Gao (2010).

The study also diverges from the results of Holtbrügge and Zeier (2017), where Chinese cars were generally seen as less attractive than their Western counterparts. The present results could reflect the recent strides made by Chinese automakers in electric vehicle technology and other high-tech industries. Companies like NIO and BYD have been making headlines for their innovative contributions to the electric vehicle market, which may be reshaping consumer perceptions of Chinese brands, especially in technologically forward-looking domains like electric cars. In the study by Holtbrügge & Zeier (2017), the second factor did not load onto completely overlapping items and was described as a factor related to appearance and attractiveness. This prevents a direct comparison of the COO effects on the second factor between the two studies.

Interestingly, in my data this positive perception in the factor describing exclusiveness and innovation does not appear to extend to electric cars, where the COO effect was not significant for this factor. This may suggest that, while Chinese gas cars are seen as innovative relative to German gas cars, Chinese electric vehicles may still be competing against the dominant perception of German engineering, which remains strong in the electric car market. Additionally, when looking at the factor related to costs, which reflects the price reasonability and service and operation cost of the vehicles, I expected that German cars would be perceived as more expensive due to Germany's reputation as a country famous for its premium quality cars. While I did observe the effect in the expected direction, the effect was not significant ($p = 0.085$), meaning that German cars were only marginally perceived as more costly than Chinese cars.

A limitation of our study design is that cost-effectiveness and overall costs are captured by the same factor. Future research could more precisely disentangle the two cost-related properties of vehicles and the associated COO effects.

5.4.2 Managerial implications

The findings of this study have several practical implications for automotive companies, marketers and policymakers. First, the strong COO effect for gas cars reinforces the importance of emphasizing Germany's reputation for quality and performance in marketing campaigns targeting Slovenian consumers. German car manufacturers can continue to use their strong brand equity and highlight the long lasting COO and product category match between Germany and automotives.

For Chinese automakers, the reduced quality gap in the electric vehicle segment provides an opportunity to position their cars as competitive alternatives to German electric vehicles. Marketing strategies should emphasize China's advancements in high-tech industries and the innovative features of their electric vehicles. This could be achieved through targeted advertising that highlights their growing success in the global technology markets, drawing parallels to their achievements in consumer electronics, where Slovenian consumers are already familiar with their successful brands.

The finding that Slovenian consumers find Chinese cars to be more exclusive and innovative is rather surprising given that German automakers are typically associated with premium, innovative brands. This could present an interesting opportunity for Chinese brands, which could capitalize on this perception by emphasizing the uniqueness of owning a Chinese car, particularly since they are not yet widely available in Slovenia. Highlighting the innovative features and modern designs of Chinese vehicles could appeal to early adopters who are seeking something special and unusual.

Additionally, since German cars were still seen as marginally more cost-effective, despite their higher price tags, German companies should keep their premium pricing strategies while justifying them with clear messaging around value for money, durability and long term cost-effectiveness. Chinese brands on the other hand, should try to change the traditional stereotype that Chinese products are low-cost but also lower in quality by focusing on emphasising innovation.

Lastly, policymakers in Slovenia could use these findings to create better strategies for promoting electric vehicles. In order to provide consumers with more affordable and diverse electric vehicle options, it is important to create a fair and competitive environment in the Slovenian automotive market, starting with reducing tariffs on Chinese vehicles. Additionally, attracting investments from Chinese automakers into local assembly plants or partnerships could lead to potential job creation in Slovenia, further strengthening the local economy.

5.4.3 Overview of moderating effects

I limited my analysis of the moderating effects to the first factor, because our main COO effects were not as pronounced in the other two factors. When investigating what variables moderate the effects of COO on Quality and performance factor I found no support for my hypothesis that gender, age, education or income would be significant moderators regardless of car type, with one exception being the interaction effect with age in electric cars, suggesting that older participants experience a stronger effect of the COO. This could be because the older individuals might place a higher emphasis on traditional manufacturing values, reputation or trustworthiness associated with Germany. Younger people, on the other hand, could be more accustomed to rapid technological advancements and therefore place less emphasis on the COO and more on the technological features and innovation associated with electric cars. They also might be better informed about different brands, since they are more likely to use internet and digital media platforms as their primary source of information, compared to older generation which has a bigger reliance on traditional media such as television. This is in line with the findings of Kreppel and Holtbrügge (2012), which indicated that younger consumers are more receptive to foreign goods.

In line with this, I found that higher need for security (as one of the Schwartz values) significantly increased the COO effect in gas (but not electric) cars, supporting previous research that links COO perceptions with product safety (Ahmed & d'Astous, 2001). However, somewhat paradoxically, I also found that higher conformity significantly reduced the COO effect, suggesting that individuals who value adherence to social norms may be less influenced by stereotypes associated with products from different countries.

Interestingly, and not related to our core hypotheses, gender and education were found to have a significant effect on car evaluation, regardless of COO and car type, with female participants generally rating cars as higher quality and higher-educated consumers rated the cars as lower quality. The effect of gender are in line with the findings of Cleveland et al. (2011), but the effect of education is in contrast with Kreppel and Holtbrügge (2012) showing that education has a negative effect on the perception of Chinese cars.

In terms of psychographic factors, none of the investigated variables significantly moderated the COO effect, which contrasts with Holtbrügge and Zeier's (2017) finding that factors such as brand loyalty and interest in cars are key determinants of consumer evaluations. This could indicate that for Slovenian consumers, the COO remains a more dominant factor in their car evaluations than these psychographic characteristics.

5.4.4 Summary of the effects on purchasing intent of moderating effects

I expected that my main findings of COO effects on car evaluation will be mirrored in the intention to purchase the vehicle. This was partially the case. The COO indeed had a convincing effect on the intention to buy a gas car, with participants being more likely to

buy a German than a Chinese car. In electric cars, the COO effect is not present anymore, in line with the idea that the competitive advantage of German vehicles is reduced when it comes to electric vehicles indicating a potential shift in consumer attitudes toward Chinese electric vehicles. However, the difference of COO effects in both car types was not significant. One explanation for this could be, that my study was underpowered given the size of the COO effect on purchasing intent. It is also possible that the lack of effect is due to factors I did not control for, such as the high prices of the vehicles, or dependent on the photos of the cars that were chosen for this study.

Through mediation analysis I found that the intent to purchase was explained by the perceived quality of the car. This is consistent with Grewal et al. (1998), who found that perceived quality and value are key drivers of purchasing decisions, and supports the notion that quality is the main driver of purchasing intent.

5.4.5 Limitations

When interpreting the results of my study there are some limitations to consider. The order of cars, images and car types was not randomized. This means there is a possibility that respondents evaluated the car based solely on the pictures or that their motivation to respond to the survey decreased with each car and therefore evaluating the latter cars more randomly. It has to be pointed out that the pictures were chosen randomly, therefore it is unlikely that our findings were confounded by participant favouring one image of a car over the other.

The questionnaire was adapted from a research written in English. Given that I see a similar factor structure, the quality of the translated questionnaire is likely comparable, however slight deviations in the factor structure might be due to nuanced differences across the two languages.

The entire questionnaire was relatively long which resulted in a very low percentage of respondents who completed the questionnaire in full. It is also the reason why I decided to exclude France from the questionnaire and only selected Germany as the one non-Chinese country. If Chinese brands were to enter the Slovenian automotive market, they would compete with several other brands coming from all over the world and not just Germany. It would be interesting to see if the difference in perception would be different when comparing a Chinese car to a car from a less popular country in terms of cars sold in Slovenia.

Furthermore, my research was purely hypothetical, meaning that respondents' self-reported purchasing intentions do not necessarily mean they would actually purchase the vehicle. As Chandon and others (2005) stated, self-reported purchase intentions do not necessarily fully align with future purchase behavior.

Finally, the concept of COO was given explicitly, respondents were given the country where the car was assembled, designed and manufactured. This is in contrast with how car

production usually works where cars pieces and technology might be developed in several countries. This is especially important with Chinese car brands since they are aware of their lack of expertise in certain areas and have therefore outsourced certain areas of car design process. For example, Chery Automobile hired Hakan Saracoglu who previously worked at Porsche for 15 years as their head of design. Similarly, Beijing Automotive Group hired Ferrari Daytona designer Leonardo Fioravanti and NIO added former Jaguar design director and Seat's lead for exterior design to their design team (CarNewsChina, 2013).

5.4.6 Future research directions

Future research should address the limitations of this study mentioned in the previous chapter. As the cars, images and car types were not shown in random order, future research could randomize it in order to avoid biases caused by survey fatigue or preferences for specific images. Adding a wider variety of images could also help ensure more reliable results.

The low completion rate should be addressed. Future research could design a shorter, more engaging survey to improve response rate. Using a more modern approach could keep participants more interested and reach a better response rate.

The study only compared Chinese cars with German ones. The two countries are at completely opposite ends of the spectrum in terms of the number of cars sold in Slovenia that were manufactured in each country. As already previously mentioned, future research should include cars from other countries such as France, as an example of a country that is also well established in Slovenia but is not as popular as Germany and a country such as Romania, which is known for its relatively cheap automotives.

It would be also interesting to repeat the study once Chinese car manufacturers are more common in Slovenia. By doing so, it would be possible to use real-world data, since in this study I used a self-reported purchase intention which may not reflect actual buying decisions. Future research could address how consumers' stated intentions actually match their behaviour.

Lastly, in this study, COO information was provided as "the country of origin" when in reality, many products, especially cars are assembled, designed and manufactured in different countries. As noted in the previous chapter, Chinese car companies acknowledge their shortcomings and often outsource specific aspects of car production to other countries, which could potentially shape consumers' perceptions of Chinese car brands. Future research should address this by stating where the car was assembled, designed and manufactured. Furthermore, in the real world, consumers often infer COO from cues, such as brand names, logos and advertisements as opposed to being told the country of origin. As pointed out by Roth and Romeo (1992), marketers should use country of origin when the country is matched with the product category. As of now, one could argue this is not a case for China and

automotives, so it would be interesting for future studies to test whether a car brand with a European-sounding name affects perceptions of quality and reliability differently than a Chinese-sounding name, even if they were both manufactured in China.

6 CONCLUSION

The main goal of this thesis was to analyze what are the potentials of Chinese car companies in the car market in Slovenia.

From the theoretical part a clear research gap emerged: it is not known to what degree the fact that a car is produced in China would reduce or promote the perceived quality and intent to purchase that car, compared to cars from a country that is long present on the Slovenian market. In the empirical part I explicitly addressed this research gap and investigated how the car type (electric vs gas) affects the COO.

The findings of the empirical study suggest that while Chinese automakers are at a disadvantage when it comes to perceived quality in gas cars, they may be able to compete on aspects that emphasize innovation. However, they will likely still face a challenge in shifting perceptions around costs and will likely find it difficult to charge premium price for their vehicles. German brands seem to hold an edge in consumer perceptions of value for money, particularly in the realm of gas vehicles, where quality and durability may be more highly valued than initial price points.

Importantly, while German cars were still favored, the COO effect was significantly reduced for electric cars, indicating that Chinese brands are gaining ground in consumer perception. This could be attributed to China's advancements in electric vehicle technology and the global success of Chinese brands in other high-tech sectors. Further, older participants placed more emphasis on COO in electric cars, indicating that marketing electric cars to younger generations specifically would more reliably reduce the COO effect.

The COO had a strong effect on the intent to purchase gas cars, with German cars being preferred. However, this effect disappeared for electric cars, further suggesting a potential shift in consumer attitudes toward Chinese electric vehicles. Additionally, perceived quality was the main driver of purchasing intent.

These results have important implications for Chinese car manufacturers seeking to enter or expand in the Slovenian market. The reduced COO effect for electric cars indicates that Slovenian consumers are more open to Chinese electric vehicles than gas cars, when compared to German cars. Chinese automakers should highlight their technological innovations, particularly in the electric vehicle space, to build trust and appeal to consumers who are already recognizing China's reputation in high-tech industry. Marketing campaigns should emphasize cutting-edge technology, sustainability, and performance to compete effectively with brands already on the market.

The results suggest that younger consumers place less emphasis on COO and are more receptive to foreign brands, particularly in the electric vehicle market. Chinese automakers should develop digital marketing strategies aimed at younger demographics, leveraging social media, influencers, and online platforms to showcase their innovative and affordable electric vehicles.

The higher need for security among participants was found to increase the COO effect for gas cars, indicating that safety and reliability are key concerns. Chinese automakers should address potential safety concerns head-on by emphasizing safety features, crash test ratings, and certifications, as well as by building a local service infrastructure to ensure trust in the long-term reliability of their vehicles.

While there was no significant difference in perceived costs, German cars were still seen as offering slightly better value, likely due to their reputation for durability and reliability. Chinese automakers should focus on communicating the long-term value of their vehicles, particularly in terms of maintenance, operating costs, and warranty coverage, to appeal to cost-conscious consumers who are weighing the initial price against long-term value.

Admittedly, it is worth keeping in mind that our data doesn't allow us to directly compare the perceived price performance of Chinese cars with non-German cars that are typically viewed as less expensive or even cheap, such as Dacia, Fiat or Renault. Overall, our findings do not clearly indicate the competitive advantage of Chinese cars compared to these non-German brands.

When considering these implications, it is important to keep in mind that the study's sample size was relatively small, which may limit the generalizability of the findings. Additionally, the study focused on first impressions of cars, without considering actual purchasing behavior over time. Future research should include larger, more diverse samples and investigate the long-term effects of COO on consumer behavior in the Slovenian market.

In conclusion, Chinese automakers have a growing opportunity to enter the Slovenian market, especially in the electric vehicle sector and particularly within younger generations. By focusing on innovation, value, and quality, while addressing consumer concerns around safety and reliability, Chinese brands can effectively compete with established German automakers and likely capture a significant share of the Slovenian market.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language).

V današnjem svetu naraščajoče globalizacije imajo podjetja možnost dostopanja do novih trgov in s tem novih poslovnih priložnosti. S tem potrošniku dajejo možnost takorekoč neskončne izbire produktov, potrošnik pa se ob poplavi teh sooča s težavo pri izbiranju najustrežnejšega. Veliko vlogo pri potrošnikovi izbiri igra tudi država izvora izdelka. Jaffe in Nebenzahl (2001) sta državo izvora definirala kot "državo, ki jo potrošnik povezuje z določenim produktom ali blagovno znamko, ne glede na to, kje je bil produkt dejansko narejen." Država izvora postane zelo pomembna predvsem takrat, ko potrošnik ni seznanjen z blagovno znamko. Raziskave so pokazale, da je v takšnem primeru ocena produkta navadno povezana s potrošnikovim pogledom na državo izvora, ki je lahko tako pozitiven kot negativen.

Potrošniki se o nakupu odločajo na dva načina. Prvi prvem upoštevajo le državo izvora kot pomoč pri ocenjevanju produktov, pri drugem pa k temu dodajo še veliko drugega, kot na primer ceno, garancijo, kategorijo produkta, poznavanje te kategorije in celo čustven vidik. Predvsem ta je povsem individualen in se lahko razlikuje že pri potrošnikih, ki prihajajo iz iste države, te razlike pa so navadno večje, pri primerjavah potrošnikov, ki prihajajo iz različnih držav.

Ko pride do države izvora produktov večina potrošnikov najprej pomisli na Kitajsko. Kitajska je v zadnjih desetletjih postala sinonim predvsem za izdelke kot so igrače, obleke, ovitki za mobilne telefone ter vse ostale izdelke, ki jih potrošniki kupujejo zaradi nizke cene in je lahko njihova kvaliteta povsem sekundarnega pomena. Vendar pa je Kitajska ogromna država z neskončno podjetji, ki delujejo v različnih panogah. In če zgoraj navedeno velja za podjetja, ki svojo ceno znižujejo predvsem na račun ekonomije obsega, obstajajo Kitajske blagovne znamke, ki so si v zadnjih letih uspele ustvariti ime na tržiščih izven svojih meja in na njih lahko gledamo kot velike multinacionalke predvsem zaradi njihove kvalitete.

Na takšno pot pa so se podala tudi kitajska avtomobilistična podjetja. Teh je v zadnjem času vedno več, vendar če pogledamo njihovo zgodovino je njihov prihod na tuja tržišča povsem pričakovan in logičen naslednji korak. V svoji dolgi zgodovini avtomobilizma so s pomočjo tujega znanja in domače podpore države uspeli priti do točke, kjer so lahko na svoje avtomobile ponosni in lahko z njimi povsem realno konkurirajo tudi izven Kitajske. To nameravajo narediti predvsem z električnimi vozili, kajti če so pri avtomobilih z motorjem z notranjim izgorevanjem v zaostanku napram evropskim in ameriškim proizvajalcem, je ta zaostanek pri električnih avtomobilih vsekakor manjši, v določenih pogledih pa ga pravzaprav skoraj ni.

To, da bodo električna vozila v prihodnosti igrala veliko vlogo pa se kaže tudi v Sloveniji. Slovenija velja za državo, ki sicer nima svojih avtomobilskih blagovnih znamk, vendar pa je avtomobilska industrija v Sloveniji vseeno prisotna in igra veliko vlogo. Slovenci se že leta po številu avtomobilov na prebivalca uvrščamo v zgornjo polovico v primerjavi z

ostalimi evropskimi državami, prav tako da je jasno vidno tudi večje zanimanje za električna vozila, saj se nakup le-teh zadnja leta strmo dviguje. Ker v Sloveniji ne obstaja lokalna blagovna znamka se po slovenskih cestah peljejo avtomobili iz Nemčije, Francije, Češke, Amerike, Japonske, svoje prve kilometre pa so v zadnjih dveh letih v Sloveniji naredili tudi avtomobili iz Kitajske.

Raziskati kakšen pogled pa imajo slovenski potrošniki na Kitajske avtomobile pa je bil tudi cilj izvedene raziskave. Bolj natančno, cilj je bil raziskati ali ima država izvora vpliv na slovenskega potrošnika pri ocenjevanju avtomobilov in ali je ta vpliv drugačen ko gre za avtomobile z motorjem z notranjim izgorevanjem ali pa električne. Prav tako pa je bil cilj tudi določiti, kateri dejavniki, kot na primer starost, spol, izobrazba, dohodek ter osebne vrednote so povezani z vplivom države izvora.

Rezultati so pokazali, da je percepcija slovenskega potrošnika, da so Nemški avtomobili z motorjem z notranjim izgorevanjem boljši od Kitajskih, predvsem kar se tiče kakovosti in zmogljivosti. Skladno s pričakovanji pa je bila ta razlika manjša pri ocenjevanju električnih vozil, s tem pa bi lahko potrdili idejo, da potrošniki Kitajsko vedno bolj povezujejo tudi z tehnološkim napredkom in ne le s poceni delovno silo. Narejena raziskava dopolnjuje že obstoječe raziskave, ki so primerjale primerjave percepcije avtomobilov z motorjem z notranjim izgorevanjem, prav tako pa jih tudi dopolnjuje, saj so tu zajeta tudi električna vozila.

Čeprav ima raziskava tudi pomanjkljivosti, kot je na primer relativno majhen vzorec ali pa primerjava zgolj Nemških in Kitajskih avtomobilov, ki so na lestvici najbolj prodajanih avtomobilov v Sloveniji na povsem nasprotnih straneh, pa lahko za Kitajska podjetja, ki si želijo vstopiti na slovenski trg prinese kar precej informacij.

Appendix 2: Literature review.

Author (Year)	Definition of COO	Way of Measuring COO	Countrys	Products/ Product category	Type of Study	Sample	Antecedents	Moderators	Outcomes	Key Findings
Schooler (1965)	COO is the perception of product characteristics based on the national origin of the product, influenced by biases, jealousies and attitudes toward the people of that country.	Semantic differential questionnaire scale developed by Osgood, Suci and Tannenbaum (1957). Products were evaluated based on national origin labels, using fictitious country names.	Central American countries (Guatemala, El Salvador, Costa Rica, Mexico).	Fruit juice, fabric.	Experimental study.	200 part-time university students from Guatemala.	Attitudes toward the people of the COO country, historical and cultural biases, travel experience in the COO country.	COO familiarity, evaluations of specific national sectors (government, business ...).	Statistically significant COO effects were observed for product evaluations. No significant differences between product types (e.g., juice vs. fabric) for a given country.	Prejudices against regional neighbors in the Central American Common Market were observed, but these prejudices did not extend to Mexico (a non-member country).
Nagashima (1970)	COO as the "made in" image: ideas, emotions and stereotypes associated with the national origin of products.	Semantic differential method developed by Osgood (1952) and modified by Mindak (1961). 7-point scale measuring 20 custom adjectives (for example, reliable-	US, Japan, Germany, England and France.	Automobiles, electronics, textiles, cosmetics and food.	Survey.	230 US respondents, 100 Japanese respondents.	Stereotypes, history and well-known products from each country.	Familiarity with the country and its economy.	COO impacts perceived quality, reliability and prestige.	COO perceptions are different across countries, reflecting stereotypes and market familiarity.

unreliable).

Johansson et al. (1985)	COO is defined as the country where the corporate headquarters of the company marketing the product is located.	Conceptual model created by Erickson et al. (1984).	USA, Japan, Germany.	Automobiles.	Survey.	College students (70 from the US, 82 from Japan).	Product familiarity and ownership, demographic factors, true product attribute scores (gas mileage, reliability).	Respondents nationality, familiarity with the product.	COO impacts attribute ratings (for example, German cars rated high on gas mileage, low on comfort) but not overall evaluations. Familiarity with a product moderates these effects.	COO impacts product evaluation significantly for unfamiliar brands, familiarity with product reduces COO effect.
Shimp & Sharma (1987)	Consumer ethnocentrism is the beliefs held by consumers “ <i>about the appropriateness, indeed morality, of purchasing foreign-made products</i> ” (p. 280).	Developed the CETSCALE, a 17-item scale.	USA.	General products.	Survey.	850 respondents from US.	Ethnocentric tendencies, patriotism and economic concerns.	Demographics (age, income).	Consumer ethnocentrism impacts preference for domestic products.	High consumer ethnocentrism is especially evident with consumers whose “ <i>quality of life and economic livelihood are threatened by foreign competition</i> ” (p. 286).
Han (1989)	COO is defined as consumers'	Country image was measured	USA, Japan,	Color television	Survey	116 responden	Consumers' familiarity with	COO-product	COO serves as a halo for	“ <i>When consumers are</i>

	general perceptions of product quality associated with a given country, which can act as either a halo (influencing unknown products) or a summary construct (shaping beliefs about familiar products).	using a 7-point semantic differential scale specific to product categories. Beliefs about product attributes were measured using five items (technical advancement, prestige, workmanship, price and serviceability) adapted from Han & Terpstra (1988).	Korea	sets, compact automobiles,		ts from US	the country's products, Consumers' ownership of products from the country, Product-specific beliefs.	attribute fit.	unfamiliar and summary for familiar ones.	<i>not familiar with a country's product, country image may serve as a halo from which consumers infer product attributes"</i> (p. 228).
Roth & Romeo (1992)	»Country image is the overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses.« (p. 479)	COO measured by product-country fit across four dimensions: innovativeness, design, prestige and workmanship (7-point Likert scale).	England, Germany, Hungary, Ireland, Japan, Korea, Mexico, Spain and the US.	Multiple products (beers, cars, watches ...)	Survey	139 respondents from US, 130 from Mexico and 99 from Ireland.	Country image, consumer familiarity with the product.	Product category, product-country fit (match vs. mismatch).	COO influences purchase intentions when the country's image matches with the product category.	A product country match could be an indicator of willingness to purchase the product. COO marketing is most effective when aligned with favorable matches.

Chao et al. (2005)	COO is defined as the impact of the country where the product is made on consumers' attitudes, perceptions of quality and purchase intentions.	COO was measured using a 7-point semantic differential scale for three dependent variables: brand attitude, quality perception and purchase intention.	Germany, China	VCRs	Experimental study.	280 respondents from Austria.	Ethnocentrism, familiarity with the COO (Germany perceived positively, China negatively), previous product experience with VCRs.	Brand name (German vs. English), celebrity status (U.S. celebrity vs. non-celebrity)	Products "Made in Germany" received higher quality ratings and purchase intentions than those "Made in China." A German brand name enhanced the COO effect, while celebrity endorsements had limited impact.	COO significantly influenced quality perceptions and purchase intentions. German brand names amplified the positive COO effect, while incongruity weakened it.
Veale et al. (2006)	COO is an extrinsic cue used by consumers to infer product quality when intrinsic cues are unclear.	COO was manipulated via conjoint analysis using three COO levels (for example, France, USA, Chile for wine) alongside price and intrinsic cues (for example, acidity for wine). Products were rated on a 10-point desirability	France, US, Chile, Canada, Argentina.	Wine and cheese.	Focus groups and conjoint analysis survey.	238 respondents from Australia.	Country stereotypes, past product experiences, ethnocentrism.	Objective knowledge, subjective knowledge, self-confidence.	COO strongly influenced perceived quality; French products were rated highest. Price and intrinsic cues had weaker effects.	Consumers relied heavily on COO due to low product knowledge. French products benefited from strong positive stereotypes. Knowledge and confidence moderated the importance of

		scale.								COO.
Holtbrügge & Zeier (2017)	COO is defined as the stereotypical beliefs about a country's image that influence product evaluation and purchase intentions.	Multi-dimensional 7-point Likert scale measuring perceptions of quality, performance, appearance and costs (Nagashima, 1970).	Germany, China	Automotives	Survey	173 German respondents, 174 French respondents	National stereotypes, brand familiarity, product category relevance.	Socio-demographics (age, gender, education, nationality, income), psychographics (brand loyalty, quality focus).	COO strongly influences quality and performance perceptions, but has a weaker impact on cost perceptions.	German cars are rated significantly higher in quality, performance and appearance compared to Chinese cars. Younger consumers and those less focused on quality/security are more likely to evaluate Chinese cars positively.
Ortega-Egea & García-de-Frutos (2021)	COO is defined as the perceived reputation and practices of a country (such as political, economic, environmental).	Survey with validated scales: Risk perceptions (psycho-social and performance risks, 0–10 scale), CETSCALE (7-item version, 0–10 scale), COO knowledge (self-reported	China.	Apparel products.	Both interviews and surveys.	21 semi-structured interview and 400 telephone surveys. Respondents from Spain.	COO knowledge, usage experience, consumer ethnocentrism.	Psycho-social and performance risk perceptions.	Higher risk perceptions increased reluctance to buy Chinese apparel.	Ethnocentric consumers view purchasing Chinese products as risky. Experience with Chinese products reduces risk

		knowledge of China).								perceptions.
Bryła (2021)	COO is defined as the information provided on food product packaging about the product's origin.	Measured through two indicators: 1) General COO importance (Likert scale) and 2) Top-of-mind COO importance (single-choice response).	Poland.	Food products.	Survey with regression models	1051 Polish consumers.	Consumer ethnocentrism and product familiarity.	Sex, age, education and diet-related behaviour.	Higher COO importance was linked to ethnocentrism, preference for domestic products and older consumers. Top-of-mind COO importance was stronger among men and older respondents.	Polish consumers value COO information, especially older, educated and ethnocentric individuals. Organic food buyers attach greater importance to COO.
Hoang et al. (2021)	COO is defined as a perception of the origin of foreign products.	7-point Likert scale for animosity, ethnocentrism, cosmopolitanism, product judgment and willingness to buy.	US, China.	Electronics and general imports.	Survey	485 Vietnamese consumers	Consumer animosity, ethnocentrism and cosmopolitanism.	COO (developed vs. developing country), cultural orientation, socio-demographics and psychographics (brand	Animosity and ethnocentrism negatively influence willingness to buy and cosmopolitanism has a mixed effect depending on	COO moderated the effects of animosity and ethnocentrism. Ethnocentrism negatively affected Chinese products

									loyalty, quality focus)	COO.	more, while animosity had a stronger impact on USA products.
Wardani & Nugraha (2022)	COO is defined as the perception of the country where a product is made.	5-point Likert scale with items focusing on perceptions (quality, trustworthiness) related to COO.	South Korea, US.	Skincare industry.	Structured questionnaires.	300 respondents from Indonesia .	Brand ambassador fit, COO stereotypes, brand image.	Product brand, congruity between brand ambassador and COO.		COO significantly influences purchase decisions for South Korean products but not US'.	Brand image strongly impacts purchase intentions for both products.
Blanco-Encomienda et al. (2024)	COO is defined as the image of a nation's products, which influences consumer perceptions through associations with quality, reliability and design.	Measured with items adapted from Parameswaran & Pisharodi (1994), using a 7-point Likert scale, including items: Product quality, Workmanship, Technologic advancement, Reputation of the country, Brand trust and favorability.	China	Smartphones	Survey and Structural Equation Modeling (SEM)	340 respondents from China.	COO image, brand image, consumer attitudes.	Gender, region, monthly income and brand loyalty.		COO indirectly affects purchase intentions via brand image and consumer attitudes.	Brand image and consumer attitudes mediate the effect of COO on purchase intentions. Chinese brands are perceived positively, but COO alone does not directly influence purchase intentions.

Appendix 3: Research questionnaire in Slovenian.

Pozdravljeni,

moje ime je Tevž Mikuš in sem študent magistrskega študija Ekonomske fakultete Univerze v Ljubljani. Za potrebe magistrske naloge opravljam raziskavo na temo percepcije kvalitete avtomobilov iz različnih držav. Lepo vas prosim, da si vzamete dobrih 10 minut in odgovorite na kratek, povsem anonimni vprašalnik. Rezultati bodo uporabljeni izključno za namene raziskave. Za sodelovanje se vam lepo zahvaljujem.

V naslednjih letih bodo na slovenski trg vstopile nove avtomobilske znamke iz različnih držav. Na naslednjih straneh boste videli sliko avtomobila in nekaj informacij o njem. Prosim, da avtomobile ocenite glede na vaš prvi vtis o njih.

Prosim, da pri naslednjih dveh avtomobilih na lestvici od 1-7 označite v kolikšni meri se s trditvijo strinjate, glede na vaš prvi vtis o avtomobilu.



Varnost

Senzor za dež, 6x zračna vreča (airbag), nadzor zračnega tlaka v pnevmatikah, sistem za opozarjanje na mrtvi kot, kodno varovan vžig motorja, alarmna naprava

Multimedia

Apple CarPlay, USB priključek, Bluetooth vmesnik, avtoradio, MP3 predvajalnik, avtotelefon, touch screen

Cena osnovnega modela

26.400 EUR

Država izvora	Nemčija
Zmogljivost	Največja hitrost 221 km/h, pospešek 0-100 km/h 8.2s, kombinirana povprečna poraba goriva 4,4l/100km
Udobje	Klimatska naprava, električni pomik stekel, tempomat, centralno zaklepanje + daljinsko upravljanje
Motor	2.2, največja moč 115 kW (155 'konjev')

	1- sploh se ne strinjam	2	3	4	5	6	7 – Popolnoma se strinjam
Avto je zanesljiv	1	2	3	4	5	6	7
Avto je dobro izdelan	1	2	3	4	5	6	7
Avto je vzdržljiv	1	2	3	4	5	6	7
Avto je kvaliteten	1	2	3	4	5	6	7
Avto je visokozmogljiv	1	2	3	4	5	6	7
Avto je cenovno ugoden	1	2	3	4	5	6	7
Avto je inovativen	1	2	3	4	5	6	7
Avto je ekonomičen	1	2	3	4	5	6	7

Stroški vzdrževanja so nizki	1	2	3	4	5	6	7
Avto je ekskluziven	1	2	3	4	5	6	7
Na takšen avto bi bil zelo ponosen	1	2	3	4	5	6	7
Avto je stilsko oblikovan	1	2	3	4	5	6	7
Avto je za mlade ljudi	1	2	3	4	5	6	7
Takšen avto bi z veseljem kupil	1	2	3	4	5	6	7



Zmogljivost	Največja hitrost 214 km/h, pospešek 0-100 km/h 8.6s, kombinirana povprečna poraba goriva 4,6l/100km
Motor	2.1, največja moč 110 kW (150 'konjev')
Država izvora	Kitajska
Varnost	6x zračna vreča (airbag), sistem za opozarjanje na mrtvi kot, nadzor zračnega tlaka v pnevmatikah, alarmna naprava, kodno varovan vžig motorja, senzor za dež
Udobje	Električni pomik stekel, klimatska naprava, centralno zaklepanje + daljinsko upravljanje, tempomat
Cena osnovnega modela	26.100EUR
Multimedia	Avtoradio, MP3 predvajalnik, USB priključek, avtotelefon, Bluetooth vmesnik, touch screen, Apple CarPlay

	1- sploh se ne strinjam	2	3	4	5	6	7 – Popolnoma se strinjam
Avto je zanesljiv	1	2	3	4	5	6	7
Avto je dobro izdelan	1	2	3	4	5	6	7
Avto je vzdržljiv	1	2	3	4	5	6	7
Avto je kvaliteten	1	2	3	4	5	6	7

Avto je visokozmogljiv	1	2	3	4	5	6	7
Avto je cenovno ugoden	1	2	3	4	5	6	7
Avto je inovativen	1	2	3	4	5	6	7
Avto je ekonomičen	1	2	3	4	5	6	7
Stroški vzdrževanja so nizki	1	2	3	4	5	6	7
Avto je ekskluziven	1	2	3	4	5	6	7
Na takšen avto bi bil zelo ponosen	1	2	3	4	5	6	7
Avto je stilsko oblikovan	1	2	3	4	5	6	7
Avto je za mlade ljudi	1	2	3	4	5	6	7
Takšen avto bi z veseljem kupil	1	2	3	4	5	6	7

Naslednja dva avtomobila prav tako prihajata iz dveh različnih držav vendar gre v obeh primerih za električni vozili. Tako kot pri prejšnjem vprašanju vas prosim, da na lestvici od 1-7 označite v kolikšni meri se s trditvijo strinjate, glede na vaš prvi vtis o avtomobilu.

	
Zmogljivost	Baterija 50kWh, kombinirana električna poraba 15,15 kWh / 100 km, doseg na elektriko: 338 km
Varnost	samodejno upravljanje dolgih luči, prepoznavo prometnih znakov, senzor za dež, sistemi za opozarjanje na mrtvi kot, 6x zračna vreča (airbag), ohranjanje voznega pasu, zaviranje v sili
Multimedia	Apple CarPlay, MP3 predvajalnik, USB priključek, Avtoradio, avtotelefon, Bluetooth vmesnik, touch screen
Država izvora	Kitajska
Udobje	Gretje mirujočega vozila (Webasto), električni pomik stekel, Keyless Go, el. parkirna zavora, klimatska naprava, tempomat, aktivni tempomat, centralno zaklepanje + daljinsko upravljanje.
Cena	34.800EUR
Motor	100kW

	1- sploh se ne strinjam	2	3	4	5	6	7 – Popolnoma se strinjam
Avto je zanesljiv	1	2	3	4	5	6	7
Avto je dobro izdelan	1	2	3	4	5	6	7
Avto je vzdržljiv	1	2	3	4	5	6	7

Avto je kvaliteten	1	2	3	4	5	6	7
Avto je visokozmogljiv	1	2	3	4	5	6	7
Avto je cenovno ugoden	1	2	3	4	5	6	7
Avto je inovativen	1	2	3	4	5	6	7
Avto je ekonomičen	1	2	3	4	5	6	7
Stroški vzdrževanja so nizki	1	2	3	4	5	6	7
Avto je ekskluziven	1	2	3	4	5	6	7
Na takšen avto bi bil zelo ponosen	1	2	3	4	5	6	7
Avto je stilsko oblikovan	1	2	3	4	5	6	7
Avto je za mlade ljudi	1	2	3	4	5	6	7
Takšen avto bi z veseljem kupil	1	2	3	4	5	6	7

	
Cena	33.700EUR
Motor	100kW
Varnost	6x zračna vreča (airbag), senzor za dež, samodejno upravljanje dolgih luči, sistemi za opozarjanje na mrtvi kot, ohranjanje voznega pasu, zaviranje v sili, prepoznavo prometnih znakov
Udobje	Gretje mirujočega vozila (Webasto), klimatska naprava, električni pomik stekel, tempomat, aktivni tempomat, centralno zaklepanje + daljinsko upravljanje, Keyless Go, el. parkirna zavora,
Zmogljivost	Baterija 50kWh, kombinirana električna poraba 15,3 kWh / 100 km, doseg na elektriko: 326 km
Država izvora	Nemčija
Multimedia	Avtoradio, MP3 predvajalnik, USB priključek, avtotelefon, Bluetooth vmesnik, touch screen, Apple CarPlay

	1- sploh se ne strinjam	2	3	4	5	6	7 – Popolnoma se strinjam
Avto je zanesljiv	1	2	3	4	5	6	7
Avto je dobro izdelan	1	2	3	4	5	6	7
Avto je vzdržljiv	1	2	3	4	5	6	7

Avto je kvaliteten	1	2	3	4	5	6	7
Avto je visokozmogljiv	1	2	3	4	5	6	7
Avto je cenovno ugoden	1	2	3	4	5	6	7
Avto je inovativen	1	2	3	4	5	6	7
Avto je ekonomičen	1	2	3	4	5	6	7
Stroški vzdrževanja so nizki	1	2	3	4	5	6	7
Avto je ekskluziven	1	2	3	4	5	6	7
Na takšen avto bi bil zelo ponosen	1	2	3	4	5	6	7
Avto je stilsko oblikovan	1	2	3	4	5	6	7
Avto je za mlade ljudi	1	2	3	4	5	6	7
Takšen avto bi z veseljem kupil	1	2	3	4	5	6	7

Naslednji sklop vprašanj se nanaša na osnovne informacije o vas in vašem avtomobilu

1. Spol:

Moški

Ženski

2. Koliko ste stari?

3. Kakšna je vaša najvišja dosežena stopnja izobrazbe?

Osnovna šola

Poklicna ali srednješolska izobrazba

Visokošolska/univerzitetna izobrazba

Magisterij

Doktorat

4. Kakšen je po vašem mnenju vaš dohodek v primerjavi s slovenskim povprečjem? (Anketa je povsem anonimna, vendar v kolikor ne želite odgovoriti lahko to vprašanje izpustite)

Zelo nižji

Nižji

Enak

Višji

Zelo višji

Vaš dohodek v
primerjavi s
povprečjem

5. Koliko avtomobilov imate v vašem gospodinjstvu?

0

1

2

3

4 ali več

6. Iz katere države prihaja vaš trenutni avtomobil? V kolikor vaše znamke ne najdete med napisanimi in niste prepričani iz katere države prihaja, v polje 'drugo' napišite znamko vašega avtomobila.

- Nimam avtomobila
- Nemčija (Volkswagen, Opel, BMW, Audi, Mercedes benz...)
- Francija (Renault, Peugeot, Citroen ...)
- Italija (Fiat, Alfa Romeo ...)
- Češka (Škoda ...)
- Južna Koreja (Hyundai, Kia, Mitsubishi ...)
- Japonska (Nissan, Toyota, Suzuki, Mazda, Honda ...)
- VB (Land Rover, MG ...)
- ZDA (Ford, Jeep ...)
- Romunija (Dacia ...)
- Španija (Seat ...)
- Švedska (Volvo ...)
- Drugo: _____

Naslednji del vprašalnika se nanaša na vaše navade pri nakupu avtomobila.

7. Na lestvici od 1 - 10 ocenite, kako pomembno je za vas sledeče pri nakupu avtomobila

1 - Povsem sem zvest/a znamki avtomobila	2	3	4	5	6	7	8	9	10 - Pri nakupu novega avtomobila preverim več različnih znamk
--	---	---	---	---	---	---	---	---	--

Zvestoba znamki

8. Na lestvici od 1 - 10 ocenite, kako pomembno je za vas sledeče pri nakupu avtomobila

1 - Avtomobili me sploh ne zanimajo	2	3	4	5	6	7	8	9	10 - O avtomobilih vem vse
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Zanimanje za avtomobile

9. Na lestvici od 1 - 10 ocenite, kako pomembno je za vas sledeče pri nakupu avtomobila

1 - Kakovost izdelave/ konstrukcije vozila je pomembnejše kot karkoli drugega	2	3	4	5	6	7	8	9	10 - Pri nakupu novega avtomobila je varnost na prvem mestu
--	---	---	---	---	---	---	---	---	---

Kvaliteta
in varnost

10. Na lestvici od 1 - 10 ocenite, kako pomembno je za vas sledeče pri nakupu avtomobila

1 - Iščem vozilo, ki ponuja močno zmogljivost in dober pospešek	2	3	4	5	6	7	8	9	10 - Iščem vozilo z drznim, inovativnim dizajnom, ki se na cesti loči od drugih
---	---	---	---	---	---	---	---	---	---

Dizajn in
zmogljivost

11. Na lestvici od 1 - 10 ocenite, kako pomembno je za vas sledeče pri nakupu avtomobila

1 - Želim najcenejše vozilo z najnižjimi stroški vzdrževanja	2	3	4	5	6	7	8	9	10 - Ponavadi kupim najdražji model polno opremo
Cena									

12. Pri nakupu avtomobila največ informacij dobim

o preko spleta (online)

o v živo (offline)

o drugo

13. Naslednjih nekaj trditev se nanaša na vaše vrednote v življenju. Vrednost 0 pomeni, da je vrednota v nasprotju z vašimi načeli, 1 da vrednota ni pomembna, 8 pa da je vrednota zelo pomembna.

0 - Vrednota je v nasprotju z mojimi načeli	1 - Vrednota mi sploh ni pomembna	2	3	4	5	6	7	8 - Vrednota mi je zelo pomembna
---	-----------------------------------	---	---	---	---	---	---	----------------------------------

Moč (družbena moč, avtoriteta, bogastvo)

Dosežki (uspeh, zmožnosti, ambicije, vpliv na ljudi in dogodke)

Hedonizem
(uživanje v
življenju)

Stimulacija
(razburljivost,
novosti in izzivi v
življenju)

Usmerjenost k sebi
(ustvarjalnost,
radovednost,
svoboda izbiranja
lastnih ciljev)

Univerzalizem
(širokogledanost,
lepota narave in
umetnosti, enakost,
varstvo okolja)

Dobronamernost
(iskrenost,
odpuščanje,
odgovornost)

Tradicionalizem
(spoštovanje
tradicije,
skromnost,
ponižnost)

Konformnost
(poslušnost,
poslušanje staršev
in starejših,
samodisciplina,
vljudnost)

Varnost
(nacionalna
varnost, družbeni
red, vzajemnost)