

# MASTER'S THESIS

## Two Countries - One Image?

A Case Study of Volvo Cars in Sweden and in Hungary

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## Preface

We would like to take the opportunity to thank everyone who has helped us in writing this thesis. First of all we would of course like to thank Björn Jutendahl and Björn Larsson at Volvo Cars Sweden AB in Gothenburg and Tamás Pálfi, Gabriella Parányi and Andrea Sztárcsevity at Volvo Car Hungary and Southeast Europe Trading Ltd. in Budapest, who made our case studies possible. We also like to give our supervisor, Rickard Wahlberg, a thank you for providing us with support and advise.

Others that have contributed to this thesis by giving valuable comments and suggestions are the other students in our seminar group. Thank you for helping us to figure out what is relevant and what is not.

Last but not least we would like to thank our families and friends for being understanding and supportive.

Luleå, January 2002

Edit Lundman Kerekes

Linda Tonvall

## Sammanfattning

Den internationella spridningen av varumärken leder oss till syftet med denna uppsats, vilket är att undersöka hur stora internationella företag använder reklam för att kommunicera sin varumärkesidentitet för att skapa en fördelaktig image. Vi var också intresserade av att ta reda på hur ett varumärkes ursprungsland används som ett medel för att uppnå denna konkurrensfördel. Företagen i fokus var Volvo Personbilar AB i Sverige och i Ungern. Undersökningen utfördes genom två fallstudier och informationen insamlades genom tre personliga intervjuer och två frågeformulär. Resultatet av denna studie visar att Volvo har delat in den europeiska marknaden i ett antal regioner. Baserat på likheter och skillnader länderna emellan, har företaget skapat ett nätverk av dessa grupper av länder för samarbete på olika nivåer. Standardiseringen av reklamen, i syfte att skapa en enhetlig image är baserad på kärnvärdena säkerhet, kvalitet och miljömedvetenhet. Kvaliteten visar sig i flera avseenden ha sitt ursprung i de nordiska värdena som kommuniceras.

## Abstract

The international spread of brands lead to the purpose of this thesis, which was to investigate how large international companies use advertising to communicate their brand identity in order to create a favourable image. We were also interested to know how the country of origin of a brand is used as a means of achieving this competitive advantage. The companies in focus were Volvo Cars in Sweden and in Hungary. The investigation was made through two case studies and the information was collected through three personal interviews and two questionnaires. The result of this thesis shows that the Volvo Corporation has divided the European market into a number of regions. Based on similarities and differences between the countries, the company has created a network of these groups of countries for cooperation on different levels. The standardisation of the advertising in the matter of creating a unified image is based on the core values safety, quality and environmental awareness. The quality is also in a number of aspects shown to be connected to the Nordic values.

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## 1 INTRODUCTION

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*This chapter presents the background of our chosen topic to give the reader a view of the problem area. Here we also deal with the problem discussion, purpose and the research questions.*

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### 1.1 Background

According to Czinkota and Ronkainen (2001, p.15), in the past three decades world trade has expanded from \$ 200 billion to almost \$ 7 trillion. As a result, nations are much more affected by international business than in the past. Global linkages have made possible investment strategies and marketing alternatives that offer tremendous opportunities. As the authors continue (2001, p.506), foreign direct investment represents a major market-expansion alternative. Although any type of firm, can carry out such an investment, large or small, it typically occurs after some experience has been gathered with alternative forms of internationalisation, such as exporting. The most visible and powerful players in the foreign direct investment field are larger-sized firms and multinational corporations.

### 1.2 Problem discussion

As Czinkota and Ronkainen (2001, p.90) discusses, culture is one of the most challenging elements of the international marketplace. This system of learned behaviour patterns characteristic of the members of a given society is constantly shaped by a set of dynamic variables: language, religion, values and attitudes, manners and customs, aesthetics, technology, education, and social institutions.

#### 1.2.1 Internationalisation, standardisation and adaptation

Czinkota and Ronkainen (2001, p.90) also claim that two schools of thought exist in the business world on how to deal with cultural diversity. One is that business is business the world over. The other school maintains that companies must tailor business approaches to individual cultures. They continue by saying that internationally successful companies all share an important quality: patience. They have not rushed into situations, but rather built their operations carefully by following the most basic business principles. These principles are to know your adversary, know your audience, and know your customer. The assumption that White (2000, p.267) points out to be naïve in this discussion on international and global advertising is the one stating that if it works here it will work anywhere else. There are a number of reasons why this is a naïve assumption, even though it is not necessarily wrong. These assumptions can be divided into two broad categories: country and market specific. The market-specific reasons primarily derive from the standing of the brand in different countries, while the country-specific factors, interact with the market factors, but are primarily concerned with the nature of the society in the individual country.

Van Raaij and Fred (1997) argue that whether to standardise or not is a matter that deals with conflicts between different cultures around the world. Three basic categories to consider are consumption criteria, psychological criteria and general cultural criteria. In an exploratory study, Mueller (1991) found that market distance was of great importance when standardising a message. Market distance refers to the degree of homogeneity or heterogeneity between markets in general, mainly, the level of cultural distance. This, Mueller (1991) defines as the cultural

distance is the degree of difference between the sender of the message and the receiver. White (2000, p.270) continues the discussion by saying that overall, the conclusion of research seems to be that it is difficult, if not impossible to run absolutely homogenous campaigns across national borders, unless the countries concerned have a lot in common. Marketers have to adapt; they have to take local idioms, metaphors, body language, and sense of humour into account. In a word, the ideal multinational campaign is not 'global' but 'glocal', it embodies the widely quoted view that a company should think global but act local, or even as de Mooij (1998, p.3) puts it market global but advertise local'. We would like to adapt this internationalisation-or-not discussion to the transferability of image between different countries; can an image be standardised?

### 1.2.2 Brand identity and Country of Origin

The concept of "country of origin" is very important in international marketing considerations. There are several definitions of this concept, one of them is presented by Johansson, Douglas and Nonaka (1985) and by Ozomer and Cavusgil (1991): " The country where the corporate headquarters of the company marketing the product or brand is located, typically this is the home country of the company." According to Nagashima (1970) and Bilkey (1993) the importance lies in the fact that customers tend to form their opinion of a product based on a picture, a stereotype of the country that the product is coming from, the COO. This picture or image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions. Saimee (1994) points out that these images influence purchasing decisions, which in turns of course affect the selling company. Ultimately, the management must make decisions to take advantage of positive attitudes or counteracting towards negative images of the COO of its products. Niss (1996) claims that if the COO of the product enjoys a favourable image within a specific product category, the producer can gain differential advantages by choosing a national brand or by stressing their COO in advertising the products abroad.

Han and Terpstra (1988, p.244) sought to determine which of the two, country of origin or brand, had more influence, and their conclusion was unequivocal:" the sourcing country has greater effect on consumer evaluation of product quality than does the brand name". Based on such statements, we wanted to create ourselves a picture of the current situation of this superiority of the COO and how it is used in the creation of a favourable corporate brand image. We realised the extent of the area of image, there are several layers of images, this presented in figure 1. As we also described earlier, there are a large number of ways of creating and maintaining a brand identity resulting in the desired image. These two main reasons determined our final choice; company and if necessary also product model image creation mainly through advertising. Usunier (2000, p.318) presents some examples that illustrate the levels on which national image can operate. In his discussion he also includes a set of normative recommendations for management of a product's national image as follows:

- 1.One should diffuse (spread) an image, which corresponds in each country to what is locally valued (imported or national) in the product category concerned. This can lead to the adoption of a name from the target market, imposed by prevailing nationalistic feelings.
- 2.If the generic product is generally associated with a specific country of origin, one should not hesitate to change the brand name. For example, a manufacturer of machine tools should not be reluctant to adopt a German name, because of the favourable association of German-sounding names with technical reliability.
- 3.It is often advisable to reduce the physical size of the "made in"-label if the perception of the country of origin proves by local consumers (provided such reduction is permitted, or ignored, by local regulations). On the other hand, one should enlarge it in cases where the opposite perception prevails.

4. The visibility of the company name, the brand and the "made in" label should be adjusted depending on their respective ability to convey the desired symbolic meaning. (Usunier 2000, p. 318)

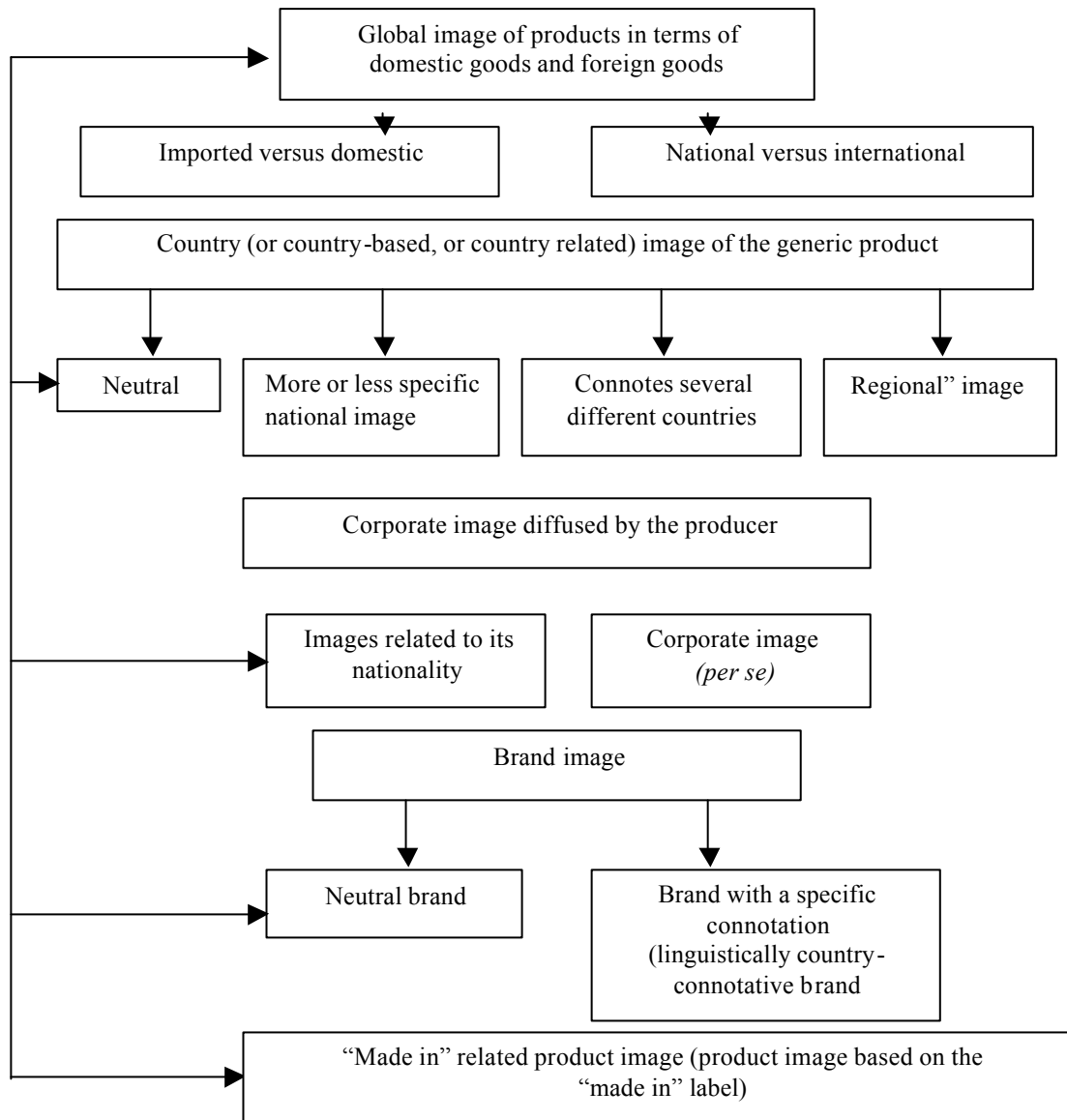


Figure 1. Several layers of country-, company- and brand-related product image (Usunier, 2000, p. 318)

### 1.2.3 Image and brand identity

To explain the different levels of a brand as a base for creating and maintaining a brand identity, we use Uggla (2001, p.38) who discusses the brand hierarchy. On the top level of this hierarchy you find the pure company brand, for example SAS, Telia and Virgin. On the lowest level is the product brand name such as YES and Snickers. In between there are a number of steps and combinations of brands. Uggla (2001, p.39) bring up examples such as company brands with gradings common for different kind of series of cars. The author here chose to demonstrate the brand hierarchy through using Volvo as an example:

1. Company brand: Volvo
- 2.a. Company brand with grading: Volvo V70
- 2.b. Company brand with grading and modifier: Volvo V70 AWD
3. Company brand with grading and product brand name: Volvo V70 Cross Country
4. Product brand name: Cross Country

Uggla (2001, p.83) describes the actual identity of a brand as the associations that the company behind the brand is aspiring to create and maintain in the market. Identity is therefore the signals the company is sending out, while image is the picture of the company that actually arises in the mind of the customer. Uggla (2001, p.83) points out that it is important to understand that the company or the brand do not “posses” an image, an image arises only in the mind of the customer. The identity evolves around four perspectives, all in different ways building strategic meaning and associations around the brand, the brand meaning product, organisation, person and symbol. Uggla (2001, p.83) states that under the first dimension, product, the company could emphasise quality, characteristics and country of origin. Many people intuitively associate Germany with high quality in cars, by association with BMW, Audi and Mercedes. To build a brand around a product, is however a risky strategy, since the product life cycle is short. To build the associations around the organisation instead, is often an interesting, but also difficult strategy. First, it is hard to go against arguments connected to the organisation, in addition these are often perceived as exiting. Under this next dimension, Uggla (2001, p.83) provide the example of 3M, which is known as an organisation generating innovation, while organisations like MSF, Medicins sans frontiers are organisations with a spirit of being voluntaries. Uggla (2001, p.83) continues by saying that the dimension of the personality of the brand is the basis for the relationship that the brand can establish with the customers. The personality is relatively easy to equip with values and also impact in the desired direction. He further points out that traditionally creating and maintaining of the brand personality has been included in the responsibilities of the advertising agencies. Uggla (2001, p.84) characterise the brand personality as that of a human, in the same way that a person can be outgoing or have more of a introvert personality, and he claims that a brand can have this as a base in its personality. As examples he presents a bank as being a silent adviser while an energy-drink should be seen with a more colourful characteristics. Two further and obvious examples are the ones of Levi’s and GB Glace as a friend.

Seen from the perspective of being strategically or tactically used, Uggla (2001, p.85) characterise the product dimension as tactical, together with the other three P:s in the marketing mix the product represents the material expression of the identity of the brand. Thus claims made by an organisation such as: “We are global” connect to the values and focus of the organisation, and have a strong strategic approach. The personality expresses the soul of the brand and in the market communication process it is mostly a part of an advertising campaign or a commercial through which the product is presented as having a soul. The logotype or the symbol of the brand is mostly strategic since it is the anchor of all brand associations.

#### **1.2.4 Company image in connection to consumer image**

According to Eales (1989) with technology and competition making products so similar, customers increasingly use brand names and the manufacturer’s reputation to guide them. Fowles (1996, p.28) states that consumers when shopping are composing social messages about themselves, messages they intend to radiate to others for their study and to themselves for their own personal reflection. Familiarity with the code of objects allows people to receive in turn the message sent by others and so to enter the social world. Roat (1997) state that:

we think we are static, sitting watching advertising going by, but it is other way around. We do the thinking. But the overwhelming weight of all advertising delivers to us one important message: *You can transform yourself by buying something more, and this more will make you in some way richer.* This is an important message. It is at the core of everything that follows. Without its truth, we would buy fewer products, enter debt less often, and pay very little attention to advertising once it strays from information.

As Moriarty (1991, p.32) divided the advertising objectives to be either of a perceptual, educational and/or persuasive nature. These were the perceptual objectives like seeking attention and recognition, and creating interest. The educational objectives instead seek to in different way teach the customer something. The persuasive objectives are used to create emotions, attitudes, arguments and behaviour. Taflinger (1996) instead choose to claim there to be two basic ways of presenting a sales message: intellectually and emotionally. An intellectual presentation depends on logical, rational argument to convince a consumer to buy the product or service. The second basic way to present a sales message is emotionally. In an emotional presentation, the actual function of the product is often not its main selling point. How this is implemented by the company connected to the image creating activities is one of the main aspects of the use of advertising that are to be investigated in this thesis.

### **1.3 Purpose**

The purpose of this thesis is to investigate how international companies are using advertising in communicating their corporate brand identity in order to create a favourable image in different targeted countries.

### **1.4 Research questions**

1. How are the advertising activities organised in order to create a brand identity resulting in a favourable image in different countries?
2. How are standardisation and adaptation used in the design of advertising in order to achieve the desired image in different markets?
3. On what components do companies try to build their image?
4. How are the countries of origin of companies used in the advertising as a means of creating the desired image?

### **1.5 Limitations**

The focus of this thesis is on the more intangible dimensions of the brand identity signals sent to the market. Even though the customers base their image of the company on the product and other tangibles, we place our interest on the associations.

## 2 THEORY

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*This chapter deals with theories that pose as a base for this thesis. These theories create an deeper understanding of the different aspects of the actual problem area. The theories also stand as the reference for the analysis of the empirical data later presented in the thesis. The chapter concerns theories on advertising, standardisation and adaptation of advertising in a international perspective, country of origin as a component of the corporate image and the role of image, prestige and desire in advertising.*

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### 2.1 Advertising

*The first research question handles advertising activities both on national and international level, therefore we first present theories about advertising.*

Moriarty (1991, p.32) divided advertising objectives into either perceptual, educational and/or persuasive nature.

- The *perceptual* objectives are to seek attention, create interest, simulate memory, seek recognition, recall advertisement or recall brand.
- The *educational* objectives are to educate the consumer in different ways.
- The *persuasive* objectives are to create emotions, attitudes, arguments and/or behaviour.

Before examining how advertising appeals to people's psyche it is necessary to review some basic principles of advertising, Taflinger (1996) writes. These include its purpose: to identify products and differentiate them from other products. After all, if you haven't identified a product and shown how it is different from other products, why should anyone bother choosing your product over someone else's? That's a good way to lose money. Advertising is a major tool in the marketing of products, services and ideas, Taflinger (1996) continues. The idea is to sell them to consumers. Companies certainly think it's a good method of selling, and have increased their advertising year after year. Advertising is limited in both time and space. Broadcast commercials are generally 10 to 60 seconds in length. Print ads are generally no larger than two pages, and often much smaller. Advertising therefore must do its job quickly: it must get the consumer's attention, identify itself as being aimed at that consumer, identify the product, and deliver the selling message, all within that small time or space. To accomplish this, advertising often breaks the rules of grammar, syntax, image, and even society. For example, it relies on stereotypes to help the consumer identify the target market and the product.

According to Taflinger (1996) advertisements generally contain two elements: copy and illustrations. Copy is the words, either printed or spoken, that deliver a sales message. Illustrations are the pictures, either drawn or painted, or photographs. A point to bear in mind about copy and illustrations is the difference between intellectual and emotional processing of information in the human mind, Taflinger (1996) writes. Copy relies on intellectual processing. Words, particularly if spoken, can carry great emotion - they can create images before the mind's eye or call up events that can make you laugh or cry. Spoken words have the advantage over printed words of extra nuances, such as inflection, rate, volume, and timbre that help the listener translate the noises into meaning. Nonetheless, words are always one step away, the step of translation, from "reality." Although at first glance it may not seem so, drawings and paintings also rely on intellectual processing, Taflinger (1996) writes. Drawings and paintings, like words, are not the things themselves, but an artist's conception of them. The lines, shapes and colours must be translated into meaning in the mind of the viewer. Again, illustrations can carry great

emotional impact, particularly paintings with their greater verisimilitude, but also again they are one step away from "reality." Photographs, either still or moving, rely on emotional processing. To the mind, they are the thing itself, and therefore need no translating to determine what they mean. Most ads contain a combination of copy and illustration, in proportions ranging from all one to all the other, depending on how the advertiser wants to present the sales message.

According to Taflinger (1996), there are two basic ways of presenting a sales message: intellectually and emotionally. An intellectual presentation depends on logical, rational argument to convince a consumer to buy the product or service. The second basic way to present a sales message is emotionally. In an emotional presentation, the actual function of the product is often not its main selling point. Instead, there is a concentration on other aspects of the consumer's bundle of values: social, psychological, and economic. For example, the presentation shows how the product or service enhances the audience's social life by improving their sex appeal or self-esteem, or how it will increase their earning power. There are several types of ads that use the emotional presentation, says Taflinger (1996). For print these include the picture window (one large photograph, 60 to 70 percent of the ad, and one or two short columns of copy); colour field (one photograph that fills the entire ad, with minimal, or even no copy, woven into the image); and lifestyle (one or more photographs showing people interacting with the product and enjoying "the good life" because of it). For television, these include lifestyle (as above, but showing the people on film interacting with the product and enjoying the good life) and slice-of-life (a short play in which actors portray real people whose problem, be it social, psychological and/or economic, is solved by the product). These two types of commercials are particularly good for appealing to emotion, since they show 1) a lifestyle that the target audience of the product may wish, deep down inside, to live; or 2) they recognise themselves in the slice-of-life depicted, relate to the problem and wish to solve it as easily and quickly as depicted.

### **2.1.1 Big message of advertising**

It is also interesting to look at how advertising works on the individual's mind. Roat (1997) notes that advertising is persuasive, we forget we are the actors. We think that the advertising is active and we are passive. But it's the other way around. We can:

- Turn the page
- Turn off the TV
- Change channel, station

Roat (1997) continues by stating that we think we are static, sitting watching advertising going by, but it is other way around. We do the thinking. But the overwhelming weight of all advertising delivers to us one important message: *You can transform yourself by buying something more, and this more will make you in some way richer.* This is an important message. It is at the core of everything that follows. Without its truth, we would buy fewer products, enter debt less often, and pay very little attention to advertising once it strays from information.

### **2.1.2 How advertising works on you – image in advertising**

Advertising works through the individual upon the individual. Roat (1997) says that advertising works the following way:

- When the you hear or see an advertisement, you are asked- indeed, required- to view a future image of yourself as you might be, then envy that self-created image. (Instantly, you are a lesser person.)

- Then you are asked to transform yourself into an object that requires envy of others, so you can justify liking yourself. This indeed shows that advertising is about social relations, not only products.
- Advertising steals from you your self-respect and offers it back to you for a price.
- Advertising aims at making you marginally dissatisfied with the way you are. It attacks your self-image. It is only through purchasing, advertising argues, that you can grow, emerge, blossom.
- The important power here is the power to purchase. Everything else is rendered secondary to that.

Roat (1997) also points out that we wonder how we would look wearing, driving, using, carrying some product, and in that instant we create that future image of ourselves which, by its design, is better than we are now. In that instant we are lesser people than we were just moments ago. The important part to remember here is that you do it to yourself. Advertising simply made it possible, or arguably encouraged you to do it. But it is you who act; no one else does it to you. So advertising works through the individual upon the individual.

### **2.1.3 Identity and desire in consumption**

Identity is one of the determinant factors of consumers' attitudes. Hattori (1997) maintains that there is a correlation between the satisfaction of individual consumers and the free choices of commodities. He uniquely divides 'consumption' into two processes, maintaining that individual consumers can attain two types of satisfaction through this activity. The first type is the consumption, which directly satisfies the immediate needs of consumers. He, then, claims the second type of satisfaction; consumers can attain satisfaction from the 'prolongation of consumption'. A brand is a powerful tool for industry to associate commodities with consumers because it symbolises various elements of commodities so that consumers have relative liberty in finding the association between their identities and commodities. In this sense, commodities can be considered as a communicative tool. According to Hattori (1997) although consumers are allowed to have the relative freedom of choices, industry tries to manage the communication with consumers by allocating appropriate resources to appropriate places. In the capitalist society, the power relation between industry and consumers is very complicated; their relations are ostensibly flexible and friendly. Sometimes consumers are allowed to interpret industry's messages to their own uses. Sometimes industry encourages consumers to actively participate in the interaction. It is industry, however, that dominates the communicative processes, and even though it may be possible for consumers to formulate their own identities through commodities, their freedom is eventually accommodated into the capitalist system. According to Baudrillard (1981), the capitalist system allows consumers a certain degree of freedom, and this generous attitude toward a free individual consumer makes the capitalist system more attractive and effective. When an executive decides to buy a car, he has multiple choices ranging from Plexus, Mercedes, Cadillac to Volvo and Lincoln. These brands, however, pre-determine the potential consumers, and based on the brand strategy, companies try to differentiate products so that the executive can find the best car in light of his self-identity. He may feel as if the car would represent his status as a successful executive, but he would not think that his status could be expressed only by the differentiation of products.

Hattori (1997) continues with saying that by strictly defining the identity of the brand, it becomes easier for companies to reach the intended customers. With the development of segmented media and physical distribution systems, commodities can be rationally distributed to the intended



markets. And the brand identity is developed in a way that is geared to the idiosyncrasy of the intended consumers; the consumers can internalise the symbolic identity into their identities without much hesitation. As we have seen, the main concern of marketers is how to establish and maintain a good relation with consumers, and by building the identity of the brand they try to win the heart of consumers. The brand is a categorisation of both commodities and markets, and based on the categorisation, industry tries to stay closer to consumers. Most products explicitly or implicitly restrict potential consumers: this toy is for a child up to three years old; these earrings are for sophisticated women; this shirt is for a would-be executive. The same is true to brands. Almost everywhere in the world, there are products, which are targeted mainly to one group of consumers. For example Honda Acura Integra is for Generation X:ers, McDonald's is a fun place for happy family, etc. Industry, in general, has an advantage; it virtually monopolises the symbolic power and economic resources by which it stamps these categorisations on consumers. For industry, there are many ways to reach the intended customers. With the development and segmentation of the media, industry now establishes relatively direct channels to contact potential customers through TV programs. It is hard, however, to think that industries impose brands of their own making upon consumers with the absolute exercise of symbolic power. There is an interaction between industry and consumers through brands, and the more active consumers become in the interaction process, the more they are incorporated into the system of society.

Hattori (1997) suggests that there are three types of symbolic interaction. First, the identity of consumers allegedly agrees with that of commodities. Consumers identify their own values and lifestyles with the identity that commodities allegedly symbolise, by internalising the symbolic meanings of commodities into their own values and lifestyles. This movement involves consumers' active interpretation of the symbols. In the second case, commodities help develop consumers' identity. In this type of interaction, consumers are "given" their values and lifestyles by commodities. They are usually passive receiver of messages generated through the symbolic interaction. In the third case, consumers help develop the identity of commodities through the interaction between consumers and industry. This type of relationship involves the active participation of both consumers and industry in the meaning-creation process. This relation is based on the exchange of symbols, and no matter what form the relation takes; the operation of the relation takes place only within the system of capitalism. For modern consumers, as far as they rely on commodities for the expression of their identity, it is hard to free themselves from the intervention of industry. Hattori (1997) emphasises that consumers have some determinant power in the power relation with industry because they can somehow reflect their voices back into the process of product making. And the categorisation by industry is fluid, so consumers can enjoy relative freedom by dodging the constraint of industry. Marketers and economists proclaim the triumph of consumers because they think consumers can finally choose the products, which are produced to represent consumers' identities.

#### **2.1.4 The Uses of Desire in Advertising**

According to Joseph and Holden (1999) advertising has traditionally employed desire as a means of selling product. Regardless of culture, more powerful than context, desire is invoked as one of capitalism's ironclad codes of quality. As Joseph and Holden (1999) suggest there are two variants that have been most common. That in which desire is: (1) stimulated or (2) sated by a product. Crucial to advertisers, in both cases the product is more powerful than the thing the audience finds most powerful: the physical surge, the emotional rush, and the chemical compulsion we label "desire". In the case of the former, a typical approach has been to create an equation in which product intervenes in the relationship between man and woman stimulating the

psycho-physiological desire of one for the other. A classic pre-post design. Absent the product, desire would not arise, ad text often alleges. Implicit in this approach is the assumption that the ad reader will *desire* desire. If so, he or she, equally desirous of this turn of events, will insert him or herself into the scenario, engaging in a symbolic, if not actual purchase of the product. Desire is often depicted via substitute symbols; flashing red neon, burning matches, flame-blowers, stifling heat and raging brush fires. The product is then used to extinguish such signs, metaphorically quenching desire.

### **2.1.5 Object-Directed Desire**

One of sociology's earliest complaints about capitalism was its reduction of people to the status of things. Social relations became instrumental acts aimed at achieving rational ends; the personalities, thoughts and qualities of those human agents engaged in the exchange become secondary to the sought good. Joseph and Holden (1999) are further suggesting that earlier, advertising has only intensified this predilection, though in a different way. Ads instrumentalise by creating equality between the product presented and the person doing the presenting. When the presenter and product are conflated, the objectification of the human subject may be unavoidable. Sometimes the product and person are separated, but in a way that the discourse is about longing. The product is consumed because the human can't be - perhaps a less satisfactory substitute, but a replacement, nonetheless. In the discussion of evolving desire Joseph and Holden (1999) continues by saying that desire is not new to advertising, but the form in which it is currently being expressed is. In many countries communication is about things unrelated to the product. High on the list are affection, intimacy and sexuality - aspects of human existence, which bear considerable connection to desire.

## **2.2 Standardisation and adaptation of advertising message**

*Our second research question focuses on standardisation and adaptation that are used in designing advertising. Therefore we present theories on what factors are effecting this use of standardisation and adaptation in international markets.*

Even if Usunier (2000, p.397) points out that advertising copy is complex and inevitably tends to reflect the cultural background of those who have created it, Hill and James (1991) claim that the transfer of promotional materials is a practise, which is frequent in multinational companies; they are in fact adapted as necessary. When trying to transfer advertising copy cross-culturally there are three main issues: 1) What is transferable in the copy itself, 2) Are there groups of countries within which cross-national transfer are easier? and 3) What are the precautions to be taken when transferring copy? Mueller (1991) states that standardised campaigns are more likely to be encouraged in markets with similar cultures, while more specialised campaigns are used in heterogeneous markets. Cultural differences that exist among nations will force marketers to take these differences into account when developing an advertising campaign abroad. Van Raaij and Fred (1997) add that the message has to fit the culture and has to be related to ideas, schemas and thoughts that are prevalent in the culture. Therefore, a differentiation or adaptation strategy is often needed. However, if the usage of the product is the same across cultures a more standardised approach is possible.

### 2.2.1 Other factors in standardisation/ adaptation of international advertising

The factors affecting standardisation versus adaptation are many and diverse. Different categorisations have been made through the years, and the importance of each factor is still widely debated. A number of researchers have investigated the relevant factors. The factors that are repeatedly mentioned are of course the one of the product. According to van Raaij and Fred (1997), the choice of a communication strategy and the level of standardisation depend not only on cultural differences, but also on several other factors.

#### Product

Van Raaij and Fred (1997) have chosen to discuss this factor under what they call *Topic and product*, saying that if the topic and product are similar across cultures, and the stage in the PLC is the same, a more standardised communication approach may be used. Furthermore, if competing brands have identical positioning, and if the usage situation of the product/brand is the same across cultures, more standardisation is possible. A strong country-of-origin image of a product/brand makes it acceptable that these brands are advertised focusing on their origin and less toward the culture of their target group. According to Mueller's (1991), consumer goods are divided into low-involvement and high-involvement items. Low-involvement items are items purchased frequently, low in cost and with relatively few differences between different brands. High-involvement items, on the other hand, are products that are usually purchased relatively infrequent, are high in cost and have perceivable differences between brands. The purchase of high-involvement products is therefore usually more carefully considered and researched in advance. Advertising for high-involvement products tends to contain more information than messages for low-involvement products. The importance of information for such products may discourage advertisers from having a standardised approach. Consequently, messages with less information are highly standardised, while messages with a lot of information are more adapted. Harvey (1993) contributes to the discussion by saying that the degree of universality of the product will affect how appropriate the standardisation is. Depending on the nature of the product, e.g. a low-priced product, non-durable good or a culture-bound product, the degree of standardisation will be more or less suitable.

Cavusgil, Zou and Naidu (1993) also discuss the *type of product* in terms of consumer goods versus industrial goods. Standardisation is more likely with industrial goods than with consumer goods. Demand for industrial goods tend to be relatively homogenous across markets, making standardised advertising programs a possibility. The demand for consumer goods, on the other hand, is dependent on cultural customs and economic conditions, making adaptation of the advertising necessary. However, regardless of the type of product, a well-known brand allows greater standardisation of the advertising compared to a less well-known brand. The extent of product familiarity of customers in foreign markets is therefore a very important aspect. A low rate of product familiarity is consequently negatively related to the advertising adaptation.

The correlation of the market situation in the domestic and the foreign market

This includes a number of different factors, discussed by several authors. Van Raaij and Fred (1997) point out that exogenous factors strongly determine the possibilities for standardisation in communication. These factors consist of market structure and competition, distribution structure, price levels, available media and other communication options, and governmental regulation.

Harvey (1993) identifies additional three factors connected to such exogenous factors, which directly influence standardisation/adaptation in foreign markets. These variables can be considered individually as well as in relation with other.

- *Competitive factors*

Important factors of standardisation are the structure of the competitive environment and the mix between domestic and foreign competitor. The relative power/influence and the degree of sophistication of the competitive climate impact the level of standardisation.

- *Infrastructure factors*

Similarities in advertising structure i.e. media, advertising agencies and production facilities between economies, also affect the opportunity to take advantage of standardisation.

- *Governmental factors*

The restrictions placed on mass communications in each foreign market have an impact on the possible degree of standardised advertising. Restrictions arise due to such factors as religion, consumer protectionism and new media technologies.

Cavusgil, Zou and Naidu (1993) claims that these involve the following three variables: similarity of legal regulations, foreign market competitiveness, and product familiarity, this last factor though has already been dealt with under product. Similarity of legal regulations is defined as the degree to which the legal regulations (e.g. health, safety, technical) in the export market are similar to those in the home market. Similarity of legal regulations is negatively related to advertising adaptation. Similarities between legal regulations in the home market and the export market put less pressure on the company to modify the advertising program. In contrast, differing regulations will force the company to modify the advertising to suit the regulation on the export market. Market competitiveness refers to the intensity of competition in the foreign market. Export market competitiveness is related negatively to advertising adaptation. In a highly competitive market, a company may be pressured to customise the advertising program to gain advantages by matching local conditions. In a captive market, where the product is already in a comfortable position, a higher degree of standardisation is possible.

#### Company characteristics

Regarding *company characteristics*, Cavusgil, Zou and Naidu (1993) mention a number of factors, the company's international experience and the objectives for the sales in the foreign market is though the most connected to the behaviour of the company. A firm's international experience refers to the amount of experience management has accumulated as an international business actor. An inexperienced firm will try to find the closest match possible between its current offerings and overseas market conditions so that a minimal advertising adaptation will be required. A more internationally experienced company has instead a greater appreciation of the differences between markets. Therefore, the more experienced company is more likely to respond to different market attributes and pursue advertising adaptation in order to gain competitive advantage. Harvey (1993) agrees by stating that decisions about standardisation may be affected by the international experience in an organisation and the degree of centralisation of decision-making. Cavusgil, Zou and Naidu (1993) continue by adding that sales objective for the foreign market is positively related to advertising adaptation since a company with ambitious sales goal will need deeper penetration of the market in order to meet the goal. Meeting customers' demand can be better accomplished through adaptation. In addition, the cost of advertising adaptation is usually more acceptable when a greater sales volume is set and expected.

#### Organisation of the sender

Van Raaij and Fred (1997) suggest that the organisation of the sender or the communicator may be a facilitation or hindrance for the standardised campaign. Centralised organisations are more inclined to have a standardised communication policy, also to maintain corporate identity and to project "identical" images to target groups. Duncan and Ramaprasad (1995) could be used as a reference to freely summarise the different factors besides culture, which affect the success of standardised advertising. The five variables that they point out are regulations, product use patterns, level of economic development and education, language and organisational structures. There are of course some factors that are not handled here but as a whole the mentioned ones can be connected to these. Besides these, the following two factors are not commented by as many authors as the first but worth to put emphasise on.

#### Target group

Van Raaij and Fred (1997) state that if the target group(s) of the communication campaign is similar across countries, standardisation may be employed. Similarities may be based on age, especially youth, on higher levels of education often resulting in understanding the English language and having a broader interest; on higher income levels, and on a cosmopolitan lifestyle with travel and use of international media. If a target group does not possess a noticeable characteristic, a standardised campaign is less likely to be effective. In most cases, adaptation of the message execution is needed: translation, synchronisation, or local actors. In many cases, a differentiation or local strategy is more appropriate to take advantage of cultural differences.

#### Advertising media employed

According to Mueller's (1991), investigation on to which extent the usage of standardisation versus specialisation is influenced by product type and advertising medium employed. Media available and media reach may also influence the level of standardisation. Television production is for example relatively expensive, which makes it appealing for the advertiser to standardise the message instead of developing an individual commercial for each of the target groups. In addition, television reaches a broad audience at the same time as it involves strict time constraints. Print ads, on the other hand, represent more reasonable production costs while the audience usually is more narrowly defined. Space limitations are not either as critical in the comparison of the time limitation in using television as the advertising media. As a result, tailored messages may be appropriate in print advertising, Mueller (1991) concludes by actually adding the factor of the particular market being targeted. She puts this in connection to the media employed are the factors deserving attention in the decision to standardise or adapt commercial messages.

### **2.3 Brand identity and image creating**

The third and fourth research question is dealing with the different components that companies try to build their image on and on theories about country of origin as means of creating the desired image of the brand. Here we have looked at theories about brand identity and image creating; country of origin as a component of brand identity; elements of image; identity and desire in advertising.

Ugla (2001, p.85) refers to Aaker's (1996) definition of brand identity, which states the following: "Brand identity is a unique set of brand associations that the brand strategist aspire to create or maintain. These associations represents what the brand stands for and imply a promise

to customers from the organisational members”. Uggla (2001, p.85) comments this as pointing in a direction beyond the present, implying that identity is what you want to be, and not necessarily representing what you are.

### **2.3.1 The functions of a brand**

The seller's perspective

*Differentiation* – poses as a base for higher prices

*Identification* – poses as a base for impact and customer retention: re-buy and loyalty in the product category.

*Coherent message* – poses as a base for segmentation

Uggla (2001, p.38) puts the brand in the perspective of the seller as handling the brand based on capitalisation and risk aspects. If the brand is used in the right way, a coherent message is sent to the market and the identification of the brand is reached and the differentiation can be used in various ways.

The customer's perspective

*Identification* - reduces costs connected to the search

According to Uggla (2001, p.30) the buyer perspective involves as well functional, emotional as self-expressional advantages with brands. Identification is a cognitive function that helps the customer to reduce the time and therefore also the psychological cost to find the right product. A customer that has already identified a certain brand of car and shoes can save time through a quicker identification of the particular product. Uggla (2001, p.31) points out that identification are based on the idea of unity and long-run perspective. We cannot possibly identify a brand if the logotype is changing all the time. We identify the known, the one providing a sense of security and durability.

*Status and prestige* – reduces psychological risk

Status and prestige are two other important aspects, which can effect the self-image of the buyer. Here it should be noticed that these two concepts are dynamic, and the meaning of them varies between different geographical cultures, but also between value cultures.

*Guarantee of quality* – reduces perceived risk

This is by Aaker (1996) thoroughly examined both in the sense of the connection between price and perceived quality and the different “promise of value” that a brand is offering

### **2.3.2 Extended brand identity**

Aaker (1996) describes the brand identity based on three main concepts; core brand identity, extended brand identity and “promise of value”. Uggla (2001, p.85) refers to Aaker (1996) in claiming that the core brand identity is seen as a number of core values or unique qualities, which do not change. The next concept, the extended brand identity instead represents elements of the identity that can change and be modified in different markets. Finally, the identity of a brand is supposed to contain a proposition of a value, a promise of providing functional, emotional and self-expressional advantages. Some brands only contain and offer one of these three categories of promises. To further explain the meaning of “promise of value” Uggla (2001,

p.88) describe it as an extension of identity through rational, emotional and self-expressional attributes. He exemplifies these rational attributes for Volvo as functionality and performance. These attributes can be identified by the marketer through asking questions like: “What kind of functionality or value do I get for the money I pay?” As for the example of Volvo, Uggla (2001, p.88) further states that the values lie in being a car to thrust, have a robust function and a high value on the market for used cars.

Uggla (2001, p.88) continues by stating that the emotional advantages that a brand can imply is instead connected to the question: How do I feel?, while the self-expressional part is of course associated to “I am”. Aaker (2000) presents examples of these two categories of promise of value through using Mercedes and Jaguar. He claims that the driver of a Mercedes “feel rich” while the driver of a Jaguar feel involved in art and sees himself as a man with a significant knowledge in cars. Uggla (2001, p.88) states that once the company have decided on what identity they want to present and where the emphasis in the promise of value should be placed, then the company have themselves a base for the positioning of the brand. Aaker (2000) describes positioning as the slogan that is taken from the identity and the promise of value. Aaker and Joachimstahler (2000, p.305) bring out the example of Body Shop’s identity and defines a part of the company’s mission as being: ”profit with a principle” and through this comes the positioning in ”Against animal testing”. Aaker (1996) also bring in the four general perspectives of product, organisation, person and symbol in to the characterisation of brand identity. To these four perspectives twelve dimensions connect that each of them help build and divide the identity of a brand. Based on the model created by Aaker (1996), Uggla (2001, p.86) provide the different parts that are explaining the extended brand identity.

The brand as:

*Product*

2. Product range
3. Product features
4. Quality/Value
5. Usage
6. User
7. COO

*Organisation*

8. Organisation characteristics (such as innovation, customer focus, reliability)
9. Local vs. Global

*Person*

10. Personality (such as real, energetic)
11. Brand customer relationship.(such as friend, counsellor)

*Symbol*

11. Visible image and metaphor
12. Brand heritage

To further explain the four perspectives and the twelve dimensions presented by Aaker (1996) Uggla (2001, p.87) chose to exemplify these through picturing Volvo in the perspective of the brand as a product, the first six dimensions. According to Uggla (2001, p.87), Volvo has a wide range of products but the connection to the product category cars are what he call strong. Traditionally the attributes involve robustness and safe constructions but in the recent years also design details as in the latest models such as S80, S60 and V70. The car is of high-perceived

quality and has a high value in the market for used cars. The car is used in family life or in the work situation. Further Uggla (2001, p.87) states that Volvo has its origin in Sweden which is according to Uggla is strongly connected to how the product is perceived. The origin can change over time when the company is no longer Swedish, this if it is not enhanced again and later on. Volvo also has a position, strongly associated with safety and quality, but the position can according to Uggla (2001,p.87) be deepened and widened through offering a larger range of models. This can also be used to put a younger and more vital touch on the personality of the brand.

Uggla (2001,p.90) refers to Kapferer (1997) discusses the identity of the brand by not giving the identity any clear characteristics like Aaker. Kapferer claims that the brand identity to be composed as an identity prism. The left part of the prism represents the three dimensions that aims to project and externalise the brand, this as the physical part, the relationship and the reflection. The dimensions of the right side of the prism in different ways help the process of internalising the brand in the company and in the mind and awareness of the customers. These dimensions are personality, culture and self-image. On opposite down and upper side of the prism is the two parts of the description that pose as the base, the sender and receiver. According to Kapferer (1997) the sender, can only control two dimensions, the physical part of the brand and the personality of it. The physical features are basic and relates to the shape, appearance and function. As an example of the physique Kapferer (1997) mentions the shape of the Coca-Cola bottle as a part representing the identity of the brand. Even though the physique is the most obvious, it cannot explain it all. The inner aspect of the sender perspective, the values and soul of the brand are instead explained through the personality. These two, the physique and the personality is manage in an aspiration of effecting the receiver perspective, its reflection and self-image. The reflection is the immediate, outer projection of a brand, this for example as:

“ Volvo is a safe car for families”

“ Coca-Cola is only for young people”

When we reflect a brand we get a bit stereotype, we tend to generalise the user. The “self-picture” instead reflects an aspiration, the one I want to be when I am using the brand, for example the self-picture in relation to the example above could be: “ I want to be a responsible but also a somewhat cool family-father, because of this I drive Volvo V70 Cross Country”. Uggla (2001, p.92) points out that in the prism-theory it is enhanced that that the company should not confuse reflection and target group. The reflection is often narrow while the target group are wider. Coca-Cola identifies with younger people (reflection), but in the reality the targeted group are very wide. It consists of children, youths and old that in different ways identifies themselves with the beverage. Different people and customers have different inner and idealised picture of the brand. The strategy must therefore appeal to the self-image of the target group and avoid to just place the focus on the more stereotype reflection of the brand. The two further dimension in the prism, the relation and culture. Kapferer (1997) claims the culture to be the most powerful dimension in the prism, this in the sense of communicating the brand. The culture represents the unique values and differences that differentiate one brand from the other.

### **2.3.3 Different kinds of associations**

Non-product related associations

The non-product related associations is the ones that according to Uggla (2001, p.103) can effect the buying process, the consumer behaviour and the perception itself of the brand, that are not in direct meaning effecting the function of the product. A strong brand personality/identity or a



high price on a car can have an impact on the general perception of the brand value, but not the capacity of the engine or the performance of the car. According to Uggla (2001, p.93) the different associations in this category could be; price, user-imagination, usage-imagination, emotions, perceptions and personality of the brand. The price is a signal that effects the buying decision. Research shows that consumers establish a connection between price and value. Customers also organise their knowledge of a product category based on price. In the brand portfolio of Volkswagen there are brands in the higher price level such as Audi, middleclass-positioned cars like Golf and low-price brands such as Skoda. The pricing also impact and to some extent locks the positioning of the brand. BMW has traditionally been working with the price as an important factor in the positioning of the products. The price contributes to communicate quality, without being a direct part of the product quality.

Uggla (2001, p.104) continues by stating that user-imagination and usage-imagination are other important association without direct connection to the function of the product. These are either created by the customers themselves, through observation of other's consumption of the brand, or through communication of the brand strategy of the company. User-imagination is connected to how the user visualise himself in relation to the brand. This user-imagination has different nuances, if it is idealising, maybe the consumer see himself as more vital, sexier and smarter. The user-imagination could also aim to tone down the individual. The usage-imagination instead relate to the different situations where the brand appear and are used. This usage-imagination is traditionally often used in advertising for different jeans brands and other similar fashion products. Through stimulate and expand the usage-imagination many companies try to increase the usage with exposure in different situations and occasions where the product can be used. Here Uggla (2001, p.104) points out that demographic, but also more complex variables like personality and values are important.

#### Product-related associations

Uggla (2001, p.105) refers to Keller (1998) in the description of this kind of associations: "Product-related attributes refer to a products physical composition or a service's requirements and are what determine the nature and level of the product performance." To more precise, Keller (1998) suggests that this group of associations could be divided into essential constituents, required to make the product work, and optional one, which can make the offer more personal and individualised. Uggla (2001, p.105) continues by stating that the product-related attributes' composition and qualities also varies between the different categories of products. Keller (1998) describes three basic types of categories; the ones with few constituents and characteristics such as bread, the next category is the one of products with many constituents but few characteristics and functionalities like a door. The third category is products with many constituents and many characteristics and functions, an example representing this is a CD-player.

As Uggla (2001, p.105) concludes, the product-related is mainly connected to the functionality advantages of a brand, such as horse powers of an engine but it can also affect the perception of the product and therefore the brand as well. Non-product related associations on the other hand is completely crucial since they can only contribute to the building of the symbolical advantages of the product. They also invites the customer to involve her or himself in a experience loaded with values where the customer can feel if the inner aspects and personality of the brand suits the own personality. To conclude, Uggla (2001, p.106) states that it is the non-product related associations that is the base for the potential relationship that the customer can establish with a brand. The more positive and deeper associations with a brand, the more positive attitude towards the same. Summarising the impact and value of the brand Uggla (2001, p.106) claims

that Keller's theory states that as long as the associations connected to the brand are positive, it makes no difference in which way these associations are created.

## 2.4 Elements of image

Parameswaram and Pisharodi (1994) identifies that images have the power to arouse and thereby influence a consumer's choice process are widely recognized. During the development of a firm's marketing communications mix, the marketing or advertising manager is often actively involved in creating, adapting, shaping, nurturing, monitoring, maintaining, and managing images.

### 2.4.1 Image in general

Parameswaram and Pisharodi (1994) points out that there are a variety of images (e.g. those associated with advertising, symbol, logos, stores, brands, and corporations) can enhance or diminish a marketing or advertising manager's ability to cope with competition. Parameswaram and Pisharodi (1994) studied the current state of the research related to brand, store, advertising, and company images. They found that Dobni and Zinkhan (1990), collaborating with a number of different authors have presented several findings, this through using some classic references.

1. Images play an important role in influencing the way the public responds to brands, products, services, stores, promotions, and organisations.
2. The importance of image is rooted in image theory, which maintains that human behaviour is directed by individuals image of their environment.
3. An augmented product has not only a physical nature, but also a social and physiological one, and hence the sets of feelings, ideas, and attitudes that consumers have about products (their image) are crucial to purchase choice.
4. Image is a vital concept for marketing managers
5. The effectiveness of image variables depends on the precise definition and delineation of their various components and the appropriateness and accuracy with which they are measured.
6. This is the most important: Because of the variations in definition, conceptualisation of components, and measurement, much progress in research is needed before truly effective image measures (and hence images) can be developed.

Cook (1994, p.9) points out that image is not static; in a communication process, sender (i.e. manufacturer and advertiser) and recipients (i.e. potential consumers) are in a permanent exchange about values and preferences, which, in turn, underlie constant change. Trends are being made by the industry, but it also follows and exploits already existing trends or trends that have come to life without its help. In accordance with Cook (1994,p.9) images can be analysed by the following criteria

*Medium:* The image is influenced by the media that are used (newspaper, TV, flyer)

*Product:* Advertising for luxury goods and household necessities differ. There are product and service ads, and there are non-product ads (charities and political parties)

*Technique:* Hard vs. soft selling, reason vs. tickle, slow drip vs. sudden burst (frequency and concentration in the media), short vs. long copy

*Context:* substance, paralanguage, situation, co-text, intertext, participants, function

### 2.4.2 Product images in advertising

According to Horbas (1998) image is one of the most interesting phenomena in the marketing strategies of our society, where the media have a strong determinant influence. It has become one of the main factors in selling products; therefore great efforts are made by producers to create and maintain an image for their products. Image is "picture", "statue", "effigy", but also "conception" and "idea". Huber (1987) claims that "image" not only refers to one "object" (product for our specific use) alone, but to its entire environment, the way in which the product is experienced by the consumer.

Yet, a product image is not something that actually exists. It is the personal imagination of something that exists in reality. It is not a judgement that is based on reality, but a conception, a reproduction of many different values and associations. That is why we can state a relation between a subject and an object of an image, or a denotation and several different connotations. This relation is not static, however, and it is rather difficult to define. What all authors agree on is that "image" in advertising is not a rational judgement or assessment by the consumer, but the result of a conscious reduction of an object to "help" the consumer make a decision in a field, that they know very little about or where knowledge is irrelevant. A consistent advertising style is a good precondition for a positive brand image. According to Schweiger and Schrattenecker (1989, p.126), an advertising style is formed by:

- conciseness: regularity, symmetry, unity, brevity and clarity
- distinction (from competitors): individuality and originality
- continuity and amplitude of style
- periodic appearance (interval of advertising measures)
- unity
- product adequacy
- originality
- historical interdependence (e.g. fashion)

Product image is linked to the consumer image: By market research, the advertiser has an objective knowledge of the target group and tries to meet their needs and preferences. The target group's image consists of their self-perception and their perception by others. Target groups are under the influence of cultural trends.

### 2.4.3 The power of an image

According to Horbas (1998) for consumers, image is not only a guidance for decisions; it shows them additional advantages besides the real benefits that they can draw from a purchase, which may lead to emotional satisfaction. The product becomes an experience, an event in which consumers get the opportunity to express themselves. Images are misinforming delusions about a "true" composition of the world. Of course, this is a rather positive way of describing the effects of product images. Their disadvantages and dangers must not be denied; they are mainly on the consumer's side, though: Psychological disorders can be exploited, and the product may serve as a substitute for emotional needs.

#### **2.4.4 "You are what you buy!"**

Images are misinforming delusions about a "true" composition of the world. They gain their power from the belief in an "inner quality" of entities, the meaning of entities extended to inanimate objects, products for our means. Nowadays we find a wide acceptance of the necessity to emphasise these "inner qualities", where not so much the concrete properties, but abstract concepts are targeted. "What can this product do for me?" is expanded and differentiated to: "Does this particular product more things for me beyond its originally designed purpose than its competitors? Does it fit my personality, does it maybe even add to it?" It is not necessary to only perceive these tendencies as a decay of reason; they also show a remarkable shift from a merely fact-based consumer culture to one that takes subjective needs and differences into account. I do not think it is far-fetched to state that the industry has begun to consider the individual needs of their customers; yet it must be said that in order to reach the masses there is certainly a great component of uniformity in this kind of individualism. A planned image campaign is otherwise hardly imaginable.

#### **2.4.5 Company brand identity and CVI-Corporate Visual Identity**

The study of Melewar and Saunders (1999) examines the influences on the international standardization of corporate visual identity. Melewar and Saunders (1999) states that when products and promotional campaigns change through time and across markets, customers use incorporeal brand names and corporate identities to understand and recognize products or services. Corporate Visual Identity (CVI) is part of the corporate identity that multinational enterprises (MNEs) can use to project their quality, prestige and style to the stakeholders. With Henrion and Parkin (1967) as reference Melewar and Saunders (1999) identify the components of CVI as: name, slogan and graphics, with graphics in turns having three components: logotype and/or symbol, typography and colour. Together these provide a visual language for projecting a consistent, clear visual structure to a company's publics. According to Sorell (1989) the CVI helps bind dispersed MNE and is an important part of the marketing mix where customers increasingly "buy the maker". Olins (1989) also picks up on the dispersity that can occur in the MNE. He points out the need to hold the empires together and to create some visual unity to their offering have functioned as the catalyst to many CVI programs. If the claims of industrial designers are true, few corporate decisions can have the penetrating and global impact of CVI. Melewar and Saunders (1999) remind that MNE though face the dilemma if and then to what extent the CVI could be stretched globally to appeal to people whose response to names, colour and other parts of the CVI differ?

#### **2.4.6 Managing company image**

Basile (1999) points out that business men might know their business inside and out, they might know who their customers are and what they want, but maybe they need to know something like as he recommend the people in the companies to think: how do they perceive you? What are you doing right? What could you be doing better? What drives your customers away, and what keeps them coming back? Is there any way to change their perceptions of you? Basile (1999) quote K. Billingsley, an Indianapolis consultant, when he say that "a company could research and manage the way it is perceived by its customers or any other group that is important to its success – employees, shareholders, management, ...".Basile (1999) continues by referring to Billingsley's words in claiming that perceptual issues can have all sorts of tangible effects on a company, from sales revenue to stock prices to employee morale. Billingsley's to any company is to identify and manage the perception of those it wishes to reach. As with any other type of program or activity, you should begin by identifying your goals, if is to increase sales, achieve higher stock prices,

passage of favourable legislation, more loyalty from customers and/or better customer service. Once the goals are clearly established the company can target the people, or key perceivers, who most affect those goals, i.e. customers. What the company needs to know how they perceive it and what motivates them, in the present situation. Billingsley are continuously referred to in stating that you can use a variety of objective and quantifiable research methods to answer those questions. He brings up that the examples of such methods are focus groups, mystery shopping, surveying, media analysis, environmental studies, interviewing, advertising and product testing, customer value-analysis and other kind of perceptual studies. Billingsley continues by pointing out that once the company has found out what motivates these key perceivers, the company can take appropriate action. Do this group need to be re-educated, inspires, trained, won over or even entertained?

Basile (1999) find it important to point out that even though the methods chosen may represent current success, it is not a once-for-all activity. Perceptions, like anything else, can change over time. Technological advancements in media and changes in the social climate can pose as factors of ongoing impact on how a company’s key perceivers get their information and form their opinions. That is why it is important for the company to continually track the effort over time, making appropriate adjustments to their perception program as needed to ensure that the message sent is the right one, for the right target group, using the right communication tools. Perceptual issues can be managed just as the firms manage finance, marketing, and operations. Companies, large and small, can take this approach to help them avoid the effects of favourable opinions. To conclude the discussion, Basile (1999) present Billingsley’s advice to the companies: ”Until you have seen your business through the eyes of others, you have not seen one of your greatest opportunities for growth”.

## 2.5 The role of prestige in image making

Vigneron and Johnson (1999) have found that the research had identified that people's needs for appearances and materialism were increasing. As a general rule, prestige products have been used as an example of extreme-end high-involvement decision-making. The assumption is that prestige products are infrequently purchased, require a higher level of interest and knowledge, and strongly relate to the person self-concept. Prestige-seeking behaviour is the results of multiple motivations, but in particular the motives of sociability and self-expression. Referring to the a number of different authors they sum up and define five values of prestige combined with five relevant motivations.

VALUES	MOTIVATIONS
Conspicuous	Veblenian
Unique	Snob
Social	Bandwagon
Emotional	Hedonist
Quality	Perfectionist

Figure 2: Vigneron and Johnson (1999)

### The Veblen Effect: Perceived Conspicuous Value

Both Mason (1981, p.127); (1992) and Bearden and Etzel (1982) point out that in the early 1980s, several researchers conducted studies based on the original work of Bourne (1957), he focused on the influence of reference groups on the consumption of prestige brands These

authors found that the conspicuousness of a product was positively related to its susceptibility to reference-group influence. For instance Bearden and Etzel (1982) concluded that publicly consumed luxury products were more likely to be conspicuous products than privately consumed luxury products.

#### The Snob Effect: Perceived Unique Value

Mason (1981, p.128) present the snob effect as might occurring during two circumstances: (1) when a new prestige product is launched, the snob will adopt the product first to take advantage of the limited number of consumers at that moment, and (2) "snob effect is in evidence when status sensitive consumers come to reject a particular product as and when it is seen to be consumed by the general mass of people".

#### The Bandwagon Effect: Perceived Social Value

Leibstein (1950) called the effect which influences the lower-end brand extension, the bandwagon effect. The bandwagon effect is presented by Rogers (1983) Miller, McIntyre and Mantrala (1993); And Berry (1994) may be conceptualised as the antecedent of the snob effect. "Even though snobs and followers buy luxury products for apparently opposite reasons, their basic motivation is really the same; whether through differentiation or group affiliation, they want to enhance their self-concept" (Dubois and Duquesne 1993).

#### The Hedonic Effect: Perceived Emotional Value

Hirschman and Holbrook (1982) and Sheth, Newman, and Gross (1991) points out that consumer choice may be driven by non-cognitive and unconscious motives. Certain goods and services have been known to possess emotional value in excess of their functional utility. Recent studies in luxury consumption have identified that luxury products are likely to provide subjective intangible benefits. For example, Dubois and Laurent (1994) recognised that the emotional value was an essential characteristic of the perceived utility acquired from luxury products: ".The distinction between prestige brands and non-prestige brands is defined below as the distinction between brands exhibiting five perceived values, contingent on a particular socio-economic framework.

1. The consumption of prestige brands is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal (perceived conspicuous value).
2. If virtually everyone owns a particular brand it is by definition not prestigious (perceived unique value).
3. The role-playing aspects and the social value of prestige brands can be instrumental in the decision to buy (perceived social value).
4. For a brand that satisfies an emotional desire such as a prestige brand, a product's subjective intangible benefits such as aesthetic appeal is clearly determining the brand selection (perceived hedonic value).
5. Prestige is derived partly from the technical superiority and the extreme care that takes place during the production process. For instance, a Rolex Sea-dweller works 1,220 meters underwater and is hand-crafted (perceived quality value).

## **2.6 Country of origin as a component of the brand identity**

Papadoupoulos (1993) suggest that the marketer face the challenge of ascertaining the images foreign consumers hold about them and their origin countries, and then decide whether any relevant action is indicated. The author continue the discussion by classifying such marketing actions as to suppress the origin image, simply present the origin image, enhance the origin image or aggressively promote the origin image. Lindström (2001) thinks differently. He says that country branding means much more than adding a "Made in ..." label to a product. A product's country of origin constitutes an important piece of branding that, in many cases, can be so influential it overtakes the brand's other reputation builders. Conversely, brands themselves can create countries' reputations. Lindström (2001) continues by saying that if the company has the "wrong" country label on its "package", it won't destroy the brand, but having the "right" "Made in" label will save the company a substantial amount of marketing money. Niss (1996) claims that companies should spread an image that corresponds in each country to what is locally valued, imported or national, in the category of products concerned. If the nationalistic feelings are prevalent in the target country this may lead to an adaptation of a local favourable image within a specific product category, the manufacturer can gain differential advantages by choosing a national brand name or stressing their COO in advertising the product abroad.

### **2.6.1 Country of origin and consumer perception**

Usunier (2000, p.319) points out that consumers have perceptions of products from certain countries, examples of such perceptions are the products from Germany represents robustness, product from France luxury and from Italy beauty. Saimee (1994) adds that the COO image has been shown to vary with the type of product. This image arises from the facts that particular nations are famous for expertise in producing particular kinds of products. In connection to this there tend to be preference for a category of products from one nation but not from others. After conducting an investigation on the relationship between product and country, Han and Terpstra (1988) stated that country quality perceptions might vary between different product categories. Schleifer and Dunn (1968) states, when using COO in an advertisement the effectiveness would depend on following conditions; first, whether the advertising is related to its COO, secondly whether the advertised products are associated with the consumer of the COO, and finally, whether consumers' opinion about a product are known. According to Papadoupoulos and Heslop (1993) the product's COO image is a response component of pride of ownership and is associated with the exquisiteness or high-class taste of the source country. The COO can serve directly as a status symbol. These two first authors as well as Johnson and Thorelli (1985) stated that the stereotypical perceptions about countries that consumers tend to develop are acquired through personal experiences and information from other sources. Companies use image of quality to enhance the association between their products and specific countries.

Agrawal and Kamakura (1999) points out that if consumers hold a positive or negative COO-image for a given product or country, this image could lead to a generalised positive or negative attitude towards the brands of a product associated with that country. Both Niss (1996) and Usunier (2000, p.321) concludes that COO is one of many attributes that characterise a product and is not used by consumers as an isolated evaluation criterion. A product possesses both intrinsic attributes such as colour, size and quality, and extrinsic attributes such as price. COO is though used as an evaluation criterion in conjunction with both intrinsic and extrinsic product attributes. According to Thakor and Kohli (1996) studies in general regarding the effects of COO image have shown that in some cases these images are more important in affecting product quality assessments than price and brand information. The perceived location from which a

product comes from may create positive or negative images, based on the consumers' perception of that location. Wang and Lamb (1983) points out that several of the studies also show that consumers typically view foreign products from developed countries more favourable. Saimee (1994) though claim that there are contradictory studies showing that preferences for domestic products appear to have considerable support. It is in part due to patriotism and ethnocentrism and partly due to a perceived risk in products COO. Particularly, COO bias can be strong enough for a given segment that reduction in price would not affect the final choice of purchased product. A negative COO image can affect buyers' perception towards products made in a given country. To the discussion on negative COO images Cordell (1991) adds that consumers may be willing to trade-off lower prices for products where the effects of the COO, as a measure of quality, are negative. Niss (1996) further say that consumers from developed countries hold a general preference for domestic product but the foreign product that enjoy a favourable brand image internationally or which are sold through prestigious retailers, may be able to alter consumers preferences in favour of the imported products. More extensive guarantees and improved after-sales services can help eliminate negative COO biases.

Han (1990) found that consumers that are not familiar with a product use the perceived characteristics of the COO to form themselves a perception of the product. This from which infer products attributes. Shaefer (1997) present the opposing view, which is that greater product class knowledge facilitates that novices relied on COO information instead. Niss (1996) and Usunier (2000, p.317) both bring up the fact that the influence of COO evaluation is also stronger when consumers are unfamiliar or lack knowledge or a product category. In this situation the COO as an information cue by consumers: expert consumers base their evaluation on the strength of the actual product attributes whereas novices tend to rely more on the COO cue. Usunier (2000, p.317) discusses that the purchasers of Swedish cars, who pay twice as much as for cars with comparable performance, acquire at least to a certain extent, the symbolic label "Made in Sweden" which for them, suggests reliability a long life, thereby removing any fear of mechanical failure. There exist an important relation between product and nationality, in consumers' evaluations, were first studied with respect to the "made in"-label, that is the origin label put on the products. The "made in"-label is though not the only element that contributes to consumer perception of product nationality. The following elements can be distinguished:

- The image of imported product versus national products or the image of national products versus international products.
- National images of generic products: yoghurt calls to mind the Balkans, perfume evokes France, a pair of jeans the United States, etc.
- The national image of the manufacturing company
- The image diffused by the brand name
- The image of the "made in"-label in the sense of the manufacturing origin legally appended to the product; origin labelling is mandatory in international trade (ibid).

Saimee (1994) states that studies report that 70 percent of those under 35 years of age have little or no interest in determining the COO of their purchases and that ethnocentric tendencies are less common among younger people. This means that there are substantial market segment that neither seeks nor uses COO information. Of these consumers seeking COO information, four times as many subjects sought this information for high involvement products, such as cars, than for products of low-involvement, such as t-shirts. Cordell (1991) adds that the interaction of COO and competitive context suggests that COO is more important for upscale products within a class. Country differences may be more important to the big spender than to the economy shopper.



### 2.6.2 Approaches in the use of COO in advertising

Head (1988) points out that the COO of a product is unlikely to be sufficient itself to ensure sales. Head (1988) and Morello (1986) classified how COO is approached in advertising:

1. Appeals to the viewer or reader's patriotism and national pride by domestic companies, industry associations, and governments.
2. Appeals to national pride but on the part of the foreign companies, aiming to clarify that while their brands might be foreign, they are made "at home" or contain significant domestic content. An example of this would be the French Car Company Peugeot, advertising in the UK, "Every Peugeot bought in Britain is being built in Britain".
3. Presenting stereotyped characteristics of a foreign country, for example that the Netherlands is often symbolised by portrayals of wooden shoes, windmills and tulips.
4. Advertising that gives allusion to a particular expertise that is associated with the foreign country and which thereby instils confidence in the product, i. e. German engineering or Japanese electronics.

According to Papadopoulos (1993), companies can choose to use COO beyond the point necessary by legal requirements. Some of the main expressions of how COO can be used to communicate to consumers can be categorised as follows:

1. *Embedded directly into the brand name*: for example as in Alitalia and Nippon Electric appliances.
2. *Indicated indirectly through the brand name*: Lamborghini is Italian and Toyota is Japanese, although neither brand directly gives the country name.
3. *Indicated directly or indirectly in the producer's company name*: i. e. directly: Nippon Steel respectively, indirectly: Sumitomo.
4. *Promoted expressly as a significant part of, or as "the" brand name's unique selling position*. There are thousands example of this way of using the COO, and these applications ranges over the following:
  - *Direct use of country image*: A French cosmetic manufacturer portrays an image that can be describes best as "seductive elegance" under the headline: "So French. So rare".
  - *Adapting country image to company image*: *IKEA used a cartoon drawing of a moose that symbolises Scandinavia with the slogan "The impossible store from Sweden", this to build a playful aura around a known and respected origin image for furniture.*
  - *Lateral transfer of image to an unrelated product*: Lowenbrau beer uses a positive stereotype in its advertising in Canada, "Lowenbrau: Tastefully engineered in Germany"
  - *Playing on a reverse-negative stereotype*: In Great Britain, Lowenbrau, portrays a German in lederhosen with the slogan "Thankfully they send us their lager, not their shorts".
  - *Industrial marketing*: The bank Credit Suisse advertises in the U.S with the headline "Incredible Swiss, Incredible American" accompanied by photographs by a Saint Bernard dog and an American eagle.
5. *Included as the centrepiece or a part of the package design*: a nation's flag, flag colours, or some other internationally recognised symbol, printed on or forming the packaging.
6. *Used in connection with a company's sales force or other service people*. For example building the favourable image of the U.S among Japanese consumers, Domino's Pizza delivery-personnel wear uniforms in red, white, and blue.
7. *Associated, directly or indirectly, with well-known representative symbols of the origin country*. This can be done with any of the preceding applications i.e. advertising, brand and corporate logos, etc.); associations can be linguistic, visual and/or aural, and often include: national flag, animals and landmarks such as the koala and the Sydney opera as symbols of Australia; stereotypes images of ordinary people; personalities; music; geographic characteristics, etc.
8. *Written on the made-in label*, which is required by legal requirements all over the world.
9. *Related to regions*, rather than countries and sometimes is used as a key descriptor for a product category, for example as for Scotch whiskey or Californian wine)
10. *Provided by third parties*, such as educators, the media, cultural products, friends and associates, etc. (ibid).

### 3 FRAME OF REFERENCE

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*In this chapter we will present the frame of reference with the help of the second chapter where we gathered previous research within our problem area. The frame of reference will provide a base for this study.*

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As stated by Miles and Huberman (1994, p.18) a conceptual framework explains, either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables – and the presumed relationships among them. Our objective with the frame of reference is to provide a conceptualization that will allow us to answer the research questions in this thesis. Our frame of reference emerges from the formulated purpose and research questions and will guide our data collection.

The purpose of this thesis is to investigate how international companies handle their corporate brand identity communication through advertising in connection to the local market situation in the different targeted countries. With this objective as a starting point we developed four research questions, covering different theoretical issues within the scope of our research problem.

The *first* research question deals with the different advertising methods that international companies use in different countries in order to create brand identity and image. In order to get a full understanding of this question we had to examine theories about internationalisation, standardisation, brand and product familiarity by De Mooij (1998), Raaij and Fred (1997), Melewar and Saunders (1999), Cavusgil, Zou and Naidu (1993), Harvey (1993), Hill and James (1991) and Mueller (1991), Harvey (1993), and Cavusgil, Zou and Naidu (1993).

The *second, third and fourth* research questions focus on how standardisation and adaptation are used in the design of advertising to achieve the desired image in different markets; the components on which companies try to build their image on; and the companies' country of origin awareness as a means of creating the desired image. Here we chose to use theories about advertising, desire in advertising, image communication, country of origin, brand identity and image associations, prestige seeking customers; these by Taflinger (1996), Moriarty (1991, p.32) Aaker (1996) and Ugglá (2001), Basile (1999), Papadopoulos and Heslop (1993), Saimee (1994), Morello (1986), Schleifer and Dunn (1968), Shaefer (1997), Niss (1996) and Usunier (2000), Cordell (1991), Dobni and Zinkhan (1990), Thakor and Kohli (1996) and Han and Terpstra (1988). In addition we used Cook (1994) regarding advertising theories, and Horbas R. (1998), Roat (1997) regarding image. We have also used Vigneron's and Johnson's theory (1999) about the prestige seeking customer.

## 4 METHODOLOGY

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*This chapter will discuss methodological issues connected to the research. The chapter presents our choice of research approach and research method. There then follows a description of our sample selection, data collection and data analysis. Finally, we provide a discussion of how we increased the validity and reliability in our research.*

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### 4.1 Research approach

We have chosen a deductive research approach when conducting our research, where theories presented in the previous chapter were compared to empirical evidence. Since our goal was to get a deeper understanding of the problem, we further chose a qualitative approach in conducting our study. The definition presented by Wiedersheim-Paul and Eriksson (1997, p.65) states that qualitative methods focus on providing a complete picture of the situation, and are often used in case studies and in-depth studies where the objective is to obtain vast and deep information from few units.

### 4.2 Research method

We started our research by collecting information from books and scientific articles regarding internationalisation, international advertising, image and prestige seeking consumer behaviour, cross-cultural communication, country of origin etc. In collecting the necessary information we have searched and found interesting material in databases such as Helecon, Elsevier and Emerald, at the university library of Luleå University of Technology.

Our study can be considered a descriptive research. Through this we wanted to increase our understanding of how an international company handles their image communication in targeting different cultures, and how people in those other cultures experience the international company's approach in their land. In order to better understand both the company in its home country and the foreign country into which they expanded, and to understand also the consumers of the foreign country, a deep investigation was required. Therefore it felt natural to use the strategy of case studies in relation to the issues of the research questions. We decided to conduct a case study of one company, operating in several countries. We have chosen two rather different countries where the company operates, namely the home country of the company, Sweden, and an Eastern European country, Hungary. The case studies concentrated on a few aspects, within internationalisation and cross-cultural considerations, in order to be able us to achieve adequate depth in the topic.

### 4.3 Sample selection

In our choice of case study objects, we considered large companies with operations in several countries, preferably including Europe. The size of the company had to be substantial because it is imperative that major companies are aware of the factors that play a major role in successful adoption in the foreign country. To be able to find the relevant objects for the case studies required to conduct this investigation we contacted the chosen company, Volvo Cars Sweden, by telephone. Fortunately, they found our research idea interesting and gave us the possibility to conduct our investigation with their help and under their control.

## **4.4 Data collection**

In order to get the data needed to conduct this thesis as a case study of the two different markets we chose to collect the information through a number of ways. The main sources were questionnaires to provide a consumer perspective, interviews and corporate material to provide a company perspective and actual advertising material to see the communication between the two.

### **4.4.1 Questionnaire**

As this thesis studied image, a phenomena that have two sides. Based on the definitions of brand identity and brand image, an aspiration is not the same as the actual result. What is designed by the company can be one thing but ending up as completely different for the consumers. Because of this we did not want to limit this thesis to only presenting the company perspective. In order to create a picture of the consumers' opinions we designed two different questionnaires for the two markets where the Volvo Cars are operating. Since these questionnaires were distributed some weeks before the time of the interviews with the company a large number of them were answered and processed, these also posed as a base for designing our questions for the interview guides. The questionnaire was sent to a person for pre-testing in order to make every question as clear as possible, this as a means of avoiding misunderstandings. The questions regarding Volvo Cars and their advertising were the same for the Swedish and the Hungarian respondents and the testing of the questionnaire could be conducted by the same person.

#### Sweden

As a first step this provided us with a picture of what the consumers think about the company and their products. This both since we did not have the results of any marketing research and that we wanted to see if there were any correlation between the respondents and our own initial opinion. The questionnaire for the Swedish respondents were distributed to 54 persons, both men and women, between the age of 18 and 68. The area where the respondents live were limited to two cities in Norrbotten. In most cases the questionnaires were handed to the respondent personally but a number of them were also sent to the respondents by e-mail.

#### Hungary

In order to get an understanding of how much the people of Hungary know about the studied company and what kind of image the Hungarians have of it, we designed a slightly different questionnaire (Appendix 4) for the 50 Hungarian respondents. The Hungarian respondents were between the age of 24 and 70 years. 32 women and 18 men from three different cities, both the capital and on the countryside, mostly in North-East Hungary. Approximately 70 per cent had academic degree and 30 percent worked with diversified jobs, among others different kind of physical jobs. The first questions handled how much and what the respondents actually know about Sweden and the company. In the second part of the questionnaire the questions were then mainly the same as for the Swedish questionnaire. The questionnaire was distributed both through e-mail and regular mail.

### **4.4.2 Interviews**

To provide the company perspective we chose to make personal interviews with representatives of the two studied companies. This way we had a good opportunity to gain a deep knowledge and understanding of the companies, which are located in Gothenburg, Sweden and in Budapest, Hungary. We also made an effort in finding the right persons within the companies. At Volvo

Cars Sweden our interviewee was Björn Jutendahl, the manager of the market communication department. We were also in contact with Björn Larsson from the information department, who functioned as a contact person during the data collection phase. In Hungary, we also had two contact persons, Andrea Sztárcsevy a PR and communication specialist in the marketing department and Gabriella Parányi the manager of the marketing department, who was also our subject for the personal interview. Through personal interviews we had the possibility to get further information from the respondent's gestures and body language. We designed an interview guide both in Swedish and Hungarian (Appendix 1 and 2), which was mainly based on the theory discussed in the second chapter in this thesis.

The interview guide also reflected the problem discussion, purpose and research questions. The questions were both open and yes and no questions, giving the respondent the possibility to give exhaustive answers. This way we could get answers in a more comprehensive way. By having open questions the respondents were telling us things that we actually did not ask them about, facts that were useful to our research, enabling us to get a more detailed picture of the firms and their way of handling the investigated issues. The questions were clearly formulated and even providing explanations to the concepts, this to avoid misunderstandings. Before conducting the interviews with the companies, we tested the interview guide by letting a person look at our questions. The questions that this person found to be easy to misunderstand were reformulated. We also got acquainted with the companies' homepages, and after this we started to formulate the questions in order to avoid those, that were readily available from the Internet.

Before an interview there was the possibility of sending the questions to the respondent in advance. Both in Gothenburg and in Budapest the respondents requested to have the questions in advance both in order to be able to prepare and to save time when we were there. We therefore collected all the questions which we thought were adequate for our investigations in the form of a questionnaire, and sent it to the respondents by e-mail, two weeks before the personal interviews took place. The personal interviews were carried out by only one of us, because of practical obstacles. In order to create an accurate handling of the data collected during the interview, and the fact that only one of us could attend, the personal interviews were recorded. After the interviews were done, we both listened to the tapes carefully a few times to be sure that we hadn't misunderstood anything and that we have written down everything that was said.

The interview with Jutendahl, was carried out in Gothenburg at Volvo Cars Sweden's office. The interviews with Parányi and Palfi, at Volvo Cars Hungary were carried out in the main Hungarian office in Budapest. The questions were identical to the ones sent two weeks before the personal interviews. Before the personal interview, Jutendahl, the Swedish respondent, had answered a number of our questions through e-mail. However, these answers needed further explanations and through the answers additional questions arose. Besides the questions previously sent to the respondents, we also raised a few extra questions where necessary, during the personal interview. These extra questions came from the answers given and which were involving the possibility to raise new ones. Otherwise our questions didn't cause any difficulty for the respondents, they understood them perfectly and the questions didn't need any further explanations. Since the respondents had different mother tongues we decided to use their own ones to avoid any misunderstanding. This we could do, since fortunately one of us had Hungarian as a mother language and also spoke Swedish. The interviews, both in Sweden and in Hungary, started by asking the respondents to introduce themselves to briefly describe what their jobs were at the company. Afterwards, the already sent questions were raised. The interviews in both cases lasted approximately 60-70 minutes, and were recorded on tape. These answers were later translated into English. During the interviews, both respondents gave us written material, on

market research for the year 2001 and Volvo's market share compared to other brands in the given market, and actual media campaign materials. At the request of the interviewees parts of this data, were handled confidentially by us and were processed in the empirical study and analysis.

#### **4.5 Data analysis**

Our case studies followed the theoretical framework of a case study. This framework reflected reviews of the literature, purpose of this study and the research questions. We compared the empirically based patterns with the predicted theoretical patterns. The empirical findings of Volvo Cars in Sweden and in Hungary were presented as two separate cases but then analysed in one joint cross-case analysis. We also provided an analysis from both a consumer and a company perspective. Both because of the fact that advertising representatives of Volvo Cars Sweden was our first-hand connection to the company and that they were interested to know more about other parts of the corporation, the focus of the analysis was consequently placed more on Volvo Cars in Hungary. The data that were analysed was the information collected through the personal interviews, the general information about the different markets, the results from the questionnaires that we sent out and the market research material that we took part of. The information that we got from the interviews was used as a base of analysis since the respondents answers was describing the real situation from the perspective of the company.

Though as stated before, image is what the consumer thinks of and associates with the company. The questionnaires provided us with a quite clear picture out of this perspective. What we noticed when starting to evaluate the answers to the two questionnaires we saw a great difference in the way the questions were answered, this between the Swedish and the Hungarian respondents. The Hungarian respondent provided us longer, more detailed and describing answers than the Swedish respondents. The respondents in Hungary were obviously more open to tell us about their thoughts. In order to ensure a more correct picture of the market conditions in the two countries, we had chosen to present data that described the different situations. This since these conditions largely affect the activities of companies. The information that we acquired was used as a source of comparison in the analysis.

#### **4.6 Validity and reliability**

To start with, we designed our research questions in a way that assured us of knowing what we actually were about to measure. We tried to keep the research questions as clear as possible. In order to study that which we intended to study, we took preventive actions in an attempt to improve the validity of this investigation. First of all, we conducted a thorough investigation of the literature and articles that were to be the base for our theory covering the area that we chose to study. We did this through continuously trying to ask ourselves: is this theory relevant in connection to our research questions. To get the most relevant answers to our questions we made an effort to find the right persons to interview within the two companies. In our case these persons were employers or manager directors of the marketing departments. We further formed the interview questions so that they would reflect upon our theoretical framework, thus, leading us towards asking the kind of questions that were relevant to the purpose and research questions of this study.

To improve reliability, which means that a measurement instrument should provide reliable and stable answers, we made an effort to decrease the probability of interview bias. First, we tried to form the interview questions in a way that the respondents would find easy to understand. We

also tried to avoid asking leading questions. Thanks to the fact that the respondents were more prepared, since we sent the interview guides in advance, our interview became more of a dialogue in connection to the interview guide instead of just asking questions and risking merely getting short answers. Another benefit of sending the interview guide in advance was that we got more information than we had expected, in the form of stories of past experiences, future plans and personal thoughts. In order to get the correct result of the answers in the interview, we completed the answers that we received immediately after conducting each of the two interviews, in order to remember as correctly as possible. The fact that the respondents also sent us the answers that they had written down via e-mail helped us further in working with the data. After conducting the interviews, recording the answers and getting answers even through e-mails, we still think that the choice of personal interview was worthwhile. In this way we could minimise tension and found that the discussions were more relaxed. One issue we had to deal with arose from the fact that material such as company information and the answers to the questionnaires were in Swedish and Hungarian and the interviews were conducted in Swedish and in Hungarian, resulting in the time-consuming task of translating the data into English. Another aspect of this was the drawback that only one of us could understand and therefore handle the work of translating the information from Hungary.

The conclusions we chose to divide into two sections, conclusions connected to the case studies and general conclusions. This because we did not want to end up claiming something in the general conclusions that was based solely on these two case studies since they are part of the same company. This gave us the opportunity to try to provide general conclusions that contribute to a more complete picture of the situation for the image-communicating advertising.

## 5 EMPIRICAL STUDY

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*In this chapter we summarise the information collected through Volvo Cars in Sweden and in Hungary and the results from the two questionnaires. This empirical material gathered then serve as a base in the analysis where we compare this to the theories outlined in the theory chapter.*

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### 5.1 Sweden

#### 5.1.1 The Swedish market for cars

Statistics produced by SCB (2001) show that, at the turn of the year 2000/2001, there were 3,998,614 cars in circulation. Even though the number of cars owned by women increased by four percent, this number still only represented around 26 percent of these, or 1,048,626 out of these. Car ownership by men also increased, with the rise of 46,739 cars or two percent, with 2,188,175 cars owned they represented 55 percent of the total number. Out of the almost four million cars on the roads in Sweden 761 813 were owned by legal entities representing 19 percent of the total. This, showed an increase of more than 3 percent.

SCB (2001), in cooperation with SIKÅ, the Swedish Institute for Transport and Communications Analysis, has put together statistics showing that out of all cars registered to a natural person during the year 2000 (Appendix 5), every fifth of those buying a Volvo were a woman. The corresponding number for Renault was almost every second car. Regarding the total number of cars, Volvo is the most frequently bought car, followed by Volkswagen and BMW. Volkswagen, though is the favourite car for women, Volvo comes next in most of the different age clusters, with the exception of people over 50, who choose Renaults. For men over 30, Volvo and Volkswagen pose as favourites. The statistics further show that men under 30 prefer BMW and Volkswagen, Volvo follows as a third choice for this cluster of men. According to statistics provided by Motormännen (2001), there were 992,651 Volkvos in circulation by the 1 of January 2001. Their statistics also show that the number of new Volvo have been registered during the last six years:

• **1995:** 48,982 •**1996:** 43,221 •**1997:** 51,441 •**1998:** 53,598 •**1999:** 64,104 • **2000:** 54,883

#### 5.1.2 Volvo Sweden

Volvo in the beginning

According to "Volvo Personvagnar 1927-2001" Volvo was founded on 14 April 1927. That day the first car with the nickname "Jakob" rolled out of the factory in Gothenburg. The adventure though had already started a few years earlier. In the twenties, the first real break-through of cars started in the US and in Europe. The real interest for cars in Sweden started in 1923, thanks to a jubilee exhibition in Gothenburg with 97 exhibitors of cars. At the beginning of the twenties the import into Sweden was around 12,000 cars a year and after 1925 it rose up to 14,500 cars a year. Internationally car producers usually bought car components through industry catalogues and then assembled the car together. The quality of these cars was not that high and many of them didn't have a long lifetime. It was on the quality that Volvo's founders Assar Gabrielson and Gustav Larson mainly wanted to concentrate. The basic idea was that they would have their



own construction operation and design the parts of the car; and would then look up suppliers who were producing these parts based on the given constructions. Finally, they would also take care of the assembly, the overall objective being to ensure the quality of the products. This basic idea, formulated in and applied since 1926, till represents the essence of Volvo's way of producing cars.

#### Volvo today

Volvo Personbilar Sverige AB, further referred to as Volvo Cars, is a subsidiary to Volvo Personvagnar AB see organisation chart (Appendix 6). Volvo Cars is the marketing arm of Volvo. They also import and market Renault cars and transport trucks, this contract benefiting both partners with. Volvo Trade is getting a wide and attractive product range program. Since 1 June 2000 Volvo Cars acts as the general agent for Land Rover, and since the beginning of 2000 there are people in Sweden working with Jaguar. Volvo is offering the market the widest variety of new and second-hand cars, accessories, spare parts, service, insurance and financing. The office in Angered, Gothenburg has approximately 500 employees. Volvo Cars is also represented in Stockholm, through office and exhibition halls at Kungsträdgården. Volvo Personvagnar AB had a turnover of 14,8 billion SEK during 2000. The year before the corresponding numbers were 15,3 billion SEK. Volvo Cars has a retailer in every Swedish city with a population of more than 10 000. As a complement to this network there are 11 subsidiary retailers and around 50 service stations.

#### Volvo's core values

Volvo has in addition high quality mentioned above three other, core values described below:

##### *Safety*

Volvo's commitment to safety has been an intrinsic part of the company since it was established and people who purchase a Volvo simply take it for granted that they are buying one of the world's safest cars. These high expectations are a daily challenge to those at Volvo involved with car safety. Volvo's safety work comprises three areas:

- *Active safety*, the characteristics and equipment which help the driver to avoid an accident whenever possible.
- *Passive safety*, the best possible protection if an accident proves unavoidable.
- *Protection for people and property*, which aims to improve the level of protection from theft and personal threats to the car owner.

##### *Environmental care*

Volvo is ranked as a leader in terms of environmental care among the world's premium car brands. Volvo Car Corporation's environmental programmes are characterised by a holistic view, continual improvement, technical development and resource efficiency. Volvo Car Corporation aims, by these means, to achieve competitive advantage and contribute to sustainable development.

##### *Quality*

It is a part of the company's Scandinavian heritage that things should be made to last, together with the fact that the design should be both smart and elegant. But since quality is a prerequisite for being in this segment, the company needs to refresh itself by focusing on a particular offshoot

of quality: the durability and longevity of their cars. Quality is not necessarily an overt sales message, but customers are always sensitive to it. That is why the company should ensure premium commitment to it. Perhaps the most physical expression of Volvo's quality is the continued durability of Volvos, more than ten years ago.

### **5.1.3 Interview with the manager of the market communication**

Since our thesis focuses on Volvo Cars' advertisement and image creating activities we interviewed Björn Jutendahl, the manager of market communication at Volvo Cars.

The organisation of the advertising – National and international

Jutendahl states that besides being a marketing and trading company for the Swedish market, Volvo Cars also handles coordination for the Nordic countries; Norway, Denmark and Finland. As Jutendahl stated Volvo Cars has no influence on the advertising used outside of these Nordic countries. That advertising is handled by Global Marketing Communication., managed by Peter Rask, the vice president for Global Communication. Global Marketing Communication is working with an advertising agency, MVBMS located in Amsterdam. MVBMS is responsible for all the advertising for Europe except the named Nordic countries. This agency has been used by Volvo in United States for many years. Volvo Cars Sweden is working together with an advertising agency called Forsman & Bodenfors, located in Gothenburg, since the nineties.

During the nineties each of the countries designed their own advertising. Consequently, the Volvo brand name was interpreted differently in different countries. To point out these deviations in the advertising approaches, the head of Volvo, Johannesson, decided to make an exhibition of the advertising created in the different countries where their cars were marketed. The result was presented for the staff involved with communication, to see the huge differences in how they interpreted Volvo's values. Johannesson thought that way of handling the advertising was inappropriate. To improve the overall handling of advertising, Johannesson decided to divide the world into different market areas. Volvo's total market is divided into European, American and international markets. Europe is further divided into Scandinavia, Central Europe, and the Latin region. The idea was to recruit a lead agency, which would develop what is called strategic advertising for the whole of Europe, which later would be adjusted or actually translated for the different countries. Since Forsman & Bodenfors was already a partnered advertising agency, they were asked if they would consider becoming this lead agency for Europe, which they accepted. The contact appointed them the manager of market area Europe Communication, located in Brussels. This manager works with a team, consisting of one representative from each region. Our respondent, Jutendahl is the representative for the Nordic region. While this organisational cooperation was being developed these representatives had very different opinions about how the Volvo brand should be expressed. As Jutendahl states, his opinion differed most from all the others, which, as Jutendahl continues, was not that strange since he has a Swedish, Nordic approach and the others a different approach. Forsman & Bodenfors considered their assignment to be very difficult in such a situation of deviation between the different parties. The advertising that they were producing was to be used in the rest of Europe to a very limited extent. The other representatives just expressed thanks for the ideas and suggestions offered and then designed something totally different for their own region.

Two years ago, after many years Forsman & Bodenfors terminated the contract saying, they had gotten tired of producing advertising, which is not used anywhere else but in Sweden. This meant that Volvo didn't have any lead agency in Europe. They started to look for another advertising agency that could carry out such a complex job. Finally, they approached the

American advertising agency MVBMS, if they considered taking on the job. In the beginning, they considered taking American experts to Europe and they planned to build up a European MVBMS in parallel. Today this agency exists and is located in Amsterdam and functions as a lead agency for Europe. Later it was decided to separate the Northern region from the rest of the Europe because of the different approaches. They decided that Sweden and the Nordic region would continue to work with Forsman & Bodenfors advertising agency while the rest of Europe works with the European MVBMS. Later this constellation has changed. Norway and Sweden found that they are more alike, so they have decided to use Forsman & Bodenfors in the future, while Denmark and Finland found that they are more closely resemble the rest of the Europe, they continued to work with the European MVBMS. Together with MVBMS, there is a grouping called RCM, Regional Communication Management. The team of RCM, lead by Peter Rask, the vice president of GCM, Global Communication Management of the Volvo Car Corporation, meets on a monthly basis. At these meetings, they discuss what kind of long-term needs the different regions have, both at the strategic and tactical levels. They set a mission to MVBMS advertising agency. MVBMS then contacts GCM to make sure that they have interpreted GCM's request. Then MVBMS starts to develop a strategic concept, providing suggestions about how they would like to carry out the advertising as far as the message or the offering is concerned. If that is accepted by the GCM, then MVBMS continues with sketching the advertising units, such as ads in newspapers and on TV.

Regarding hiring expertise in culturally related issues as part of preparing advertising. Jutendahl said that Europe is divided into different regions, with representatives from these regions sitting in the European Communication Management, ECM. It is they who design the advertising for Europe. Besides this, each country has one or more representatives working on adjusting the advertising for the specific country. These adjustments can be, for example, language. Regarding the kind of regulations with which the advertising must conform, Jutendahl says that there are certain laws and regulations that they have to take into consideration in the Swedish market when making advertising. Each country has its own rules, and besides these they also have to consider EU common laws. In the execution of the advertisements, the whole of Europe works together with the same media bureau, which is called "Mind Share" and has an office in each country. This media bureau ensures that the right kind of advertising is put to the right kind of media. After this starts the real production of the advertising.

For Sweden, the preparation and production of the strategic advertising is handled by Forsman & Bodenfors. In addition, they have a so-called in-house bureau, which is located at Volvo Cars's own offices in Angered. They are responsible for the tactical advertising. Tactical communication is to communicating an offering of a product or a service, Jutendahl explains. This kind of communication is aimed at those customers who have already started the process of buying a car. They couldn't for example, be considering buying a new car. They have already decided what kind of brands they want to choose from. In this phase, the company can inform these customers about what kind of offering they have. Strategic communication or advertising here means mediating a feeling or explaining the idea of a product or a service, Jutendahl further explains. This kind of communication turns to a wider group and it aims to stimulate as many potential customers as possible to choose the company's product, in this case Volvo Cars. Considering the co-operation with the advertising bureau, Jutendahl continues by saying that they are providing the bureau proposal guidelines to follow for one year at a time. These are presented as short assignment descriptions for each project to be done. In these short assignments, they describe what the company wishes to achieve with the advertising. Then the advertising bureau replies with a proposition and their suggestions and opinions, presenting what they have decided regarding the assignment. If Volvo Cars and the bureau agree on the plan, the

bureau starts to work on a concept, which they later present to Volvo Cars. If the company perceives the concept as being in line with what they want, the production of advertisement units starts. This process involves several meetings with the bureau to create the opportunity for discussion, comments and adjusting.

#### Advertising expenditure and communication channels

According to Jutendahl Volvo Cars has a turnover of 1,081 million SEK, just on Volvo cars. The budget for 2002 regarding the total advertising and sales promotion represents 184 million SEK, again only for Volvo cars. These ASP costs consists of advertising costs, such as space costs in media, market research, fees to cooperating partners such as strategic advertising agencies or tactical advertising agencies, media advisers etc. These also include costs for public relations, and costs for organizing of conferences for retailers. Space costs amount to 83 million SEK and for sponsoring and event they pay 33 million SEK a year. TV is the most important communication channel used for advertising. Besides TV, they also use radio, open-air advertising, printed advertising, DM, both addressed and not addressed, Internet, events, sponsoring, and telemarketing. The most effective of these is TV, on which the most is being invested.

#### Country of origin in the advertising

On the topic of whether Sweden as the home country of Volvo cars is deliberately used in advertising outside Sweden, Jutendahl say that the Nordic design is an important element both for those who are designing Volvo cars and for those who are working with the advertising. The general perception of Sweden and the Swedish people around the world is both positive and negative. Swedish people are sometimes thought to be bitter, quiet and somewhat introvert. The Swedish products on the other hand are acknowledged as quality products. Certainly, Volvo wants to utilize the Swedish inheritance, which in the case of Volvo are safety, quality, and environmental awareness. These features can be lined to Swedish and the Nordic values.

#### Image in focus

In 1993, Volvo and Renault were supposed to merge, but in the beginning of December 1993 the merging process was terminated and Volvo was suddenly standing before the future without any planned product program or strategies. Everything had been based on the planned fusion with Renault. Then Volvo started intensive work with nine strategic projects. One of these projects concerned the Volvo brand, and what the company wanted achieve and reach with its brand in the future. The first step in this project, was the start up of an overall market research in the large Volvo markets throughout the world to get to know what people were associating with the Volvo brand at that time. Almost every respondent commented on Volvo cars' safety, but at the same time the answers implied that Volvo was considered a rather boring car. At that time Volvo often communicated through advertising, which showed Volvo cars in a laboratory, during collision tests. Jutendahl comments that it was not particularly strange that Volvo was associated with safety and considered as boring. Another thing that many respondents associated with Volvo was the family. Volvo cars are usually big and as being safe, they are perfect cars for families. The third most mentioned element that respondents associated with Volvo, was environmental care. This they considered somewhat surprising, Jutendahl points out, since Volvo at that time wasn't particularly environmental friendly. They had large engines, requiring a lot of petrol. Volvo, however, was a pioneer in the field of using catalysts; through further of this the cars have become more in the line of Volvo being environmentally aware. This can also be seen as Volvo being considerate with people both through its safety and through its environmental care.

These features and characteristics gave Volvo their stable core values. According to Jutendahl, Volvo has to nurture its most important core value, which is safety. This should be the basis for any further work with Volvo's image. But safety is not enough, Jutendahl continues, excitement has to be added. There is no customer today who buys a car only because it is the world's safest car. Because of this Volvo's largest challenge is to add excitement to safety. That's why Volvo's secondary values are design, driving experience, owner-experience. It should be an exciting experience and fun to be the owner of a Volvo car, Jutendahl continues. Volvo's image in this respect differs radically from the one ten years ago. Volvo is no longer boring car. Today Volvo is much tougher and much more exciting. He continues by saying that they are outstanding when it comes to their core values and adds that they are sharing first place with BMW when it comes to their subsidiary values.

#### Market research

Market and marketing research for Volvo is mainly handled by one company, Millward Brown, for the advertising this mainly to be able to know how the market perceive the advertising and the brand itself. In order to get this information, telephone interview are continuously conducted, not only with customers, but also with owners of other car brands. These interviews are made with 100 people during four weeks and focus on the segment called premium CD. Among Volvo's models, it is V70 and S80 that are represented in this category. Models like the V40 S40, S60 are found in the DI executive category. All of the respondents interviewed who are owners of Volvo models that represent these named categories. The interviewers ask about how the advertising is understood and interpreted. Further aspects that they are investigating includes what values the customer associates with the brand and what position the brand has in comparison to others. The questions also address issues such as whether the respondents would consider buying a product with that brand name, etc. Since these market researches through telephone interviews are continuous, the company can see how things are developing. The company also gets a summary report each quarter. These telephone interviews are not used in every region, but only where the sales are substantial, such as Sweden, UK, Germany, Italy, and France. Volvo also sends out a questionnaire to every customer who has newly bought a Volvo to find out how the customer's experience in buying a Volvo, if they received a good service, if they were offered a test drive etc.

In order to get a picture of how Volvo owners perceive the services provided in the after-sales market, customers who have been at a service station are handed a questionnaire. This to find out if they find to be well treated, if all the problems with the car were taken care of, if they were provided an estimate of the repair cost, etc. Volvo also use direct marketing campaigns, such as addressed direct advertising, which is sent out directly to the potential customers. Many of these campaigns aim to collect information to identify potential customers, qualifying as "prospects". These customers are often in the middle of the new-car buying process and here Volvo want to know if buying a Volvo is a consideration for those customers. The company naturally wants to know as much as possible about this category, since they want to treat these customers in a special way.

#### Customer segments

According to Jutendahl Volvo Cars roughly divide the market into private persons and legal entities. Volvo's hundred largest customers are the biggest companies in the country such as Ericsson. These customers Volvo Cars treats with special attention and places an extra focus on them. Legal entities are then further divided into small companies, middle sized companies and

so-called major accounts. Volvo Car is, of course also making a difference between present and potential customers. He describes that advertising is to a certain extent adjusted to the different segments. At a strategic level, however, it is impossible to make different advertising for different segments, but at a tactical level they try to adjust advertising to the extent possible and efficient. For example, they are making special advertising for companies where the main message is Volvo Cars's offer of leasing a Volvo. In direct advertising they also adjust the message based on the segment being targeted. On the issue of their advertising reaching the desired segments, he was positive. On the question of whether they are experiencing that certain segments are in a larger need of advertising than others Jutendahl just comments that they have divided the advertising in the way they thought best. He also adds that they would like to have more resources, however.

As Jutendahl describe it, the strategic advertising turns to a rather wide target group. It is about mediating a feeling or describing an idea about a product or a service. Since it turns to a wide target group, it also uses wide media so many people can see it. TV, open-air posters, advertising in daily press, popular press, magazines etc belongs to these types of advertising. This kind of advertising definitely reaches the targeted group. Tactical advertising a little bit more difficult, the aim with this is to target more accurately at an individual level, which raises a problem as a large percentage of cars are owned by legal entities. The actual driver of the car is not known, making it difficult to reach him or her with individual offers. Volvo has, however, started up the work with building up a leasing car-database with the names of the drivers In this way, Volvo has the possibility to communicate with them by calling, sending them letters, etc.

#### New segments through the new values

Through adding excitement to the driving experience connected to their cars, the company has succeeded in attracting new segments, like younger customers. Jutendahl says, that it can be seen that Volvo didn't loose anything from their image as far as safety is concerned. Moreover their safety image became even stronger after they added excitement. Many non-Volvo owners consider Volvo to be a safe, quality car, but also still somewhat boring. At the same time, many customers admit and feel that the Volvo brand is making an interesting journey, through which it has become more exciting. Volvo is, as Jutendahl states, aware of the fact, that they are a relatively small car producer with a rather expensive car, and they cannot compete with brands like Volkswagen or Ford, either in price or in volume. A mass-producer of cars, like Ford produces cars in very long series, having the possibility to push costs down and thus having the opportunity to offer a lower price. Volvo by contrast has to offer something more than the product's physical features, and this has to be something that customers are willing to pay for. This is called surplus value. Through this Volvo becomes a premium brand, competing with BMW, Mercedes etc. The strategy of producing shorter series and charging higher prices is favourable for each of the markets in which Volvo operates in, except perhaps Sweden, Jutendahl says. This is because Volvo for Swedish people has for many years been considered a car for everyone. Volvo now has around twenty percent of the market for new cars in Sweden but according to Jutendahl this is not a natural demand. Volvo has put enormous effort into implementing tactical activities with different kinds of offerings, image forming etc to achieve this. But as he states they cannot influence the demand in the short run, only in the long run. In the long run, they aim to improve customer satisfaction and image so much that this twenty percent is maintained. Today it is a big challenge in keeping this market share, since car prices in general have increased by 23 percent, while the prices for Volvo's cars have increased by 70 percent. It is understandable, Jutendahl continues, that many people, who have been Volvo-owners for many years before, can no longer afford to buy a new one today.

#### 5.1.4 Presentation of statistics from market research

*We also examined part of a large number of statistical information from the market research conducted by Millward Brown, which we summarise below.*

Millward Brown at a national level carries out telephone interviews with 100 people in a four-week interval for cars in the premium sector, where among others Volvo cars belong. They interview adults aged between 17 and 75 years old who have purchased or have been leasing a vehicle in the past four years. In the second quarter of year 2001, 80 percent of the interviewed people was male. The two sectors they are investigating are cars in the DE sector and in the PCD sector. In the DE sector there are large premium cars like the V70 and the S80, while in the PCD sector there are middle-sized cars such as the S60 and S/V40. Under the DE sector falls the Mercedes E-class, BMW 5-series, the Alfa 166, Saab 9-5, Audi A6, Jaguar S-type, Volvo V70 and S80. Under the PCD sector falls the Alfa 156, Audi A4, BMW 3-series, Mercedes C-class, Saab 9-3, Volkswagen Passat, Jaguar X-type, as well as the Volvo S40/V40 and S60. The two sectors, which they investigate, are cars in the DE sector and in the PCD sector. In both cases they are making a difference between owners and intended owners. They also raise different questions about individual models and overall manufacturers. In the questionnaire, they are raise questions about brand familiarity, consideration to buy, image, overall opinion and advertising awareness. Millward Brown is applying a short rolling period, which demonstrate immediate responses to advertising where they change quickly, and they are also applying longer rolling periods which demonstrates the gradual effect of advertising over time. In the short rolling periods, which means four weeks, they are looking at spontaneous awareness, familiarity, advertising awareness as these are measures, which change quickly. In the long rolling period, which is eight week long, they are looking at opinion and consideration as these are slow moving measures.

They are also looking at the so-called GRP, Gross Rating Point, which is a measure of the TV spend behind an advertisement. All the GRP's used by Millward Brown are weighted to thirty second equivalents, in order to compare ads on an equal basis. In order to represent the "market place", they have weighted together the manufacturer level data in the PCD and the DE sector according to the size (based on year 2000 sales data) of each sector in the Swedish car market. This means they have given heavier weighting to the DE sector as this has a higher level of sales compared to PCD sector in Sweden. The company also carries what is called "significance testing" to be able to calculate how confident people are with something that has changed or is different. When defining familiarity they are using an in-house scale as presented in the model below.

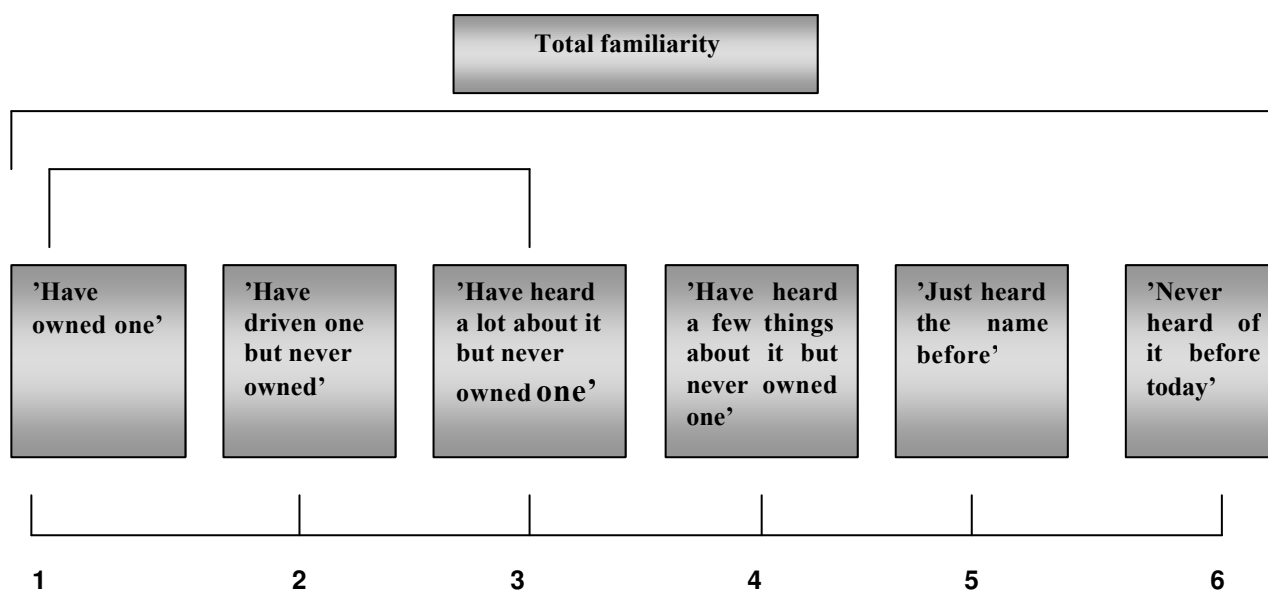


Figure 3: Explanation of familiarity (Volvo Chartbook Sweden, quarter 2 2001)

Another important factor that they are looking at is that in what grade people are considering buying a new car, and how much they are considering to buy Volvo as a new car. Millward Brown has made an own scale for this as well, which follows below:

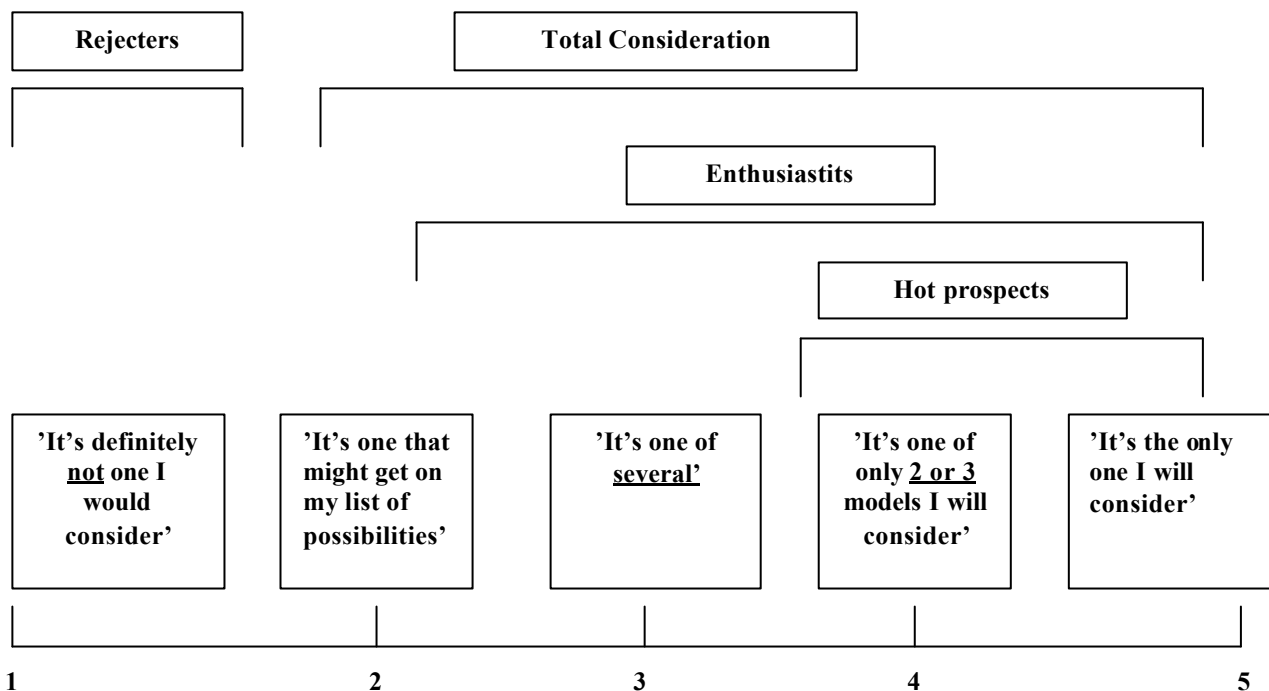


Figure 4: Grading considerations of buying Volvo (Volvo Chartbook Sweden, quarter 2 2001)

According to Millward Brown's overall summary for the DE sector, Volvo continues to be by far the most salient manufacturer within this sector, although the long term trend for the competitors on this measure is one of growth – Mercedes, BMW, Audi, Saab all gradually closing the gap over the past 12 month. Correspondingly familiarity with the Volvo models is still very strong.



Aside from Volvo, there are signs that Mercedes E Class has suffered recently – declines evident in terms of familiarity, interest and consideration. Volvo also continues to be a dominant advertising presence, although TV has slipped over recent months (another notable movement is the decline here for Audi). As far as the spontaneous awareness of manufacturer in Sweden is concerned it had a high percent (53 and 50 per cent) both in the first and in the second quarter of year 2001. With a big lag after Volvo, comes Saab with 17 per cent, then Mercedes Benz with 6 per cent, followed by BMW, Volkswagen, Ford and Audi, just to mention the first ones in the row. The answers on the familiarity questions also show that people in Sweden are familiar with most of the Volvo models. Compared to other brands in the DE sector, Volvo stands in first place with its models V70 and S80, with a high percent of familiarity in both of the investigated quarters. Millward Brown were also raising questions in connection with the newly launched or recently restyled models. Here also, people were highly aware of the changes that had been made to the questioned models, the V70, S80, and C70. When they raised questions about which models the respondent would be considering if he decided to get a new Volvo, the V70 and S80 models stood in the first two places in both quarters. Other brands were following only after these ones. According to Millward Brown’s market research, the overall opinion of Volvo’s cars in Sweden scored between 7-10 points on a ten-point scale, where ten represents excellent and 1 is for very poor. Image is also one of the factors investigated in Millward Browns’s market research. The questions were aiming primarily at Volvo’s core values, which are safety, quality and environmental care. Then they counted out an average for these answers. The question aimed at the respondents impressions of specific listed car manufacturers from the point of view of the named core values. As far as safety and environmental care are concerned, Volvo got first place. In quality, Volvo was ranked as the second best. The average of the respondents image opinion of Volvo was seventy-four per cent, when compared to the other asked brands were rather high. Questions were also raised regarding Volvo’s subsidiary core values, which are attractive styling, enjoyable to drive and proud to own. According to the respondents’ impressions, Volvo had the second best style among the DE factors cars. It stood in first place in the category of “enjoyable to drive” and got the third place in the category of “ proud to own”, after Mercedes and BMW. The average percentage of the subsidiary core values of Volvo was forty-seven per cent. Questions about the familiarity with the Volvo brand were even further divided according to the following:

- Are versatile cars for any occasion
- Are the safest in their class
- Balance needs of family and you
- Provide good value for money
- Cars you can have confidence in
- Are high quality
- Have a rich heritage
- Are cars for younger buyers
- Cars which have vitality and spirit
- More luxurious interior than others
- Responsive performance & handling
- Have attractive exterior styling
- Cars you would be proud to own
- Are exciting to drive
- For confident, independent thinkers
- Cars are more stylish than most
- Are elegant cars

These factors were measures among the V70, and S80 models, Mercedes E-class, BMW 5 series and Audi A6. Both the V70 and S80 got positive answers down to the statement that Volvo cars have a rich heritage. On the other side, all of the remaining statements, which mostly aim at the Volvo cars' subsidiary core values, got negative answers in different proportions. None of the Volvo models were found to be a car for the younger generation. Most of the respondents thought that they have no vitality or spirit, or were not more luxurious than other cars. They also found that they are not especially exciting to drive or more elegant than the other brands examined, would not have more pride to own them. Nevertheless, when Millward Brown asked the respondents how likely they would be to buy different models within the DE sector, many of the respondents named Volvo (S80 and V70 models) as the first and second choice on the list. Advertising awareness of models of different manufacturers was also featured in the questionnaire. Volvo advertising was noticed in almost any media. Compared to advertising of other car manufacturers, the Volvo advertising were seen and noticed to the highest degree.

As far as the PCD sector is concerned, Volvo continues to have a strong presence there. It is a very salient brand. Familiarity with the Volvo models and all key competitors has developed positively throughout 2001. Although advanced familiarity with the S60 continues to grow, specific launch awareness and interest is slipping from its initial peak. Image measures have now stabilised for the S60 after initial strong gains. Opinion remains relatively stable for all key brands, Volvo models continue to be held in high esteem, although there is some loss in total consideration. On the whole, ad awareness is decreasing in this sector. Spontaneous awareness in this sector is high as well. Compared to the other cars in this sector Volvo is standing in first place as far as spontaneous awareness is concerned. In general Millward Brown summarises that in both investigated sectors Volvo continues to be dominant and relative stable. A very salient, well regarded brand, whose core associations are well developed and which features very strongly on customers' consideration list. Volvo has a well established and distinctive image profile.

#### **5.1.5 Presentation of the results of the questionnaire to Swedish respondents**

In order to get a picture of what consumers think about Volvo, we conducted a limited market research within Sweden, through sending out questionnaires to a sample of 54 people. The respondents were both men and women, between the age of 18 and 68. 24 of the respondents owned a Volvo. Most of those, who didn't own a Volvo said that they hadn't even thought about buying one for a variety of reasons. Only a few of them answered that they would consider buying one in the future. Most of those who owned a Volvo explained their choice by saying that Volvo in their opinion is a safe, comfortable, spacious, quality car, with less expensive spare parts, and also that the cars are Swedish and built for the climate of Sweden. Most of the respondents thought that the most important of quality was that the cars are safe; all other qualities were secondary to that. The Swedish respondents also thought that, despite all the qualities that Volvo has, it is an expensive car and if they wanted to buy a Volvo they would probably buy a second-hand one. Most of them said that they couldn't afford buying a new one and since the cars are known for maintaining their good quality, they would be satisfied with an older model as well. Only a small number answered that they would not buy a second-hand Volvo. Their explanation was that the cars, which were made more than 10-15 years ago, do not have the same attractive exterior design. The remainder of the respondents did not explain their answer. These belonged to those who had a yearly income between 300,000 and 400,000 SEK and were middle-aged or older. Most of respondents wouldn't consider buying a Volvo that is older than ten years. Most of the respondents would consider buying a second-hand Volvo that is not older than five years, since in their opinion the new cars' value decreases rather fast in the

first years, so after a few years they still have a good quality car at a more acceptable price. Those who would buy a Volvo, older than 10 years, justified their answer by saying that cars, which are older than 10 years have probably had their spare-parts changed so it wouldn't make a big difference for them.

We also wanted to know what people think about Volvo, what image they have about Volvo, if they can remember where the company has placed advertising and what they think the company wanted them think of it. The most important qualities in a Volvo, according to the respondents, were safety, durability, collision safety, family friendliness, style, environmental care, and that Volvo is a fuel-efficient car. There were even a few who thought that Volvo's cars, especially the newer ones, are more luxurious and have become a sort of status symbol. Every one of the respondents could remember TV as the most frequently media in which they had seen Volvo advertising. A few of them also mentioned newspapers and magazines. Only a few mentioned most frequently noticing radio or billboard advertisements.

According to the respondents, the company wants the consumer to associate Volvo with safety, quality and being family car. In answer to the question of what the respondents would want the company to emphasise in its advertising, most of them answered that they would emphasise that the cars are safe, keep good quality long, do not consume much petrol and are "faithful". Some also mentioned that the message stressing that the car is worth its price as important because of the high price. We were also curious about what qualities the respondents consider as the most important in a car. Most of the respondents named safety, quality, economical reasons and environmental care. Those respondents who own a Volvo thought that these qualities exist in the cars, only a few of them did not agree. Those who were not Volvo-owners thought that the most important qualities that they have named didn't exist in the cars produced by Volvo, and this mostly explained why they didn't buy one. Only a few of the non-owners couldn't answer this question, saying that they did not have a Volvo they did not know if Volkos had these qualities.

When asking if the respondents had any opinion about what kind of people they thought buy a Volvo, we got diversified answers. Most of them were in agreement that those who favour Volkos the most are usually buyers were that families and parents with fix jobs and with a minimum of two salaries in the household who favours Volvo the most. Then there were those who couldn't identify a certain type of people who buys Volvo. We also received few answers like: "safety-addicts", conservatives, and reasonable people standing with both feet on the ground. Some of the younger respondents also added that there are more young people buying Volvo thanks to the better-designed and sporty models.

## **5.2 Hungary**

### **5.2.1 General overview of the Hungarian market**

Hungary – A Market Ready for Western Brands?

Becker and Baker (1995), together with other authors, claim that the use of branding and product image creation is based on the fact that diminishing product differences and quickly copied developments together mean more choice than ever for the consumer but also an environment that keeps changing rapidly. This is mainly the case in Western markets. They continue by pointing out that the market conditions in the countries of Central and Eastern Europe were not such as to encourage branding to evolve and develop by itself. The concept of branding is fundamentally rooted in the availability of choice that was, not until the end of the eighties, a

characteristic of these markets. The practice of giving products a name in these markets did not have much in common with the concept of branding as understood from the Western perspective. Products might have had different names and different packages but only a few, if any, had a real brand character. The concept of a product, which has an added value represented mainly by brand name, was therefore still something new in the beginning of the nineties. Becker and Baker (1995) stated that then, in the middle of the nineties there was no research or evidence that branding in its current Western form was either advantageous or beneficial to companies in these Eastern European markets or to the markets themselves. Becker and Baker (1995) continues the discussion on the transferring of the branding concept to these markets, by stating that there is in many respects still a frontier and possible improvements in the local markets had not yet been explored nor had effective strategies been discovered. In their study the authors got some important and interesting factors mentioned by their respondents such as the perception that brands can be seen as status symbols and cannot be afforded by the masses and that brands are found to be a visible division between rich and poor.

During communist times some Western brands from the so-called Capitalistic West were already known in some countries of Eastern Europe but they were generally unavailable. This situation made them even more attractive for consumers as they were extremely hard to come by and products from Eastern European countries were of a relatively low quality standard. The desire for Western brands was strong, which became obvious in the huge shopping sprees that took place in Germany and Austria immediately after the liberalisation of foreign travel. Suddenly previously unavailable the products and reserved for the hard currency-holding elite were available to everyone. Becker and Baker (1995) claims that at the beginning of the nineties Hungary, Poland and the Czech Republic were the most preferred countries in Eastern Europe for the activities of Western multinationals. They point out that it is very important to acknowledge the distinctions between these three and other countries in the region. Most countries in the Central and Eastern Europe not only have a very different heritage but even more importantly they have taken a very different approach to development since the end of the communist era. In many respects these countries have therefore to be treated individually and generalisations across borders should be avoided in order to be able to draw valid conclusions from any research.

According to the Encyclopaedia of Hungarian Economy (1999), Hungary is a moderately developed country of industrial-agrarian character. In international terms it has relatively limited economic potential, with a high external vulnerability. In 1998, its per capita GDP was 1,000,000 HUF (4,600 USD). Based on its 1998 GDP of 10,000 billion HUF (46 billion USD), Hungary is ranked as a relatively small unit in the world economy, greatly dependent on international developments as well as on external development conditions. Exports of commodities and services corresponded to nearly 54 percent of the 1998 GDP. Economic growth and exports stagnated in the 1980s, accompanied by a significant decline in investments, a continuous growth in inflation, and lack of external balance. In 1989, per capita indebtedness reached a high level (2,000 USD), even in international terms. The year 1990, which marked Hungary's transition to multi-party democracy, started out on a crisis footing, rooted in long-term crisis processes and affecting the whole institutional system, economic and social structures, as well as the general equilibrium and social psyche of the country. The difficulties of the transformation were aggravated by unfavourable developments in the international environment. Factored into this equation were the gradually worsening general crisis of the Eastern European countries; the narrowing of market opportunities; insolvency; the longest and most severe recession in the developed market economies since Second World War; civil war in Yugoslavia; gradually

shifting international trading and financial trends towards the Far Eastern and Pacific region; and the weakening of international economic and political co-ordination.

Since 1990, the Encyclopaedia of Hungarian Economy (1999) says that, the following tasks had to be tackled simultaneously: democratisation of a weakened totalitarian system and transformation of a partly-reformed-centrally planned economy into a market economy; the curbing of potential consequent crises and financial imbalance; the alteration of one-sided dependence that had emerged in international relations; as well as the geographical regrouping of foreign economic relations, with intensive preparations for European Union membership. For those involved in the management of Hungarian economic life, the disappearance of the majority of the Eastern markets and the world economic recession in and of themselves produced a shock-effect, and a similar domestic shock was felt with the transformation of the operational order of the economy, the opening of economy to the world, as well as the liberalization of prices, wages, and imports. In the period 1989-93, the national GDP decreased by 21 percent, according to statistical observations; however, as a result of the fast pace of growth in what is called the shadow economy, the actual shrinkage of the economy was more modest. The volume of investments decreased by 30 percent, while funds spent on research and development dropped by more than 60 percent. Concurrent with the drop in production and incomes, unemployment increased from 0.5 percent to 12.5 percent. This shrinkage reached its critical point in 1993. In 1994, GDP increased by 2.9 percent, in 1995 by 1.5 percent, in 1996 by 1.3 percent, in 1997 by 4.6 percent, and in 1998 by 5 percent.

According to the Encyclopaedia of Hungarian Economy (1999), the transition period has become irreversible, and the economic model has also undergone transformation. More than 90 percent of prices are now liberalised, and in the period 1989-96 the rate of budget subsidies dropped from 13 percent of GDP to 2 percent. In 1989, the private sector share of GDP amounted to 18 percent, by the end of 1993 this figure had risen to 50 percent, and at the end of 1998 it amounted to 80 percent. Between 1990 and 1991, one-tenth of all privatised state property, and between 1992 and 1994 more than 40 percent, was bought by local entrepreneurs and capital investors. One of the most serious tensions in Hungarian development originates from poor growth and income-generating capacity and the weakened employment potential that emerged due to the necessity to improve the competitiveness of the economy. Between 1989 and the end of 1996, a total of 1.1 million statistically registered jobs disappeared from the Hungarian economy, the employment potential of the economy decreased by 30 percent, the rate of unemployment grew from 0.5 percent to 11.7 percent, while the number of unemployed grew from 10,000 to 477,000. The fall in the number of jobs by itself was the source of serious social tensions. In 1997, the economic boom halted the decline in the number of employed, while in 1998 it began to slowly increase (0.5 percent). The regional distribution of unemployment is extremely uneven; in the eastern part of Hungary it is double the national average. The drop in the number of economically active persons has been coupled with the aging of the population and a nearly 40 percent increase in the number of pensioners. The weakness in growth-employment capacity sharpens serious financial and other tensions in the system of social provisions and the situation of pensioners.

Furthermore the Encyclopaedia of Hungarian Economy (1999) states that the unfavourable patterns of growth, income and employment have intensified decline and polarization among the different geographical regions of the country. In Hungary, eastern and northeastern regions, which were burdened with the heritage of the traditional Stalinist heavy industrial development, the level of per capita income lags behind the national average, in particular when compared to the Budapest area, and the development level of the more rural northwestern regions. This

breakdown is particularly noticeable when looked at from the basis of the number of entrepreneurs per 1,000 of the population, and the volume of foreign direct investments per 1,000 square km of the country. All these greatly hamper the start of a nation-wide recovery. Foreign trade monopolies ceased to exist as foreign trade became decentralized. Average customs tariffs dropped from 16 percent to 7.5 percent in the past decade. 35,000 partially or wholly foreign-owned enterprises now operate in the country. Foreign capital investments amounted to 7.2 billion USD in 1994, as against 0.3 billion USD in 1989. By 1998, this figure had risen to 18 billion USD. The emergence of a middle-class is shown by the trend seen between 1989 and 1996, when the number of independent small entrepreneurs increased from 161,000 to 700,000 that is, to 18 per cent of the economically active population. The geographical regrouping of foreign trade relations and the abolition of the earlier one-sided dependence is highlighted by the fact that compared to an average 27 percent over the previous four decades the ratio of Hungarian exports to highly developed market economies topped the 83 percent mark in 1998. The long-term process of contraction has finally been reserved; this was the hardest stage of the transition. The previously neglected service sector has developed spectacularly. As a result of foreign capital investments, new up-to-date production structures have emerged, for instance in the vehicle, lighting, and fine chemical industries.

### **5.2.2 Industry**

According to the Encyclopaedia of Hungarian Economy (1999), during the decades following the Second World War, Hungary developed from an agrarian-industrial state into a moderately developed industrial-agrarian country. Although Stalinist and post-Stalinist industrialisation saw a significant part of Hungarian industry spurn natural growth conditions and saw its competitiveness lag sorely behind internationally, industry became a leading branch of the national economy by the end of 1989 when, excluding the food industry, it accounted for 44 percent of total product output. It accounted for 28 percent of GDP, 32 percent of investments, 26 percent of the labour force, and in the export of goods, 75 percent. It therefore contributed markedly to the socio-economic changes underway. The country's economic transition has presented manifold challenges for Hungarian industry. It had to implement a simultaneous opening to the world economy, market regrouping, to manage the change of ownership, organizational decentralization, a change of professional culture, and an accelerated pace of technical modernization; and at the same time, it had to ease the consequences of a recession which began in 1989. Increasing industrial imports as well as the cancellation in 1990 of budget subsidies extended to industry brought a quick end to the less competitive parts of Hungarian industry.

During the 1980's, Hungarian industry had exported one-third of all its products on average, and overwhelmingly to the socialist countries. The demand for modern, high-quality products in these markets was limited. Foreign trade was regulated by long-term agreements, and unchanging technical-economic parameters was detrimental to the competitiveness as well as the technical development of products. The general crisis that emerged in the Eastern European countries, the shift in 1991 to world market prices and payments, as well as increased competition from goods imported from highly developed market economies, considerably damaged Hungarian industry's traditional Eastern European markets. Between 1989 and 1993, industrial exports to the former socialist countries of the region decreased by 60 percent. Changing markets demanded not only new market relations but also new products to meet the more sophisticated demands of new markets, greater adjustment to their economic environments, standardization, and demand structures. The fast pace of regrouping on external markets is illustrated by the fact that in the period between 1989 and 1998, industrial exports to countries

with market economies increased more than six-fold. From the point of view of the dynamics of industrial development, 1998 was a milestone. After a lapse of nine years, the volume of industrial production surpassed the pre-1989 period for the first time. In 1989, industrial sales accounted for 24 percent of exports, while in 1994 this had increased to 30 percent, and by 1998 it was close to 40 percent. Since the industrial boom that started in 1993, industrial export-oriented sales grew by an annual average of 22 percent in the 1994-98 period. Between 1994-1997, domestic sales fell. The domestic market for industrial products began to grow in 1998. Parallel with the returning dynamism of industrial output, a marked structural transformation began to emerge in industry. The consequence of comprehensive opening to the world market resulted not only in the strengthening of the export-orientation of production, but also in a more marked specialization in products that require greater expertise and a higher processing level. Export orientation became a determining factor first and foremost in the engineering industry as well as in the manufacture of vehicles, telecommunications products, light sources, chemical fibres and clothing.

### **5.2.3 Foreign Capital Investment**

According to the Encyclopaedia of Hungarian Economy (1999) in 1989, the number of foreign and joint venture companies operating in Hungary was 1,800. Their number increased to 19,000 by the end of 1993, and to 35,000 by the end of 1998. In the initial stage, there was a significant presence of smaller investors who wished to exploit possibilities originating from the transition period and who were interested in learning about the business environment. Today, the presence in Hungary of major firms, which conduct strategic investments and are active on a world scale, such as General Electric, General Motors, Ford, Guardian Industries, Volkswagen-Audi, Suzuki, is conspicuous. Barely one-third of foreign capital investments in the pre-1989 period were in the processing industry; however, in 1991-92 this proportion increased to 63 percent, and at the end of 1996 half of all foreign direct investment (FDI) was accounted for by the manufacturing industry. The geographical origin of foreign capital investments indicates a significant concentration, although the financial resources and geographical roots of major companies active on an international dimension are becoming ever more entwined in the globalised world economy.

By the end of 1998, 30 percent of invested capital was from Germany, 25 percent from the United States, and 10 percent from France. The growth and structural characteristics of foreign capital investments in Hungary are driven by several factors, primarily a consequence of the higher degree of political stability; the maturity of the transition to a market economy; market preferences achieved in the course of economic diplomacy negotiations; the abundance and easier motivation of a well-trained workforce; and cost levels being essentially lower than those of the highly-developed countries. Strategic investors are ever more frequently turning to Hungary to build up bridgeheads of production and trade in Eastern and Central Europe. This process is assisted by the fact that the establishment by Hungarian enterprises of operations abroad already underway. By the end of 1996, there were more than 2,000 Hungarian joint ventures abroad (mostly in neighbouring countries), with investment capital of about 600 million USD. These joint ventures partly reflect industrial relocation from Hungary, and they play a significant role in the development of foreign trade with neighbouring countries. Based on the volume of foreign trading and active capital turnover as well as her trade-policy manoeuvring capacity, Hungary was of the smaller ex-Comecon countries, the one that integrated, in the absolute sense, to the greatest extent into the system of international economic relations. Global economic integration unfolding at a company level is indicated by the fact that foreign companies operating in Hungary in 1994, while in 1996 that figure had risen 10 billion USD (ibid).

The Encyclopaedia of Hungarian Economy (1999) concludes that the combined processes of the change of regime, completion of the transition phase in the economy, opening towards the world economy, privatisation, macro-economic stabilization, the fast pace of adjustment to the requirements the EU uniform internal market and the Maastricht convergence criteria, the transformation of the production, consumption and foreign trading structure of the economy as well as the growth that started in 1997 onwards, have all improved Hungary's international economic position and readiness for EU integration. In a situation analysis conducted by the EU, Hungary received a positive rating, on the basis of which it received an invitation in 1998 to participate in the first round of accession negotiations to be conducted on EU enlargement. Based on its performance so far and preparations for accession, Hungary can undertake in the first decade of 21<sup>st</sup> century all the obligations and demands that go with full membership of the EU (ibid).

#### 5.2.4 The Hungarian market for cars

According to the magazine *Automotive - Hungary* (2000), the automotive consumer market in Hungary is small by international standards. The political and economic isolation of Hungary from the West during the cold war years resulted in a low local level of disposable incomes. As a consequence of the low living standard, motorisation was far behind the West. However, when Hungary became a free society and economy at the turn of the nineties, motorization began to develop at a rapid pace and soon became an integral part of life. The sale of new and second-hand cars in Hungary is estimated to have totalled between 400,000 to 450,000 p.a. in recent years. In addition, 40,000 commercial vehicles such as trucks and buses were also sold annually. The automotive fleet, including cars and commercial vehicles, in Hungary was estimated to account for about 3.4 million units at the end of 1999 compared to the population of 10million. The number of cars amounted to about 2.8 million representing 82 percent of all vehicles). Even so, about two thirds of the car fleet consists of obsolete Eastern European models such as Lada from Russia, Trabant and Wartburg from the former East Germany, and Dacia from Romania. In terms of new car sales, 1999 can be deemed as the best year in the nineties. Sales were up by 20.5 percent during 1999. For 2000 and beyond, an annual 10 to 12 percent growth rate in the sale of new cars is forecast.

<i>Year</i>	<i>New Car Sales in Hungary (units)</i>
1993	74,830
1994	90,200
1995	68,540
1996	74,320
1997	79,830
1998	107,000
1999	129,900

*Figure 6: Magyar Suzuki Rt. and Association of Hungarian Motor Vehicle Importers (6 January 2000)*

The leading brands sold in the Hungarian new car market are Suzuki (32,000 in 1999, all manufactured locally); Volkswagen Group brands, including SEAT and Skoda (24,000), GM Opel (18,000), Ford (7,700) and Fiat (7,800). The motor vehicle fleet in Hungary has an average lifespan of 12 years (1998). As far as the automotive aftermarket is concerned, it is true that due to the fierce competition, the retail prices prevailing in the Hungarian automotive aftermarket are the lowest in Europe. Some thirty companies cover almost the whole market while there are only five in Austria and four in the Czech Republic. Two large firms, Lang Trade Ltd., with an



approximate turnover of \$ 26 million in 1999, and Bardi Auto dominate the market, followed by three or four smaller networks. A large number of minor retailers, particularly in the countryside, operate small shops. Major acquisitions and mergers were expected in the Hungarian automotive aftermarket during 2000. The international suppliers will likely take advantage from any such changes.

### **5.2.5 Volvo Cars Hungary**

The company history of Volvo Cars Hungary

During the writing of this thesis we also were in contact with Andrea Sztárcsevity, a PR and communication specialist at Volvo Cars Hungary. She was very helpful and among other data, she provided us with information about the company history. The Volvo operations in Hungary began in the summer of 1991 when a distributor, Denzel Hungaria Ltd. was established in Budapest. Two persons operated this company. In June 1991 the first retailer office was established. Then it was just a very small-scale operation with a very little market that they could sell to. Basically they didn't sell more than three to five cars a year. During the years it has changed a lot. Between 1992 and 1994 the majority of the retailer network was established. In June 1995 the Volvo Cars Hungary started its operation as officially being a hundred percent owned part of the Volvo Car Corporation, by this time the number of employees were eight. Between the years of 1995 and 1999 Volvo Cars Hungary increased their annual sales significantly and in 1999 the sales exceeded thousand cars. In August 2000 Volvo Cars Hungary became the head office of the region and the name were changed to Volvo Cars Hungary and Southeast European Trade Ltd., this new organisation had 32 employees. In Hungary today, Volvo has retailers in twelve counties of the nineteen counties. This same autumn the company started using new sales techniques and further were to implement an improved focus on their customer relationship, this for the Budapest region. These new methods involve that Volvo are to be sold directly through new customer service solutions. The direct sales, parallel with the already existing retailers, will be carried out with Volvo's own sales group. These direct sales started almost at the same time in Hungary, Poland and in the Czech Republic. Volvo found these three countries the most ideal for introducing the new sales methods in, since the markets in these countries are developing fast, the traditional methods and channels of car trading didn't become consolidated, and the customers are open for the new things.

From the new direct sales Volvo is expecting growth in sales and an even higher standard customer service in the Hungarian, Polish and Czechs market. The representative of Volvo Cars' direct producer is taking care of the sales, so the customers can enjoy the advantages arose from this expertise. Volvo provides the customers personal consultation, through advice and necessary services, from the first contact through the buying process, servicing and counting in the value of second-hand cars. The slogan of the new sales method is "Personally from Volvo". The method also implies that the sales managers do not wait until the customer calls on them, but they look for and visit the customers themselves at the time and the place that the clients wishes. This can be the clients' working place, home and if it is necessary they make the visit even in the weekends. The direct, active sales are carried out by such a marketing tools like regular events, call centre, the Volvo Magazine or Internet. Volvo, besides the traditional retailer „open days”, tries finding the potential customers by organising such events that might interest those target groups. To create occasions for the first meeting with the potential customers, Volvo arranges ski and sailing races and other activities that the target groups might have as a hobby or an interest in. The most important part of the new sales method is the mobile

and customer oriented group, which consists of advisers and customer service employees. The sales adviser or prospector is the customers' first contact before and during the buying process. These prospectors are personally seeking up those who are interested in buying a Volvo, they are set up test-driving, and specify the details in connection with the wished cars, making financing proposals and sign the contract. The sales advisers are in tight co-operation with the customer service and the logistics employees.

### **5.2.6 Interview with a prospector at Volvo Cars Hungary**

*In order to get as much and correct information as possible about the Hungarian part of Volvo we decided to interview two of the employees at the office in Budapest.*

The first interview at Volvo Cars Hungary was conducted with one of the prospectors, Tamás Pálfi. A prospector is a sales adviser; mainly working with those customers who have already started the buying process. They follow the whole buying process from the initial to the last stage. They call the customers, drive the requested cars to their door for a test-drive, try to appraise the customer's needs and find and offer the best solutions for them. These customers might visit a retailer themselves or attend different kind of events organised by Volvo, where the company's representatives try to collect information from the interested customers', such as names and addresses in order to contact them afterwards and treat them with special care.

#### Competition

Volvo belongs to the category of premium cars, previously called luxury cars. This category also includes Audi, BMW and Mercedes. The market share of Volvo Cars Hungary is around three percent of the total Hungarian car market. In the premium cars category, the company had the market share of 29.4 percent in November 2001. The corresponding share for BMW was 14,6 percent, for Mercedes 20.7 percent and for Audi 35.4 percent.

#### Image

Three to four years ago, the customers' image of Volvo was that of a boring, "lazy" rectangular car but at the same it was considered a very safe and good family car. After 1998, when the new S80 model appeared on the Hungarian market, this picture totally changed. Volvo kept their basic image of being a safe family car, but new features were added. The S80 model was a well-designed, quality car, which caught the eye of many people. But as for all premium cars, they are expensive, and few people in Hungary could afford it. Volvo cars are even more expensive in Hungary than they are in Sweden. Sales tax of 20 percent and VAT of 25 percent are added to the price of an imported car.

#### Communication channels

Besides printed publications like daily papers and magazines, they also use radio advertising but almost no TV advertising. The advertisements are not continuous, rather occasional ones about actual offerings. Two examples of this is the one of offering extra accessories in a so-called elegance packet or allowances for used cars when buying a new Volvo. The two main for not using TV as a communication channel is first the costs associated with it, this connected to the fact that the majority of the Hungarian population cannot afford to buy such an expensive car, TV advertising would just not pay off. Pálfi point out the giant open-air posters and the newspapers as the most effective media of all.

## Potential customers

In Hungary approximately 1100-1200 Volvo are sold yearly. In the premium category this can be considered rather good sales. In year 2000 and 2001 the selling rate was increasing. In year 2001 they have sold 1135 cars, which they consider to be a good result. An association of vehicle drivers has divided the cars into different categories, which are also further divided in to smaller groupings. In order to attract and get in touch with potential customers, Volvo Cars Hungary sends out direct mail to people with professions, imply that they could afford to buy a Volvo. The professions considered are for example doctors, lawyers, and engineers. People out of these profession categories are invited to test-drive of Volvo Cars. Pálfi states that it is difficult to reach these people, but when they are found, they are happy to try Volvo's cars. Though the rate of return of these direct mails is only 12-13 percent, Pálfi considered it worthwhile to keep sending them out. This since this is the way through which they find those, who actually buy the cars.

### **5.2.7 Interview with the marketing manager at Volvo Cars Hungary**

To get further information regarding advertising by Volvo Cars Hungary we also interviewed Gabriella Parányi, the marketing manager of the office in Budapest.

#### The organisation of the advertising

Within the Volvo organisation, Parányi states that they have a reporting obligation to their own region, but not to Sweden. Parányi continued by describing the division of the region, with Hungary belonging to the part called Central Europe, which represents the middle and southeast European region, the central office and head of the region being Hungary. This region consists of Hungary, Austria, Croatia, Serbia, Bosnia, Poland, Czech Republic, Slovakia and Slovenia. Poland and the Czech Republic were until recently operating by themselves, separately. Not so long ago the Hungary office handed over responsibility for Slovakia to the Czech Republic. The Czech Republic has an independent importer, which takes care of supply to Slovakia. Hungary is also responsible for the car supply in the former Yugoslavia, done through their imported-car-supply. Hungary has direct operations in Slovenia, Croatia, Bosnia-Herzegovina and Macedonia. In Slovenia and Croatia, there are representation offices. Croatia handles the supply to Bosnia and Macedonia. The Eastern countries belong to Austria as the sub-region of the European region. Within this there are two further regions, Hungary and the Southeast region. As far as the operation is concerned this means that there is a sales company in Hungary. Consequently Hungary acts as the importer for Eastern Europe also, through the Hungarian sales company in the representation offices in each respective country. Operational methods differ in the different countries. In Slovakia for example, there is a private importer. Besides producing advertising, which is a very small part of the activity of the Volvo office in Hungary, there are many other things that have to be done. These include preparing all the brochures, sending out direct mail shots etc.

Parányi stated that even though Hungary is not a member of the European Union, a number of EU norms have to be applied on the work done in Hungary. There is, in addition a so-called inner ethical committee, which is influenced by this kind of issue. Parányi continued by pointing out that a new law is due to be introduced in 2002. This law will imply that all advertising placed in Hungary has to be translated into Hungarian, no foreign language will be allowed in the advertisements. A company would be unable to, for instance, use slogans like "Volvo for life" without translating them. This law has not yet been approved, but unfortunately there is a possibility.

## Competition

Almost every model line falls into different categories, which, according to Parányi can be considered normal segmentation. The market is divided into different segments according to the different categories of car. Even within the segments there are sub segments where the price and quality can differ. The difference in price can be as much as one million HUF. Parányi states that every brand belonging to the premium category can be considered as a competitor but within the category, not all brands pose equally strong competition. The Opel Vectra for example, which belongs to the premium category and costs approximately 4, 000, 000 HUF is not considered to offer the same high quality as Volvo. The price of a Volvo S80 is around 10,000,000 HUF. Even though sales of Opel Vectra are significant, Volvo does not consider it a competitor because of the poorer quality. Competitors are defined as those cars, which can be considered substitutes to Volvo in both quality and advantageous price, Parányi continues.

## Customer segments

Customers are divided into two groups, - legal entities and private customers. In Hungary, purchasing by legal entities is much higher than in Western Europe, since almost everyone buys cars in the name of their companies. The legal entity target group is further divided into small companies, medium-sized companies and major accounts. From a discount perspective, small companies having no more than 1-3 employees and who are buying 1-3 cars are considered by Volvo to be private customers. If the company is purchasing more than three cars, then they are considered to belong to the legal entity group. Private customers are divided according to income. Since the average monthly income is between 60-70,000 HUF (around 2,300-2,600 SEK), Volvo cannot be considered a car targeted for the masses. Those who are potential Volvo customers are placed in the so-called AA+B income category, earning between 130,000 and 150,000 HUF (4,600-5,700 SEK) a month. This dividing based on income are, however somewhat difficult since many people do not declare their real incomes, making it difficult to delimit the actual income categories. The other way of grouping is based on professions, in order to have the opportunity to target persons in more senior positions and therefore higher incomes. The private category in general is not regarded as a potential target group, since Volvos are often too expensive for them. Around 60 percent of total sales within Hungary are concentrated in Budapest. This can be explained by the fact the most firms are based in Budapest. Volvo Cars Hungary is also targeting based on age, with people over 35 years of age considered to be potential customers. The less expensive models could be within the reach of people around 30, says Parányi.

## Image and core values

Parányi, continues by stating that, like others they have to choose what kind of advertising they should concentrate on. As they do not sell that many cars of the model S80 in Hungary because of the high price, it would be more or less a waste to invest in advertising for this model. Volvo Cars Hungary also puts different emphasis on central image-focused advertising and tactical advertising. As Parányi puts it core values cannot be changed, only the message. There is, therefore, both an image message and a tactical message. Among the core values, it is not worth emphasising one or the other within one country. If the adverting message for the S60 model stresses the fact that it is well designed and a real family car, this could be valid for the whole world. According to Parányi there are differences in core values between the different models. In her opinion, image only gets people to start to think. The reason they buy the car is in 60 percent of cases the price, how large a discount they can get, the retailer office's location, what service they get, etc. Regarding the issue of image being seen as a critical criteria among those able to

afford a premium car when making their purchase decision, Parányi commented that for 60 percent, the previously mentioned factors determine what brand the customer will choose. The remaining 40 percent can be the image they have about the product.

#### Customer segments and image

Parányi continues by pointing out that she does not believe it is her task to create an image for the customers. She says that it not up to her to decide what kind of people the cars should be sold to. She continues by stressing that she prefers to see it as wanting to sell to those who represent the values of Volvo, who want to identify themselves with this feeling and design. There is a great difference between these two ways of perceiving this issue. In some ways it is true that those who want to identify themselves with Volvo's values want to appear to belong to a certain group of people. But Parányi says, that she thinks this makes them a special kind of people. This is repeatedly a issue of discussion between her and the advertising agency. She concludes by saying that they don't want to artificially a group that have certain external features and characteristics.

#### Standardisation and adaptation

Volvo's goal, like that of every international company's, is to develop a unified picture about the company and its products. This concerns the brand message as well. According to Parányi, communication, like the image, is unified for the whole world. She continues by stating that it is, of course, easier and more cost efficient for the national sales companies to use internationally produced advertising than to produce their own. This as one simple reason for communication being similar. There are, of course, materials, which are made locally. Some adaptation maybe required, as message lines such as "the drive continues" may be rendered meaningless in another language. If material is made for larger campaigns, certainly has to be centrally approved, Parányi points out.

#### Image and Country of origin

In Volvo Cars's positioning, the emphasis is put on the fact that it represents Scandinavian values. These values can be communicated in many ways, such as through different design elements. Customers will not buy the cars simply because the product comes from Sweden, though it is unquestionable that many consider Swedish products represent good quality. The customers will instead buy products because they represent those values, which are important to them. Those customers who want to identify themselves with the Scandinavian value system will probably look for Scandinavian products than others. When Volvo Cars Hungary sent out a questionnaire about what Hungarians associate with Sweden, the answers they received indicate Hungarians have little knowledge about Sweden, more or less the only thing they could mention was Swedish meatballs.

#### Market research

The goal of market research is to be able to adapt to the market situation, Parányi says. The primary product functions such as the construction and appearance of the car are, in the short-run, not to be changed. It is instead the secondary product functions such as customer satisfaction, pricing, after-sales satisfaction, eventual loss in sales that need to be measured, and analysed in order to make the right adaptations. This information goes back to the central office's marketing managers, who analyse the data to provide suggestions to the management of different departments such as product development. Market research primarily connected to

customer satisfaction, is a continuous process. Volvo has a special system for this. Until today, marketing information was collected through telephone interviews, but nowadays it is mostly done through questionnaires, used by retailers. In this way, the central office can more easily give suggestions for improvement to a specific retailer in a specific city. Since the retailers are involved in a bonus system, such questionnaires provide the possibility to reward well-performing retailers. Every retailer has to adjust their selling to the quota determined by the central office. If they reach or exceed this, they get a bonus. Market research done on customer satisfaction shows that Volvo holds first place in sales satisfaction, service satisfaction and in problem solving. As a complement to the information about market research which we obtained through the interviews, Sztárcsevy also informed us that Volvo Cars Hungary does not have the sort of market research that looks at such aspects as the kind of image people have about Volvo in Hungary, measuring the spontaneous awareness of Volvo among Hungarians, potential customers considering buying a new car. Still they have some kind of picture about what people think about Volvo from, the publication, *Autó Magazin*, which carries out a survey every year. Most of these examined factors are measured in different ways.

#### **5.2.8 Presentation of statistics from market research in Hungary**

The car market in Hungary, as in Sweden, is divided into different sectors. Volvo belongs to the premium sector, together with BMW, Audi and Mercedes. Market share of the premium brands in November 2001, according to Volvo Cars Hungary's own figures were as follows: Audi 35,4 percent, Volvo 29,4 percent, Mercedes 20,7 percent and BMW 14,6 percent. As we got to know from Sztárcsevy they take advantage of an annual survey of the premium car segment in the Hungarian *Autó Magazin*. The respondents are both owners and non-owners of these cars. The factors they are looking at, compared to other premium brand cars are:

- awareness profile
- profile of make as seen by users
- well made
- very reliable cars
- high safety standards
- advanced technology
- environmentally friendly cars
- good customer service
- good value for money
- high re-sale value
- good looks/styling
- makes sporty cars
- has good advertising
- I like this make

On the basis of the criteria above, the magazine awards the best car of the year. The data gained is then compared to the previous year or years. Among Volvo's core values, which are safety, quality and environmental care, safety got the highest score, when all the survey participants' answers were taken into consideration. The value lay between eighty and ninety percent each year. Environmental factors scored between forty and fifty percent, an increase compared to 2000, when this index scored under forty percent. This may be attributed to increased environmental consciousness among Hungarians. More than forty percent agreed that Volvo is a good looking, stylish car with advanced technology. In summary, more than forty percent liked this make. Low scores were received on the following values:

- good customer service
- high re-sale value

- makes sporty cars
- successful in racing
- has good advertising

The same questions were raised and measured among drivers though here the comparison was to data from 1999. The values differed substantially. Safety, here as well, got the highest mark (one hundred percent) in both 1999 and 2001. In 2001 around 86 percent thought that Volvo was a well-made and very reliable car with advanced technology. Almost seventy-seven percent agreed that Volvo's cars are environmentally friendly. More than seventy percent of drivers asked thought that Volvos are very good looking, stylish cars. Opinions about good service have changed approximately ten percent in the period 1999 to 2001, from 42 percent to 52 percent. The difference in opinions, which say that Volvo's are a good value for money, is almost 20 percent compared to 1999. It lies now just below 50 percent. High re-sale value rose from 15 percent up to 48 percent. The opinions that Volvo makes sporty cars has also changed. Compared to 1999's 13 percent, 2001 showed 27 percent. The same is true for opinions about Volvo's as good racing cars. As far as good advertising is concerned, it also rose from 26 percent up to 40 percent in 2001. The overall opinion in 2001 was that more than 90 percent of drivers asked liked this make.

The same factors then were measured in comparison between all survey participants, Volvo drivers and of those who are considering purchasing a Volvo. The diagram showed rather similar values between those who are already Volvo drivers and of those who are considering purchasing a Volvo. Safety, here as well comes to the first place. 90 percent of the potential buyers think that Volvo is a very safe car, while all the drivers agrees on this up to one hundred percent. Both drivers and potential buyers think that Volvo's cars are environmentally friendly cars. Seventy-five and seventy-six percent of both drivers and potential buyers agrees on this. The good looking and stylish appearance is another factor that the drivers and those who are considering to purchase agree on in 58 and 61 percent. 38 percent of the potential buyers think that Volvo is a value for money. This factor got a lower percent among already drivers, though just a few percent lower, 32 percent. Only 16 percent of the drivers thought that Volvos have a high re-sale value, while the 27 of the potential buyers are convinced about the same. As far as the opinions about Volvo advertising is concerned 40 and 42 percent of both drivers and potential buyers think that Volvo has good advertising. This might be attributed to the fact that those who are actually drivers of Volvos and those who are intending to purchase pay more attention to advertising and are more involved with getting information about Volvo. This factor in fact differs substantially from the average result of all the participants' answers. Only nineteen percent thought that Volvo had good advertising. The average awareness of Volvo considering all the survey participants differs from those who are already drivers or are intending to purchase a Volvo. As a summarising result 43 percent of all survey participants like this make, while ninety percent of the other two examined groups like this make. When we look at the curve of the results got from all the survey participants, we can notice that their awareness of almost every examined factors are much lower. Especially when the questions come to more specific things, like Volvo customer service, reliability, advanced technology or value for money the values show very low percent awareness. This might be contributed to the fact that those who are neither drivers or intended purchasers are not really interested in getting to know more about Volvo. As we later will come to it, the great gap between the average income and the price of Volvo and other premium cars makes that most of the Hungarians don't event think in terms of premium brand cars, so they are not specially paying attention to these car manufacturers' marketing effort. They form an idea of these cars through accidentally caught information, which they picked up here and there.

The survey made by the Hungarian Car Magazine, *Autó Magazin*, is also comparing each factor in comparison to other brands. These are Mercedes, Audi, BMW, Volvo, Saab, Jaguar, and Porsche. This division differs from the one that Volvo Car Company self makes. They compare Volvo only with Mercedes, BMW and Audi. The magazine's survey measures each factors separately among all survey participants, comparing that to the other above listed cars brands in two different years, which are 1998 and 2001. Half of the survey participants think in both years that Volvo's cars are well made, though they prioritise Mercedes, Audi, and BMW in both examined years. Volvo as a reliable car lies as third in the row in both years with between forty and fifty percent, after Mercedes and Audi. Compared to other cars, Volvo bears the palm as the safest car in both investigated years. More than eighty percent of all survey participants thinks that the Volvo cars are very safe cars. As far as technology is concerned Volvo is coming as fourth in the row after Audi, Mercedes and BMW with thirty-nine and forty-two percent in 1998 and 2001. About environmental care the survey participants think that Volvo made some progress compared to 1998, but it still not as environmental friendly as Audi and Mercedes. Values about customer service show very low results in almost all brands. It might be attributed to that among the respondents not everyone was an owner or a driver or a potential buyer of these types of cars, so they didn't know much about what level of customer service the different car manufacturer offers. Certainly other factors might have played a role as well. 40 percent of all respondents thought that Volvo was a stylish, good-looking car, which value was in line with the other brands. Though Volvo, with a small difference, came as fourth in the row after Audi, Mercedes and BMW. Among the car manufacturers within the investigated categories, the participants think that Porsche makes the sportiest cars, then it is followed by BMW, Jaguar, Audi and then Volvo. Only eleven percent of all respondents thought that Volvo make sporty cars. As far as the examined cars' advertising in Hungary is concerned all the survey participants thought that in year 2001 BMW had the best advertising, then follows Audi, Volvo and Mercedes. Compared to year 1998 the opinions about Volvo advertising was raising with approximately five percent. In line with BMW, Audi and Mercedes Volvo belongs to the cars that are liked by most of the survey participants.

#### **5.2.9 Presentation of the results from the Hungarian questionnaires**

The Hungarian respondents were between the age of 24 and 70 years. 32 women and 18 men from three different cities answered our questions. Approximately 70 per cent had academic degree and 30 percent worked with diversified jobs, among others different kind of physical jobs. The questionnaire that we have put together for the Hungarian respondents was a little bit different from that we have used in Sweden. The reason to this was that we didn't know much about Hungarian market and the people's image of Sweden or Swedish products. So as an introduction we raised general questions about Sweden, then we continued with questions considering Volvo. The summary of these answers follows here.

Almost every respondent claimed to think that the living standard in Sweden is high and the prices of Swedish products are high. The quality of Swedish products they considered to be good. The answers that we got described the respondents' picture of Swedish products as well-designed, nice, often in tree, reliable, value-keeper, high standard, and representing a high level of safety. Most of the respondents even listed up what Swedish brands and products they know, these such as Swedish steel, Volvo, Saab, Electrolux and Ericsson. Regarding their image of the Swedish people the answers was varying. In brief we got describing like kind, friendly, educated, rich, serious, tall, blond, handsome, living in nice houses, and giving space to self-actualisation. A few of the respondents added less favourable descriptions like such as that Swedish people do



not like foreigners, are cold, keeping distance, boring and "grey" in their behaviour. Some did not even have any knowledge of the Swedish people.

After these initially general questions we continued by asking respondents for their knowledge and opinions on different aspects in connection to Volvo. We started up with asking for the home country of Volvo, only two of the 50 respondents couldn't identify which country Volvo originates from. There was one person who didn't even heard of Volvo at all. There were though nothing special or common between those two who did know the country of origin of Volvo. The following question to this was where and how the respondents had gotten to know of Volvo. In most cases they had heard about Volvo through word-of-mouth, this from colleagues, friends, relatives, the husband and husbands friends etc. Four of the respondents had sometimes also been driving or been a passenger of a Volvo. Almost all of the respondents also mentioned advertising as a way of getting in touch with Volvo. The named channels and medias were newspapers, car salons, TV-advertising and in TV programs, car catalogues, exhibitions and posters by motorways. Moreover we asked about this advertising about Volvo, they might have seen in Hungary. We asked the respondents if they can remember if the advertising were in Hungarian or translated, or a kind of dubbed foreign advertising. As the questions were open-ended the respondents got the possibility to describe how these advertising looked like. Most of the respondents answered that they thought that the advertising were made abroad and they were more quality, high-budget advertising. One of them could even describe that the advertisement had a background on a road in high mountains with a lot of trees and snow that he thought was Sweden. A few of the respondents pointed out that the advertisement, they saw emphasised the safety of the Volvo. There were a few, who couldn't identify if the person in the advertising were a Swede, only that they believed he or she to a famous person abroad. Another respondent even remembered the slogan of a TV commercial as: ReVOLVOution, presented as Revolvolúció, which the respondent not thought to be Hungarian. Still, there were a few who said that the advertising was made in Hungary. In that case they have used famous Hungarians, like hosts of TV-shows, reporters, actors, actresses as Volvo-owners to make the brand popular.

Regarding the respondents knowledge of Volvo retailers, only six of the respondents answered that there were no retailer representing Volvo in the town where they live. Out of these six one was not sure about the answer. After this we asked about if the respondent would consider buying a Volvo. The majority of the respondents, 42 of them, were positive to buying a Volvo and the overall motivation was because it is one of the safest cars in the world. They also pointed out that it was a well known international brand and that the cars are economical to run, reliable, comfortable, well designed, strong, stylish, spacious, maintaining its own typical style marks, classic, elegant, have a long lifetime. Some of the respondents though answered that they would not consider buying a Volvo this motivated as follows, one preferred sports cars, three persons strictly saw from the economic situation of not being able to buy a Volvo. Another one of the respondents stated that he did not have to need for luxury cars, and even though he considered the cars to be nice, he claimed that he would just be scared to life to drive one, because he wouldn't want to crash with it or want that somebody else would do it. Further two respondents saw the Volvos as too big and too expensive adding that other brands are more popular in Hungary. As an exception one was just not familiar with Volvo.

On the question if the respondents would consider buying a used Volvo and if so, what is the age of the car that should be the oldest considered. A total of 44 answered that they would not consider buying a used Volvo and out of these 28 of the respondents motivated this by claiming that even if used the cars are still expensive. Four of the ones answering with a no did this based on the fact that they did not trusted used cars. Another simply did not like the older models of

Volvo. One did not provide any motivation and another said that he thought it were to be easier to find spare parts to other brands than to Volvo. Another eight of the respondents answered that they do not have the economical situation to even to buy a used Volvo but if she or he could afford it they would rather buy a new one. One motivated his no with the fact that he consider it to be too expensive to keep a used car in shape. Subsequently there were only seven of the respondents that would actually consider buying a used Volvo and this because it is cheaper than the new ones but still keep a good quality even if they are used and a few years older.

In the following question we asked the respondents what image they think the Volvo would like that their consumers to have of the company and their cars, to make sure that all the respondents understood the concept of image we also provided the respondents an explanation of this. According to three of the respondents the Volvo company wants that the consumer consider Volvo as a good quality car, but they thought that there are no enough advertising of Volvo, rendering in the brand not being that familiar by the Hungarian consumers. The need for more informative advertising was considered to be great. According to a major part of the respondents thought that Volvo wants to emphasise the following characteristics: safety, long life-time, world-known brand, reliable, stabile, elegant, dynamics, spacious, leader among the world leading brands, family-friendly. There were though a few who couldn't describe what image the company might emphasise.

Further, we asked the respondents to try to categorise what kind of cars the Volvo's cars are. A great number of the respondents answered that they consider the Volvos to be a luxury car. Almost as many of the respondents thought that the cars are elegant everyday cars. A few of the respondents were more specific and they even categorised the different models. According to one of them S40 is already more like an elegant everyday car in Hungary, while S80 still is more of a luxury car. One of the respondents who works as a project manager and lived in different countries has chosen to categorise according to countries. He thought that the cars produced by Volvo are very expensive cars and are considered more of a luxury car in Hungary. In Norway and Denmark the cars are more of everyday cars, in Australia they are good-quality European cars and in most of the countries of Asia he didn't really saw any Volvo.

We also raised a question of the respondents have been noticing any change in the image of Volvo has changed during the years. Many of the respondents answered that ten years ago there were almost no Volvo in Hungary, which to comment is not very strange since the official operations of Volvo were established in 1991. A part of the respondents thinks that it didn't change in ant significant way or just a little bit. One repeated comment was that the change in that case came from the increased number of Volvo-owners in the country. A few of the respondents answered that the design of the Volvo's cars has become much better, the square-shaped models has been replaced by new nicer ones, still they have kept their typical unique characteristics, which was considered good.

When we asked what characteristics that are the most important in a car, most of the respondents answered that those are safety, which means perfectly functioning breaks, wheels, and good car body construction. Other types of characteristics mentioned were economical to run, reliability, comfort. Most of respondents agreed on that these characteristics exist in the cars produced by Volvo. We were also interested to know what the Hungarian respondents think are the best or the less good characteristics of Volvo's cars. The best characteristics according to their answers were: stability, economical, long lifetime, safety, spacious and comfort. The less favourable about Volvo's cars were as 42 respondents answered the high price compared to the average Hungarian income. One of the respondents commented on the design and other mentioned that

he thought the different models to be very similar, claiming that those who are not experts on cars can easily mix up them. One of the following aspects were the respondents considering of the quality and the price, here the majority considered the cars to be expensive but they also thought the quality to be that high, resulting in a balance between price and quality.

We were also curious to know if the respondents could categorise what kind of people that are buying Volvo. We got a variety of answers. According to the respondents most of them who buy the cars are conservatives, rich, solid businessmen, wealthier people who belong to the “upper ten thousand”, people with style, politicians, educated people, people with a monthly salary over 400.000 HUF (15.000 SEK), diplomats, people in high positions, bank managers and vice presidents. We also asked them if they know of anybody who owns a Volvo and in that case how they would characterise that person. The answers were EU-advisers, an entrepreneur, a stock owner, a owner of several companies, a customer development manager in a multinational firm, vice president at an international firm, a young student from a rich family, an educated person with a high income, a successful female department manager, a IKEA’ manager in Budapest, a rich artist with four children and six dogs. The rest of the respondents didn’t know of any person who owned a Volvo.

On the aspect of Hungary being a favourable market for Volvo, the majority thought that Hungary is not a profitable market because of the large percent of the Hungarian population doesn’t belong to that social level that earns a lot of money and can afford to buy such an expensive car. They considered that except the highest ”ten thousand”, the majority of the population prefer cheaper, smaller cars. Still, there were other opinions as well, this among the respondents, who thought that Volvo is a medium priced car and probably sells as much as other cars. These respondents had a yearly income over 3.000.000 HUF (115.400 SEK). As far as the picture of Hungary as a future market for Volvo is considered, the majority thought that the situation would become probably better if and when Hungary becomes a member in the EU because of the salaries getting raised to another dimension, and maybe then it will be more available to buy higher priced cars.

## **6 ANALYSIS**

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*In this chapter we analyse the collected data and will compare them to the theories collected in chapter two.*

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### **6.1 Standardisation and the organisation of the advertising**

As Becker and Baker (1995) described the Hungarian market in 1995 it was still in the developing from being a market run by the government to being a free market. According to the Encyclopaedia of Hungarian Economy (1999) the following years have been characterised by a large number of international investments and other further developing activities in the market. Even though Hungary, as the some of the other former communistic countries in Eastern Europe, is not a member of the European Union they are affected by the norms that have been formed in the development of the EU. The country is also one of the most eager to be a member. As Becker and Baker (1995) points Hungary, together with Poland and the Czech Republic as being the countries in the region mainly preferred as target for investments made by multinational corporation. Volvo first entered the market in 1991 and have since then grown with the market. Among many other authors Mueller (1991), de Mooij (1998) and White (2000) discuss the matter of internationalisation, pointing out that the different markets of all countries to a varying extent are affected by the internationalisation/globalisation of the world. The ones representing the side saying that the markets are getting more and more alike are both to be agreed and disagreed on.

De Mooij (1998) presents the device of thinking global and acting and advertising local, is by Volvo organisation in a way both followed and not. The organisation of work with the advertising, with an European coordination of the advertising design and the division into regions taking care of advertising on a level closer to the different markets is implying a way of following the device of thinking “global” in a European sense together with the adapting of the advertsing to needs of the different countries. This, organisation of the sender is an aspect of standardisation that van Raaij and Fred (1997) bring up. They argue that centralised organisations are more inclined to have a standardised communication policy also to maintain corporate identity and project identical messages to targeted groups. As you can see in the business world of today, the point of the advertising conducted by large international companies is to appear in a unified matter, to capitalise on the fact that familiarity makes people come back. As Melewar and Saunders (1999) examined this is the most obvious case for the corporate identity in the visual sense, which is also seen in Volvo’s advertising design. The representatives from the Hungarian part of the organisation enhanced this unified message while the respondent by Volvo Cars Sweden did not put any specific emphasise on this issue. The Volvo organisation in a European perspective is facilitating advertising standardisation even though the language in most cases is adapted, while the core message is the same.

As for further aspects involved in effecting the degree of standardisation, Cavusgil, Zou and Naidu (1993) mentions the international experience of the company. As they put it an inexperienced firm would try to find the closest match possible between its current offerings and other market conditions so that a minimal advertsing adaptation will be required. A more internationally experienced firm should consequently be more likely to respond to different market attributes and pursue advertising adaptation. This experience together with the degree of centralisation of the decision-making that Harvey (1993) adds as an a standardisation-positive factor, high degree of centralisation rendering in high degree standardisation. This statements

could as we see it more or less be disregarded since looking at the experience of the Volvo Corporation to a large extent depending on the organising of the work with the advertising. This referring the experience both on a European and national level, this thanks to local offices and cooperation between these on an international level, for Hungary and Sweden mainly on a European level. Hill and James (1991) claims that the possibility of transferring promotional material involves three main considerations: what in the advertising copy it self is transferable, if there are groups of countries within which cross-national transfer are easier and what precautions are to be taken when transferring the copy. The first issue is one that can be assigned to the higher coordinating levels of the advertising organisation and the groupings are as we have presented developed based on regions that are similar and can therefore easier use the same kind of design in the advertisements. The precautions taken can be an issue solved on a lower level of the organisation. Some slogans just do not apply for every market both because of the cultural and linguistically differences. Referred to the difference in the culture of Sweden and Hungary, we have not found there to be any significant ones that we see as affecting the market for Volvo. What we can see in the diving of the organisation, and as Jutendahl points out, Sweden together with Norway separated from the rest of Europe in the advertising approach.

The correlation of the market situation in the domestic and the foreign market

Van Raaij and Fred (1997) and Harvey (1993) discusses the number of exogenous factors that strongly determines the possibility of standardisation in the communication, according to these authors these factors are market structure and competition, distribution structure, price levels, available media and other communication options, infrastructure and governmental regulations. These involve almost everything in the society but Cavusgil, Zou and Naidu (1993) still add product familiarity. Regarding the *market structure* this can be described as being under construction after the political changes during the last decade. The *economic* conditions of the Hungarian market is still very different from the Swedish, if you can actually say that the ways of the Western part of Europe are the goal for this kind of markets. The conditions for the customers in the different markets are very different since the monthly average income of the Hungarians are 2.300 to 2.600 SEK while according to SCB (2001) the corresponding number for 1999 for the Swedes was approximately 14 700 SEK. There are also the issue of the *distribution of income*, in Hungary there are only a small group that have an income representing the possibility of buying a new Volvo. Though as Jutendahl at Volvo Cars Sweden said, there has been a 23 percent increase in the average price of cars, while a 70 percent increase of price for Volvo's cars. This resulting in people that used to be a Volvo-owner no longer could afford buying one. This can be seen as somewhat of a defeat for the image as have been seen as a car for the whole people. As Jutendahl pointed out, the strategy of being an exclusive premium car of high quality and consequently high price levels is working perfectly in all the markets, but is maybe not that successfully applicable for the Swedish market. One reason for not wanting to communicate the message of being a car for everyone is the actual conditions for a small car producer like Volvo. They cannot, as Jutendahl points out, compete with the larger brands like Volkswagen and Ford that produces larger amount of cars. Even if the demand for Volvo in Sweden is, as stated, now coming from a smaller group of people, the market share achieved by the company is representing 20 percent of the market for new cars. This demand is, as Jutendahl stated not natural and they have to work hard to maintain these levels of sales.

The *competitive situations* in the two countries are characterised by both similarities and differences. The similarities are implied through the competition divided in the same way. The segment of premium cars involves the competition of the same brands, Mercedes, BMW and Audi. The legal entities are also the most important customer group in both of the countries. As

for of the small number of people in Hungary affording to buy a Volvo, reflected in the three percent market share, the competition could be characterised as much harder which in the Budapest region has resulted in the new method of reaching and treating the potential buyers. As the respondents of our questionnaire for a sample of the Hungarian customers also pointed out, they do not yet see Hungary as a profitable market for Volvo.

Connected to the *media available* the differences are not that significant, one thing though worth noticing is the use of TV as a channel of communicating the advertising in the two countries. In Sweden TV is considered the most effective media reaching out to a large audience, this while in Hungary they do not to any extent use TV. Their motivation is again the small number of potential buyers, the benefits would just not add up to the high cost of using TV. Their strategic advertising in stand mainly involves creating awareness of the brand, such as through billboards and placing ads in different kind of magazines. For Sweden the strategic advertising is targeting a wider audience and therefore the message is not adapted to different segments. We had pictured us more of advertising further adapted to the different segments, but since the segments that they have chosen to divide the market into roughly are private persons and legal entities this is not the case. The adaptation of the advertising and information to the customers are done on a later stage, in more of tactical advertising. This stage is when the prospects, as Jutendahl referred to as the potential buyers to, are identified. In Hungary the handling of the customers even take one step further, by having so called prospectors, the customers are identified and intensively treated through different kind of activities to get the customer considering buying a new car to choose Volvo. The tactical advertising is for Hungary the approach of focusing on advertising campaigns for actual offers.

Other factors affecting standardisation in international advertising

The product

As van Raaij and Fred (1997), the choice of a communication strategy and the level of advertising standardisation depend not only on cultural differences, but also on several other factors. As these other factors the product is the most frequently mentioned is the product. Concerning the product being in different stages in the product life cycle in different markets is not that applicable today, in this aspect the internationalisation and globalisation of the markets of the world has influenced the way of conducting advertising adaptation according to the product. If we had been doing our research only five years ago, in 1996 this might have been a larger difference between markets like Sweden and Hungary. Five years ago the operations in Hungary were only established a couple or years earlier and the unification of supply of the Volvo models were not that obvious by then. Today represent a whole other situation, the same models are available both market and the difference you could have thought existing between the home country and other markets have been erased by the organisation of the distribution. Van Raaij and Fred (1997) further discuss the issue of the brand having identical position and usage and therefore consequently the same brand identity in the different markets. The case of representing the same usage is stated but for the position this is more of an issue to be discussed because of the small number of Volvo-owners in the Hungarian market.

Mueller (1991) and Harvey (1993) bring up the issues of the product as a low- or high involvement product, as characterised Volvo's products undoubtedly represent the high-involvement products with a high cost and have perceivable differences compared to other brands. As they say advertising for this category product infers a larger requiring of providing information. The more information the advertising have to contain the less standardisation is to be used. To comment this statement, the high-involvement product approach are not applicable for the strategic advertising which is often communicating some kind of emotional message

reaching more than the potential customers of today. The high-involvement rational thinking is instead in focus in the tactical, more individual level.

#### Brand and product familiarity

Cavusgil, Zou and Naidu (1993) added the issue of product being well known or not, called product familiarity. In the case of Sweden the products and the brand of well known but the case for the Hungarian market nor for the products or the brand it could be taken for granted that every body know of it. Since the Swedish market being the home of Volvo the comparison are put to its prime, the stages corresponding to a PLC for the brand is very different for the Swedish and the Hungarian market. For the Swedish customers Volvo is more of a part of the everyday life and has since the beginning, in the 20'ies been developing an awareness of the company and its products. Here the problem could instead be the one of having to fight a too worked in image, which can be hard to change. This has though been proven to starting to be overcome, as we have presented both in Volvos own market research and indications that we got from the result of the questionnaires that we sent out. In Hungary the condition for the Volvo Car Hungary represents a totally different one, in this market the awareness of the brand seem to be established but the associations with the brand is not that clear. Even though Volvo started their operations in Hungary in 1991 the communicating of the brand identity has only gotten some steps from just being identified. One reason for this is of course the fact that not many of the Hungarian can actually afford buying a Volvo and therefore the experience of the products and word of mouth has not been spread in the same way has it has in Sweden thanks to the longer period of time in the market. The advertising for the Hungarian is more as we see it to a larger extent one of communicating their existence then of course needed in Sweden.

#### Targeted groups

Van Raaij and Fred (1997) also discuss the matter of the groups that are being the target for the communication campaigns are similar across countries, standardisation may be employed. Comparing the different targeting situation in Hungary and Sweden, the Hungarian conditions for targeting different groups are as mentioned very limited, resulting in the group of people afford buying it being the actual target group. As a consequence these people represent the segment in the society with more favourable living conditions than others. This is not that obviously the case for Sweden even though the trend is that this is about to become the situation for Volvo in Sweden. For Hungary the task of creating brand awareness is also important, here the targeting is non-specific.

## **6.2 Image communication**

According to Taflinger (1996), there are two basic ways of presenting a sales message: intellectually and emotionally. An intellectual presentation depends on logical, rational argument to convince a consumer to buy the product or service. The second basic way to present a sales message is emotionally. In an emotional presentation, the actual function of the product is often not its main selling point. Instead, there is a concentration on other aspects of the consumer's bundle of values: social, psychological, and economic. As Moriarty (1991, p.32) divide the advertising objectives to be either of a perceptual, educational and/or persuasive nature. This could be applied for both the markets of course, there are though the difference of focus because of the basic awareness need to be achieved in Hungary. In this task the use of the perceptual and the educational objectives is the implied ones. For the actual potential buyers both in Hungarian and Swedish market the persuasive objectives are applicable.

As for the approach for communicating the image, surprisingly one of the representatives for Volvo Cars Hungary said that she did not see it as their responsibility to create an image for the customers, she continued by saying that she did not want to try to place any artificial image on to the. Here we would like to comment on the fact that we think that she is right in her opinion of not wanting to sell to people that not represent or share the core values that the Volvo brand stands for, resulting in selling to people that want to associate themselves with brand in order to look if they are belonging to the desired category. This statement we would like place a reservation to, as the theories as presented for example by Aaker (1996) and Uggla (2001) presented shows that this consumer association to the brand is actually the goal. But as Basile (1999) also states the managing of the corporate image are important to actually know not only who the customers are but also what they think about the company.

Maybe the case for Hungary is that the segment now able to buy the cars are representing a certain kind of people in the society and they are by the respondent seen as the role model for the customers. This we find to be a bit narrowly categorised since the potential market could in fact be characterised as wider. Seen out of strictly economic and business related angle the main goal with an operation is to make money, based on this statement that kind of limiting personal categorisation of people buying Volvo's cars in Hungary are not efficient. The conditions of Volvo Car Hungary having around three percent of the total market for cars is of course an influencing factor, with around 1100 to 1200 cars sold yearly the group actually buying get maybe to exclusively characterised. Though as a parallel to this, the marketing manager said that they have chosen not to put any significant efforts in advertising the most expensive models such as the S80 since they are not sold in any larger numbers. To conclude this discussion we find that we agree with the statement of not being the company's mission to pose an image on to the customers but instead they should of course communicate the brand identity in a way that becomes the favourable image that the customers hold, that is the basic idea with the whole concept.

#### Brand identity and image associations

As the definition that Aaker (1996) provide as a unique set of brand associations that the brand strategist aspire to create or maintain, the unique set is the core values of Volvo. Both Aaker (1996) and Uggla (2001) also discuss the promises that the brand identity implies. In Volvo's case they offer a large number of such promises both functional and emotional. Examples of the functional promises could be high quality, performance, and durability while the emotional is the ones like status, prestige and other self-expressional factors. The last category is as Uggla (2001, p.31) states culturally based, but as we have stated these cultural differences are not that significant as you might think. Cars are also not that culturally specific as other product categories.

#### Company perspective

From the company perspective the functions of the brand according to Uggla (2001) being differentiation, identification and a coherent message this is a number of ways achieved. The differentiation definitively poses as a base for the higher prices that Volvo is charging. The identification in the aspects of customer retention as re-buy and loyalty is though harder to measure and therefore comment on. The fact that the 20 percent market share that Volvo Cars Sweden hold is not natural is something to consider. Coherent message being the third advantage component of using a brand in the advertising is about the segmentation. This is also an issue that is not that explicit in the aspect of segmentation since this is in a first not done further than



dividing the market into private persons and legal entities. The segmentation that we thought to be connected to the brand, was on the brand with grading level as Uggla (2001, p.39) defines the level for the different models. We thought that the company would have divided the market after the people buying the different models, such as families buying station wagons and so on. This was though not the case and we realise that their current way is probably the most cost efficient one, a company do not have unlimited advertising budgets, as Jutendahl points out.

#### Customer perspective

From the customer perspective the identification is by Uggla (2001, 38) posed as the first advantage that the use of a brand brings. This identification reduces the costs and time connected to the search for different alternatives, since this reduces the alternatives considered by the customer. This as already mentioned in the company perspective as difficult to assess. In the case of the Hungarian market the brand identification is not that strong because of a number of factors. The relatively short time of Volvo operating in the market and the small number of cars bought based on the price can be seen as two of the most important ones. When an identification from the customer is actually established as for a larger part of the Swedish market this works in a unity and long-run perspective. For Sweden the effort have to been put on the self-expressional and emotional advantages of its brand, this in order to get the customer to actually buy the car. This is line with what Jutendahl says to be the part of adding excitement to the owner and driver experience. As the different advantage components seem a bit hard to draw an explicit line between, this excitement could also be categorised under the next level of status and prestige. As the prices has gone through a significant increase the status in owning a new Volvo have probably been raised as well. In connection to the price comes also the message of quality, as often are being associated to each other. To further explain the meaning of “promise of value” Uggla (2001, p.88) describe it as an extension of identity through rational, emotional and self-expressional attributes. He exemplifies these rational attributes for Volvo as functionality and performance. These attributes can be identified by the marketer through asking questions like: “What kind of functionality or value do I get for the money I pay?” As for the example of Volvo, Uggla (2001, p.88) further states that the values lie in being a car to thrust, have a robust function and a high value on the market for used cars.

### **6.3 Country of origin**

As the analysis involve advertising in two countries, one being the actual country of origin of the company, the comparison is in some aspects put to its edge.

Volvo Cars Sweden are as we see it not explicitly taking advantage of Sweden as the country of origin but as Jutendahl states Volvo are instead enhancing the origin based on the Nordic values. These are communicated through design and other features both in the actual product and the advertising. The general perception of Sweden and the Swedes are as Jutendahl says both positive and negative but the quality of the product of the Swedish products are most often seen as representing high quality. Since quality is one of the core values of Volvo this is something they want to utilise, here the safety is also emphasised by Jutendahl as being a part of the Nordic values. According to Papadoupoulos and Heslop (1993) the product’s COO image is a response component of pride of ownership and is associated with the exquisiteness or high-class taste of the source country. The COO can serve directly as a status symbol. This is as we have seen somewhat the case in Hungary but for Sweden we have no studies to base any statements on. Saimee (1994) though claim that there are contradictory studies showing that preferences for domestic products appear to have considerable support. It is in part due to patriotism and

ethnocentrism and partly due to a perceived risk in products COO. One issue that may be applied for the Swedish market connected to this is the often recognised pride over domestically produced products which Head (1988) and Morello (1986) brings up in presenting the different approaches of COO in advertising. As for the premium car segment there do not seem to be any domestic brands that are competing.

As for the use of country of origin being seen as a more explicit component in other market than the home market, the marketing manager of Volvo Cars Hungary just says that the customer will not buy a car simply because it is from Sweden but that the quality association is though unquestionable held by a large majority. For the Hungarian market the positioning also imply representing Scandinavian values for the customers to identify themselves with. As the management of the advertising partly base their decisions on market research maybe showing that the Hungarian people do not know that much about Sweden, they seem to find it kind of hard to use this approach in the advertising. As Schleifer and Dunn (1968) states, when using COO in an advertisement the effectiveness would depend on following conditions; first, whether the advertising is related to its COO, secondly whether the advertised products are associated with the consumer of the COO, and finally, whether consumers' opinion about a products or the brand are known. We accepted this but thought this country or origin-approach to be a bit too toned down, but interpreted this as the advertising designed on the regional level did not use Sweden as a component in the advertising. But as you can see in the further analysis of the advertising material for the Hungarian market we found that the Volvo Magazine presented information saying just the opposite. This implying that a number of aspects based on Sweden were used. As we are to sure how this actually is in the reality we refer to Papadoupoulos (1993) which is stating that the COO could also be provided by third parties, such as educators, the media, cultural products, friends and associates, etc.

Han (1990) found that consumers that are not familiar with a product use the perceived characteristics of the COO to form themselves a perception of the product. This from which infer products attributes. Shaefer (1997) present the opposing view, which is that greater product class knowledge facilitates that novices relied on COO information instead. Niss (1996) and Usunier (2000) both bring up the fact that the influence of COO evaluation is also stronger when consumers are unfamiliar or lack knowledge or a product category. In this situation the COO as an information cue by consumers: expert consumers base their evaluation on the strength of the actual product attributes whereas novices tend to rely more on the COO cue. This two sides of seeing knowledge of the product as an determinant for the use of COO is both seen in through the interviews and the material. Han (1990) is supported by the fact that the Hungarians maybe not have the experience of the car it self but do know that Sweden is the home country of the product, then using their knowledge of Swedish characterises in their evaluation of the product.

Cordell (1991) adds that the interaction of COO and competitive context suggests that COO is more important for upscale products within a class. Country differences may be more important to the big spender than to the economy shopper. This country of origin as a means of competition is probably a very important part of the final decision when getting to the point of choosing between the cars represented in the premium segment, the Swedish associations in some way weighted against the Germans ones. As price being recognised as an important factor in the image the claims of Thakor and Kohli (1996) do not with any certainty apply to the Hungarian market. To refresh the claim, the authors in general regarding the effects of COO image have shown that in some cases these images are more important in affecting product quality assessments than price and brand information. To conclude the issue of the country of origin, its importance are not as significant in the communicating of brand identity and image creating as

we thought it to be. But to comment the statement of Han and Terpstra (1988) that the country of origin are superior to the brand when it comes to the customers' evaluating of product quality. This still seem to be valid for this case study since the quality-message is by Volvo in both countries enhanced through connecting to the Nordic or Scandinavian values.

#### **6.4 Analysis of the Hungarian questionnaire**

As Volvo's country of origin is Sweden, we wanted to get some information about how the Hungarian think about it, so first we raised a few general questions about Sweden itself, its products, its people, and about its living standard. Almost every respondent agreed that the living standard in Sweden is high and the prices of the Swedish products are high as well. They considered that the quality of Swedish products was very good. They also agreed on that the Swedish products are generally well-designed, nice, reliable, value-keeper, high standard, and safe. As far as their image about the Swedish people is concerned, the answers were varying. Most of the respondents thought that the Swedish people are kind, friendly, educated, rich, serious, tall, blond, handsome, living in nice houses, giving space to self-actualisation. There were a few who thought that Swedish people don't like foreigners, they are cold, keeping distance, boring and "grey" in their behaviour. Though there were only a few who were negatively about the Swedes. Papadoupoulos (1993) suggest that a product's country of origin constitutes an important piece of branding that, in many cases, can be so influential it overtakes the brand's other reputation builders. Johnson and Thorelli (1985) stated that the stereotypical perceptions about countries that consumers tend to develop are acquired through personal experiences and information from other sources. Companies use image of quality to enhance the association between their products and specific countries. Agrawal and Kamakura (1999) points out that if consumers hold a positive or negative COO- image for a given product or country, this image could lead to a generalised positive or negative attitude towards the brands of a product associated with that country.

The major part of the respondents was very well aware of the fact that Volvo's country of origin is Sweden. In most of the cases the country's image was tied to quality and high prices. Their general opinion about Sweden and the Swedish people was very positive. Even the one respondent who didn't heard the brand name previously, had a positive image of Sweden and the Swedish products generally. This is in line with what Han (1990) said, that consumers that are not familiar with a product use the perceived characteristics of the COO to form themselves a perception of the product.

We also asked about Volvo advertising, they might have seen in Hungary. We asked the respondents if they can remember if the advertising were Hungarian or translated, dubbed foreign advertising. The questions were open questions so the respondents got the possibility to describe how these advertising looked like. Most of the respondents answered that they have seen TV ads that they thought were made abroad and they were more quality, high-budget advertising. This in fact in is contrast with what we got to know from the company itself. They said that they didn't have any advertising in TV at all as it was too expensive and they didn't consider it enough effective. So the advertising that the respondents might have seen on TV must have shown on foreign channels. As far as the printed advertising is concerned they remembered a lot of details. A few of them could even describe that the advertisement he saw was with foreign background, on a road in the high mountains with a lot of trees and snow, that he thought it was Sweden. The advertisement, they say emphasised the safety of the Volvo car. There were a few who couldn't identify if the person in the advertising were a Swede, just that he or she was a famous person abroad. Another respondent even remembered the slogan of the advertisement

that was shown on TV. It was: **Revolvoution** (Revolvolúció), which he said couldn't have been Hungarian. Still, there were a few who said that the advertising were made in Hungary. In that case they have used famous Hungarians, like program leaders, reporters, actors, actresses as Volvo car owners to make the brand popular. All of these statements are supported by the analysis of the Hungarian advertising materials, where we have really could find all types describing. So advertising awareness, as the survey made by the Hungarian Auto Magazine shows as well, is rather high.

According to Mueller (1991), consumer goods are divided into low-involvement and high-involvement items. High-involvement items are products that are usually purchased relatively infrequent, are high in cost and have perceivable differences between brands. The purchase of high-involvement products is therefore usually more carefully considered and researched in advance. Advertising for high-involvement products tend to contain more information than messages for low-involvement products. This is supported by the above summarised empirical data, according to which the respondents could recall many details in the Volvo advertising. It means that, it is true that Volvo Cars Hungary puts a lot of effort to get people know as much information as possible about Volvo, which can definitely be categorised as a high-involvement product, with a high price and a good quality.

Aaker (1996) describes the brand identity based on three main concepts; core brand identity, extended brand identity and "promise of value". Uggla (2001. p.85) refers to Aaker (1996) in claiming that the core brand identity is seen as a number of core values or unique qualities, which do not change. The next concept, the extended brand identity instead represents elements of the identity that can change and be modified in different markets. Finally, the identity of a brand is supposed to contain a proposition of a value, a promise of providing functional, emotional and self-expressional advantages. Some brands only contain and offer one of these three categories of promises. To further explain the meaning of "promise of value" Uggla (2001. p.88) describe it as an extension of identity through rational, emotional and self-expressional attributes. He exemplifies these rational attributes for Volvo as functionality and performance. These attributes can be identified by the marketer through asking questions like: "What kind of functionality or value do I get for the money I pay?" As for Volvo, the values lie in being a car to thrust, have a robust function and a high value on the market for used cars.

Uggla (2001. p.88) continues by stating that the emotional advantages that a brand can imply is instead connected to the question: How do I feel?, while the self-expressional part is of course associated to "I am". The advertising that we see in the empirical study shows that Volvo is trying to create an atmosphere where Volvo owners or Volvo drivers become a desirable image in the eyes of others. The advertising tie Volvo ownership to the kind of persons who are presented in the ads, who are representing the Swedish values, which previously and in fact continuously is presented to be something very positive through articles in magazines, in the radio etc.

We also asked the respondents whether they would consider buying a Volvo. The major part of the respondents answered that they would consider to buy Volvo cars because it is one of the world safest cars, and world-known, uses little petrol, reliable, comfortable, well designed, strong, have style, spacious, keeping its own typical style marks, classic, elegant, have a long lifetime. (42 of the respondents), still these opinions were accompanied by the supplement that: they would buy it, if they had enough money. The answers on the question whether the respondents would buy a second-hand Volvo was the in majority the same i.e. they are still expensive and that's why unreachable. As far as the respondents' image of Volvo cars is

concerned the they thought Volvo cars are good quality cars, which are also safe, have long life-time, it is a world-known brand, reliable, stabile, elegant, dynamics, spacious, leader brand among the world leader cars, family-friendly. This image might be greatly influenced by the media, which is as Cook (1994, p.9) says, one of the criteria images can be analysed by. All the qualities that the respondents named are strongly emphasised in the different kind of media in Hungary.

Many of the respondents have actually never driven a Volvo, still they are convinced about a several facts about Volvo. It might be attributed to what Horbas (1998) says about image. He states that image is not something that actually exists. It is the personal imagination of something that exist in reality. It is not a judgement that is based on reality, but a conception, a reproduction of many different values and associations. What all authors agree on is that "image" in advertising is not a rational judgement or assessment by the consumer, but the result of a conscious reduction of an object to "help" the consumer make a decision in a field, that they know very little about or where knowledge is irrelevant. A consistent advertising style is a good precondition for a positive brand image. Product image is linked to the consumer image: By market research, the advertiser has an objective knowledge of the target group and tries to meet their needs and preferences. The target group's image consists of their self-perception and their perception by others. Target groups are under the influence of cultural trends. This is what we could clearly see in Hungary. As we got to know from the interview respondents at Volvo Cars Hungary, they try to emphasise qualities that make Volvo cars desirable and a sort of self-image actualisation for their target group, who are consciously belong to the ones who have a high income. They realised that even though Volvo cars are attractive for most of the people in Hungary, there is just a small group who they can base their sales on, since the rest doesn't have the economical background for it. But within their target group, the way they are advertising is an effective way to convince the customer that by buying a Volvo they become something more, they enter to Volvo's world with the Swedish inheritance.

What our survey showed is in line with what we got to know from the company itself. We asked our respondents if they could categorise the kind of person who buys Volvo. The answers were varying but they said the same things what the company already knows. The target group is the upper 30 percent. According to the respondents most of them who buy Volvo cars are conservatives and rich, they are solid businessmen, wealthier people who belong to the upper "ten thousand", people with style, politicians, educated people, people with a monthly salary over 400.000 HUF (ca. 15.000 SEK), diplomats, people in high positions, bank managers, vice presidents. Those who had an acquaintance who owned or drove Volvo cars were EU-advisers, entrepreneur, stock owner, owner of several companies, customer development director at a multinational firm, vice president at an international firm, young student from a rich family, an educated person with a high income, a successful female department manager, IKEA' manager in Budapest, a rich artist with four children and six dogs. The rest of the respondents didn't know a person who owned a Volvo car.

## **6.5 Analysis of the Swedish questionnaires**

The results from the questionnaires answered by the Swedish respondents showed that most of them who owned a Volvo motivated their answer with that Volvo in their opinion are a safe, comfortable, nice and spacious, quality car, with less expensive spare parts, and that the cars also are Swedish and built for the climate of Sweden. Most of the respondents thought that the most important of qualities was that the cars are safe; all other qualities were secondary to that. The Swedish respondents also thought that despite of all the qualities that Volvo has, it is an

expensive car and if they wanted to buy a Volvo they would probably buy a second-hand one. Most of them said that they couldn't afford buying a new one and since the cars are known of maintaining good quality, they would be satisfied with an older model as well. Even though Sweden is a much bigger market for Volvo and the average income of an average employee gives higher possibility for the customer to afford a Volvo than it does in Hungary, a part of our respondents thought that the newer models are still too expensive to buy them as new ones, even for Swedes. In that case they would rather consider buying them after a few years as second-hand cars. When we asked about what the Swedes think about Volvo's image and if they can remember where the company have placed advertising, most of them answered that the most important qualities in a Volvo, were safety, durability, collision safety, family friendliness style, environment care, and that Volvo is a petrol-spare car. These are pretty much in line with Volvo's core and subsidiary values, which are rather well known among Swedes, since Volvo can count more like an everyday family car, rather than a luxury. Though, there were respondents who thought that a few models of Volvo's cars, especially the newer ones are more luxury and they have become a sort of status symbol. The image of Volvo cars in Sweden differs a lot from that in Hungary. It is difficult for the Swedes to forget the image Volvo had even just a ten years ago, i.e. a boring, squared, unstylish car that everybody owned. It is therefore understandable that Volvo Cars Sweden is putting a lot of effort into adding excitement to Volvo's core values, to make new segments, like the younger generations interested in buying Volvo cars.

As far as the media used is concerned, every one of the respondents could remember TV as the most frequently used media where they have seen advertising of Volvo in. A few of them also mentioned newspapers and magazines. Only a few mentioned most frequently noticing radio or billboard advertisements. It can of course be attributed to the fact that we have actually carried out this questionnaire in the North of Sweden, in only two cities, Luleå and in Piteå where it might be much lesser billboards than it is in the South of Sweden. As Jutendahl himself said in Sweden it is not so important to emphasize that Volvo is existing, rather than emphasizing that it is not a boring car any more, and besides its core and subsidiary values it actually become more exciting, more stylish than it was before. When asking if the respondents had any opinion about what kind of people they think buy a Volvo we got diversified answers. Still the most of them agreed on that most usual that families and parents with fix jobs and with minimum two salaries in the household who favours Volvo the most. Then there were those who couldn't identify a certain type of people who buys Volvo. We though got a few answers like: "safety-addicts", conservatives, and reasonable people standing with both two feet on the ground. The majority shared this opinion. Then there were some younger respondents, who thought that there are more young people buying Volvo today, thanks to the more well-designed and sporty models. It might show that the intensive advertising campaigns, which are emphasizing the new Volvo image start to reach new segments.

## **6.6 Analysis of the Hungarian advertising materials**

Cook (1994, p.9) points out that image is not static; in a communication process, sender (i.e. manufacturer and advertiser) and recipients (i.e. potential consumers) are in a permanent exchange about values and preferences, which in turn, underline constant change. According Cook (1994, p.9) one of the criteria images can be analysed by is the media. The image is influenced greatly by the media that are used (newspaper, TV, flyer). In order to understand this statement we asked the respondents both in Sweden and in Hungary to provide us some of their actual advertising campaign materials. Forsman and Bodenfors AB, Volvo's advertising agency, provided the Swedish advertising materials, while the Hungarian advertising materials we got

from Budapest headquarter of Volvo. These were mostly printed entities, which are used in magazines, on billboards and in daily papers. From Sweden, besides printed materials, we got two of the actual television ads on videocassettes too. In both countries each Volvo model has a different tone, depending on which target group the company is aiming at. In the Hungarian materials there are different images used depending on if the advertising is presented in a magazine for women or in a magazine for men. In the first one, behind the shadowed picture Volvo car, there is picture of a mother holding her ten-eleven year-old daughter in her hands. The picture is meant to communicate caring about each other in the family, where safety i.e. owning a safe car comes as first. This ad appears mainly in monthly magazines for women, in daily press and even in Auto magazines. The same advertising is made with the picture of a father and son. This one appears in mainly Auto Magazines, in the magazine of Bank and Stocks and in daily press too. In these advertising, family is in the centre, it is them the advertising is targeting. The feeling that the advertising is communicated is entirely in line with what is written about this target group in Volvo's Brand Philosophy Book (2000):

In today's world there are other families, that are formed because people love, care and depend on one and another. In the relationships, at work and in the leisure time they strive for balance between their own personal desire and collective responsibility. They are concerned about environmental issues. Modern families are also well educated, open-minded, successful, active, they are demanding and this is what they expect from their car's safety, environment friendliness, and a distinctive and stylish look.

S60 sport limousine mediates a totally different feeling, since obviously the target group is different too. In the front of one of the pictures there is a male statue bearing a squared globe on his back. In the background there is the new S60 sport limousine in the middle of a big square. The other printed advertising shows S60 sport limousine alone in a motorway where in the background there is nothing else just plain and clouds. Both pictures communicate the feeling of freedom and independence of the driver. It communicates the new life, and the new revolutionary form. Both of these advertising appears in daily papers, in magazines like Boss Magazine or Meetings (Találkozások), in auto magazines, and even in magazines about the nice home, such as the House Culture (Lakáskultúra).

Another criteria that Cook (1994, p.9) mentions that influences images is the context i.e. substance, language, situation, co-text, inter-text, participants and function. As far as the previous advertisements' context is concerned, the first ones with family pictures had a co-text, which says that if you want to discover Volvo's world, then there are trained personnel that for request visit you in your home or at your work place and give advice and help with putting together the wished car with in the wished way. The advertising also emphasises the great after-sale services. So besides emphasising the new retailing concept that we have written about in the empirical part of our thesis, the Volvo cars' family friendliness is standing in the centre. S60 sport limousine's co-text is putting the emphasis on freedom, free spirit, the revolutionary new form and the new kind of life style and runs under name of "Revolution". Still, they emphasises the trained advisers' help and great after-sale services too.

We got to know that there are a number of Hungarian Internet sites as well where Volvo has bought spaces. These are sites of daily papers, stocks, economical sites etc. In these advertisements the emphasis is put on the customer-centred sales and service system. S40 and V40 Active are targeting the dynamic drivers, for whom the safety, comfort and style are also important. In the advertisement some attractive details are gathered about the models, which might be important for the customers they are targeting at. Such details are e.g. the darkled twin-lights, the unique front and back spoilers, combined carpet, 16'' light metal rims etc. In the front

of the ad picture there is a stylishly clothed good-looking young man in suit with papers in his hands.

Horbas (1998) says that image is not only a guidance for decisions; it shows them additional advantages besides the real benefits that they can draw from purchase, which may lead to satisfaction. The product becomes an experience, an event in which consumers get the opportunity to express themselves. He also says that you are what you buy. He says that images gain their power from the belief in an “inner quality” of entities. Nowadays, continues Horbas (1998) people find a wide acceptance of the necessity to emphasize these “inner qualities”, where not so much the concrete properties, but abstract concepts are targeted. “What can this product do for me?” is expanded and differentiated to: “Does this particular product more things for me beyond its originally designed purpose than its competitors?” Does it fit my personality, does it maybe even add to it?” And this is the question we think that these advertisings give the answers on. In each of the advertising materials we looked at there is a type of person and feeling connected to the product, not only in the picture but also in the co-texts. In the case of S60 family cars, there were family members, being happy and putting safety and care in the first place. In case of S40 and V40 Active models, probably consciously, a young, good-looking, stylishly dressed, probably well-educated man with a file and papers in his hand is put in the picture. The reason might be what Horbas (1998) is saying. Besides the car’s originally designed purpose there are additional advantages of buying the car, i.e. the expression of personality or the possibility of becoming the kind of person that appears in these advertisings with all the advantageous qualities of it.

We continue the analysis of the advertising materials we got from Hungary. One of the actual advertising campaign that they had in the end of year 2001 was the sales of a so-called “elegance package” that the customer got as a present if he purchased an S40 or a V40 model. The advertising’s slogan sounds like this: “Bind your life with an elegant model” (In Hungarian: *Kösse össze életét egy elegáns modellel*). In the picture there is a S40 from behind, the sign of the model can be clearly seen. Beside the car there is a smiling beautiful woman, probably a model to associate to the word in the slogan, propping against the car door, wearing an evening dress and adjusting her shoes. The co-text is saying that there are many components of the elegant appearance, but the perfect appearance can be achieved by Volvo’s S40 and V40 models. In the campaign they are offering the so-called “Elegance Package” only for 250.000 HUF (with an exchange rate of 25 HUF for one SEK, it is approximately 9.615 SEK) instead of the original price 807.000 HUF (ca. 31.038 SEK). In the inside of the car it includes leather steering wheel, audio equipment, suede upholstery, special Cyborg metal supplementary, unique gearbox supplementary and remote controlled central lock. On the outside it is Vagon wheel-disk, chrome-plated door-handle and chrome-plated decoration slat. To this advertising picture there was attached a media plan, where our attention were attracted to one thing, namely the note that said that this ad is targets all individuals between 25-55, in the urban regions with high income. In parentheses it said: upper 30%. Population: 1,256,000. We think that the latter means that the so-called upper 30% counts 1,256,000 people. The newspapers this ad appears was an economical weekly magazine, called *Weekly World Economy*, (in Hungarian: *Heti Világ Gazdaság*), *Women’s Magazine* (in Hungarian: *Nők Lapja*), *Auto Saloon* (in Hungarian: *Autószalon*) and a rather big daily paper called *Népszabadság*. All of the advertising materials we looked at above backs up Roat’s (1997) theory about how advertising works on the individual. He says that advertising works through the individual upon the individual. Roat (1997) lists up a few things that explains how advertising works:

When the you hear or see an advertisement, you are asked- indeed, required- to view a future image of yourself as you might be, then envy that self-created image. (Instantly, you are a lesser person.)



As far as the Hungarian advertising materials are concerned they are undoubtedly want to create a certain type of person and atmosphere that the individual with a great probability would like to become or would like to have.

Then you are asked to transform yourself into an object that requires envy of others, so you can justify liking yourself. This indeed shows that advertising is about social relations, not only products.

Some of the ads support this theory as well. The ad of S40 and V40 with the elegance package suggests that if you buy one of these models you might become attractive for young beautiful models, like the one in the picture. Then you will be envied not just for your nice car but for your girlfriend too. By emphasizing that Volvo cars belongs to the safest cars in the world can make you wonder if you are an enough caring parent without ensuring the safest for your closest. As Roat (1997) says, advertising make us wonder how we would look wearing, driving, using, carrying some product, and in that instant we create that future image of ourselves which, by its design, is better than we are now. In that instant we are lesser people than we were just moments ago. So advertising works through the individual upon the individual. As far as S40's and V40's "elegance package" ad is concerned Joseph & Holden's (1999) theory about desire in advertising is tenable. He says that regardless of culture, more powerful than context, desire is invoked as one of capitalism's ironclad codes of quality. As Joseph & Holden (1999) suggest there are two variants that have been most common. That in which desire is: (1) stimulated or (2) sated by a product. In both cases the product is more powerful than the thing the audience finds most powerful: the physical surge, the emotional rush, and the chemical compulsion we label "desire". In the case of the former, a typical approach has been to create an equation in which product intervenes in the relationship between man and woman stimulating the psycho-physiological desire of one for the other. A classic pre-post design. Absent the product, desire would not arise, ad text often alleges. Implicit in this approach is the assumption that the ad reader will *desire* desire. If so, he or she -equally desirous of this turn of events – will insert him or herself into the scenario, engaging in a symbolic, if not actual purchase of the product.

Besides of the advertising materials that Volvo Cars Hungary uses, we got a few examples of Volvo Magazine that comes out once in a quarter. Compared to the advertising materials that appear in newspapers, on billboards or in magazines, this specific Volvo Magazine emphasises Volvo's Swedish inheritance. None of the previous ones emphasised the country of origin in their co-text or in the atmosphere of the pictures. The emphasis was laid more on the new retailing concept, on the improved customer service, after-sales service and a desirable status and the advantageous product specifics you can get by purchasing Volvo. Despite of this, Volvo Magazine includes a number of interesting articles about Hollywood stars, like Christine Scott Thomas from the film *The patient*, and famous Hungarian public personalities, like TV reporters, athletes, actors and actresses who have chosen the Swedish quality and drive Volvo. Sweden, as the country of origin crops up several times in different contexts. The magazine is full of useful and interesting information for Volvo drivers and for others as well. It describes e.g. how safe Volvo wheels are in every kind of weather, what the Volvo-developed diesel motors can perform. In every number there are stories about animals that are threatened of dying out, or are beautiful to get to know. It runs under the title: Volvo guidance for the environmental care and makes the customers aware of that this is a very important value for the Volvo company. It informs about Nobel price exhibitions, which are sponsored by Volvo, and then there are Volvo Magazine's ski school. There is a Volvo guide with tips about which countries is worth to visit with Volvo cars and test the different geographical factors; the articles are presented with a number of breath-taking whole-page sized, nature and landscape pictures with Volvo cars on the road. In connection with the characteristics of different countries and their landscape, the Volvo

cars' different advantageous sides are emphasised, like how easy to drive in Milan's high mountains in the pin curves, or how fast you can make up for the "lost" time you have spent watching a sunset from a bridge. Then the Volvo Magazine presents the results of the Auto magazine's survey, that we have also presented in the empirical part of our study, emphasising that the Swedish brand in both customer service, complaint handling and after-sales services is in the first place. The new retailing concept and other news about Volvo are also presented in the Magazine. In order to get the Hungarian people acquainted with Sweden, the Swedish way of life, and - how the Magazine says- with the things, Sweden has given to the World, a series was started with the title: "Sweden from A to Z" (In Hungarian: Svédország A-tól Z-ig). In the first part of this series they wrote about things that start with A like: ABBA, AGA Swedish pop music enterprise, Absolut Vodka, and things that start with B like: Björn Borg tennis player or Ingrid Bergman film star. In a later issue they write about the Swedish Kingdom, the Swedish kitchen, about Orrefors glass makers, Sven Hedin Swedish explorer, about the Swedish nature and about the Swedish meat balls. This way they are creating a picture, in other words an image about Sweden.

After reading through a few of these Volvo Magazines, we can say that the editors collect a bunch of things that create a very positive and exciting image of Sweden and the product from there. It was interesting to see and read deep stories about the celebrities they have chosen to tie Volvo's image to. The places where Volvo cars appeared in the Volvo Magazines' pages were also very attractive and most of them suggested that they were in an expensive environment. An example of this was that in a number of pictures Volvo cars were standing in front of a castle or beside a sailing boat, as if those two belonged together. The reader might interpret this atmosphere that if he buys a Volvo he will belong or can belong to those who travel to these beautiful places, who own a castle, who are famous and popular; they can feel that they are like the interviewed celebrities, or that they belong to the upper 30 percent. This latter also supports Vigneron and Johnson theory (1999) about the prestige-seeking customer. They say that research identified that people's needs for appearances and materialism were increasing. As a general rule, prestige products have been used as an example of extreme-end high-involvement decision-making. The assumption is that prestige products are infrequently purchased, require a higher level of interest and knowledge, and strongly relate to the person self-concept. Prestige-seeking behaviour is the result of multiple motivations, but in particular the motives of sociability and self-expression.

Hirschman and Holbrook (1982) points out that certain goods and services have been known to possess emotional value in excess of their functional utility. Studies in luxury consumption have identified that luxury products are likely to provide subjective intangible benefits. For example, Dubois and Laurent (1994) recognised that the emotional value was an essential characteristic of the perceived utility acquired from luxury products. The consumption of prestige brands is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal (perceived conspicuous value). This is supported by the fact that Volvo in Hungary is considered to be an expensive, quality product that is available only for those who have a high income. The advertising that we have looked at backs up this hypothesis, since they all have the atmosphere, which suggests that the product is something luxury. The media plan even defines that the target group are of those who have high-income and belong to the upper 30 percent. Hirschman and Holbrook (1982) further discuss that if virtually everyone owns a particular brand it is by definition not prestigious (perceived unique value). That Volvo is owned by anybody in Hungary is far from the reality. As we have written before, just a few can afford to buy one, so it can definitely be considered to be a prestigious product with perceived unique value. As an analysis of the Hungarian market research material presented in the

Hungarian car magazine *Automagazin* partly summarised in the empirical chapter we want to provide a comparison of the result-curves for the two countries. Both in Sweden and in Hungary more than 50 percent of the survey participants think that Volvo is a well-made car. Swedes found Volvo more reliable than Hungarian thinks that. The numbers for Hungary lie at 44 percent while in Sweden the corresponding number are 55 percent. About safety standards in both countries the participants agree on that it is high. Both values are above 80 percent. Of this core value obviously both countries' participants are very aware of. 43 percent of the Hungarian survey participants think that Volvo has an advanced technology. Only 24 percents of the Swedish survey participants agree on this. As far as Volvo's other core value, the environmental friendliness is concerned, more than forty percent of both the Hungarian and the Swedish respondents think that it is true. In the customer service there are great differences in the two countries. 35 percent of the Swedish respondents found that Volvo has a good customer service.

On the other hand, in the expansion for all the survey participants, just 13 percent of the Hungarian respondents thought that the customer service of Volvo is good. There is a great difference between opinions about that Volvo is a good value for money. The Swedish respondents seem to agree on it up to 34 percent, while only 15 percents of the Hungarian respondents thinks the same. The greatest difference between the two countries seems to appear in the question of Volvo cars re-sale value. 76 percent of the Swedish respondents think that Volvo has a good second hand value. The Hungarians do not share this opinion. Only seventeen percent of all the Hungarian survey participants think the same. As the outer characteristics of Volvo cars is concerned, Hungarians thinks more that Volvo cars are good looking and stylish cars, though the value doesn't exceed 40 percent. 33 percent of the Swedish respondents think that Volvo is a good-looking car. Both the Hungarians and the Swedes agree on that Volvo doesn't really make sporty cars. The value doesn't exceed ten percent in both cases. Whether Volvo cars are successful in racing or not, the Hungarian respondents agrees on that just up to six percent, while 26 percent of the Swedes think the same. As far as the advertising is concerned, twenty percent of the Hungarian survey participants think that Volvo has a good advertising, while on the other side 47 percent of the Swedish respondents agree on that. Still the overall summary gets almost the same result. Both the Hungarians and the Swedes like this make up to 43 percent.

## **6.7 Analysis of the Swedish advertising materials**

In order to be able to see the differences between the Hungarian and the Swedish way of making Volvo advertisements, we asked Forsman & Bodenfors AB, which is Volvo Cars Sweden's advertising bureau to send us some of their actual advertising campaign materials. We got two VHS videotapes and a number of printed materials. One of the printed advertising is the latest campaign of Volvo Cross Country. The advertising is putting effort to make people aware of that Volvo Cars actually produces sport cars as well. Volvo Cross Country is the car that is made for excursions to the wild. Technical details are listed up to give information to the interested customers. The advertising offers test-driving and the possibility to participate in a wilderness challenge. Here, just as in Hungary Volvo is presented in a beautiful environment. The atmosphere suggests that Volvo and environment goes hand in hand. The advertising also suggest that if you buy Volvo Cross Country you will be able to discover the hidden untouched beautiful parts of the wilderness, and that Volvo Cross Country is the car you must have if you are a nature lover or an active person. As Horbas (1998) writes, image is not only a guidance for decisions; it shows them additional advantages besides the real benefits that they can draw from a purchase, which may lead to emotional satisfaction. The product becomes an experience, an event in which consumers get the opportunity to express themselves. The environmental

friendliness is emphasised in another advertisement about S60. IQ+HK which converts the dangerous ozone into oxygen. Safety is of course always one of the values that Volvo cars are tied to. In every advertisement, besides the actual offer or news, the core values are emphasised. V70 sport car advertising communicates the enormous big boot that sport fans can exploit to pack into. There are not much co-text used in the latter advertising. Just pictures of different sport activities and Volvo cars with captions that tells how many litre different sport equipment take and how much can have room in the Volvo trunks. As Roat (1997) says here as well the message is that you can transform yourself by buying something more, and this more will make you in some way richer. It is at the core of everything that follows. Without its truth, we would buy fewer products, enter debt less often, and pay very little attention to advertising once it strays from information. The videotapes basically say the same things that the above presented printed material does. We didn't get information about whether Volvo Cars Sweden uses the new retailing concept that Hungary introduced for not so long ago. The concept that builds on improvement in customer service, complaint service and after-sales service. We are not sure if there is so much extra effort put into finding customers, organising events that might interest the target group to make the first contact in the Swedish market, where there are a much bigger customer base buys, owns and drives Volvo cars. Surely good customer relationship is very important for Volvo as it is for any other companies, but the extent of effort that is put down to reach and keep the customers, we think is not as essential as it is for Volvo Cars Hungary in the much small market with a much smaller target group.

## 7 CONCLUSIONS

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*In this chapter we will describe and highlight interesting aspects derived from our study. Conclusions from the analysis are presented and the research questions are answered on the basis of our findings. At the end of this chapter we will also give some recommendations for future research.*

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### **Purpose and research questions**

The purpose of this thesis was to investigate how international companies are using advertising in communicating their corporate brand identity in order to create a favourable image in different targeted countries.

The objective was developed in response to the following research questions.

1. How are the advertising activities organised in order to create a brand identity resulting in a favourable image in different countries?
2. How are standardisation and adaptation used in the design of advertising in order to achieve the desired image in different markets?
3. On what components do companies try to build their image?
4. How are the countries of origin of companies used in the advertising as a means of creating the desired image?

### **7.1 Conclusions connected to our case studies**

In the beginning of this chapter we will focus on the conclusions based on the case studies. The research questions will be discussed and answered subsequently.

#### **7.1.1 Organisation and standardisation of the advertising activities**

This first section discusses our findings and conclusions regarding the first two research questions formulated in this thesis. Based on the analysis we have chosen to answer these first two questions in a combined discussion.

Regarding the organisation of the advertising activities the Volvo Corporation has developed a special network organisation for the handling of the advertising. The European market is divided into smaller regions based on their geographical location but the cooperation is more based on the similarities between countries. This results different grouping of the regions as well. The actual creating of the advertising and the centre of the network is led by a so-called lead advertising agency. This way, the producing of the advertising is conducted in a very interesting and as it seems, efficient way. The description of this cooperation and division of the different regions show that Sweden together with Norway and Finland is somewhat separated from the others in their advertising approach. This resulting in Sweden and Hungary not working within the same region. Volvo Cars Sweden is also not as tightly connected to the lead agency as Volvo Cars Hungary. An internationally unified company image has been recognised as increasingly

important. In order to achieve a strong and positive company image this both on a national and international level, Volvo has developed a solid base for this through the brand identity message of the core values: safety, quality and environmental care. Because of Sweden together with Finland and Norway being a bit more independent, the standardisation of the strategical advertising material is also subsequently more obviously and positively accepted by Volvo Cars Hungary. Based on the scale of the operation and the economical conditions, the advertising activities and resources spent are also different. The focus on cost efficiency is resulting in varying choice of advertising media, for example Volvo Cars Sweden are spending the largest part of their advertising budget on TV while in Hungary they state that this way of communicating their message would not pay off. This choice is based on two opposites of the aspect, Volvo Cars using TV to reach a large audience while for Volvo Cars Hungary this is no use because of the small number of actual potential buyers among the Hungarian people. The difference in the customers of the two markets is that there still seems to be a large percent of the Hungarian population that basically only know the company by name and can identify the company as producing cars. Through not using resources for media like TV, this is not seemingly that “prioritised” since it is not rendering in direct increase of sales as the media more specifically targeting the potential customers. Moreover the adaptation to the different segments within the two markets is not done to as large extent as we pictured it to be. In both countries the companies divide their market into private persons and legal entities and the adaptation is mainly not placed on the communication of the message until the actual relation to the potential customer are identified. This is as stated most evident in the Hungarian market. On tactical level both of the advertising and the way of selling, the activities are more differentiated and are subsequently vary between the two countries.

### **7.1.2 The components of the image**

In both countries examined, Volvo emphasises its core values (safety, quality and environmental care) and its subsidiary values (pride of ownership, enjoyable to drive and design). These additional values are used both in the Swedish and the Hungarian market. One large difference, mainly depending on the time of in the market and the market conditions, is the focus on these values in the advertising. The Swedish part of the corporation have through the long time and hard work in the home market reach an position as being one of the safest cars in the world but also as producing high-quality cars. Regarding the environmental care Volvo themselves state that they are also the leading brand in the category of premium cars. Today, the challenge for Volvo Cars Sweden instead lie in the creating an image maintaining the safety and quality but also adding characteristic associations more based on emotional criteria. This is put a large emphasis on in order to keep the 20 percent market share. In Hungary the core values as components of the image is also established, this maybe a bit surprisingly fast since Volvo has only been operating in the Hungarian market for ten years.

This relatively short time of business in Hungary also renders in the fact that the image have not gone through the same changes as in the Swedish market. For the Swedes Volvo first was associated as being a every-mans car, where the basic physical features was the main characteristics of the car. As the competition has grown harder in the car industry the exclusiveness was more of a concept for Volvo, this consequently with a changed image. For the Hungarian market, as for most of the international markets of Volvo, the price and the scale compared to other brands in the local market leave Volvo with a image of this exclusiveness without any specific image creating activities. In these markets the competitive advantage is largely based on the actual image not only the product itself. As several of the referred authors claim, the importance of image is rooted in the fact that the personal identity and image are

connected to other items with an image. This resulting in the creation of the so-called augmented product, meaning that a product has not only a physical nature, but also a social and physiological one, and hence the sets of feelings, ideas, and attitudes that consumers have about products are crucial to the purchase decision. As the majority of Hungarians agree that owning a Volvo is a status symbol, those able to afford a Volvo will feel that much more encouraged to buy one. "You are what you buy", the car becomes a identification mark of being part of the upper 30 percent, this stimulates at least the potential Volvo-buyer. As pointed out, the company identity and the actual image is rarely completely the same and this is something that the companies have to deal with. Volvo Cars Sweden has well developed market research activities through the co-operation with Millward Brown while Volvo Cars in Hungary do not conduct any larger research themselves. Statistics are though collected by the Volvo Magazine.

### **7.1.3 The use of country of origin in the advertising**

As stated by a number of theories and studies, consumers have perceptions of products from certain countries. This also appears clearly in the results from the answers in the questionnaire. The majority of the respondent had an idea about the country of origin of Volvo as Sweden. Connected to this, the same large majority of the Hungarian respondents actually had characteristics that they associated with Sweden. These such as that they found Sweden to be a country of high living standard and high quality products. This we believed to be taken advantage of by Volvo Cars in Hungary but according to their marketing manager this is not explicitly done. She further refer to the result of a questionnaire sent out by them, this showed that the Hungarian did not know that much about Sweden. This result was not supported by the questionnaire that we sent out. At the same time the Volvo Magazin presented a list of things that represents Sweden, so as the theory tells us, the message of country of origin can be applied from a party other then explicitly in the advertising from the company itself. As quality is one the core values of Volvo and this is highly associated with Sweden, we find this to be a bit neglected when using the Scandinavian values as a complement. As the theories state, a product's COO image is a response component of pride of ownership and is associated with the exquisiteness or high-class taste of the source country. The COO can serve directly as a status symbol, which seem to be the case in the Hungarian market. How much the country of origin pose as a positively contributing factor in the image creation is though of course hard to say.

Connected to the theories of customers tend to develop stereotypical perceptions about countries based on personal experiences and information from other sources. One aspect of this is that when consumers are unfamiliar or lack knowledge of a product category, this stereotypical perception can pose as a stronger influence than the company brand identity. In this situation the COO work as an information-cue by consumers. Usunier discusses that the purchasers of Swedish cars, who pay twice as much as for cars with comparable performance, acquire at least to a certain extent, the symbolic label "Made in Sweden" which for them, suggests reliability a long life, thereby removing any fear of mechanical failure. Our survey showed that for those Hungarians who could afford to purchase a new Volvo it was important that their car was made in Sweden.

### **7.1.4 Two countries, one image?**

*We would also like to try to provide an answer to the question posed as the title of this thesis and we have chosen to do this through a general conclusion.*

As we have seen, the creation of a favourable image is dependent on a number of factors. The

company design of a brand identity is only the beginning of the process. For Volvo in the two studied market the achieving of an internationally unified image has come further than you can expect. Although the economical conditions of the customers in the markets of the two countries are quite different, the image of the brand and the latest products are more and more similar in the two countries. This is to a large extent based on the high price rendering in the fact that Volvo is seen as a luxury car only available for a certain upper segment of the society. From the company perspective this high price is to be handled as a quality signal which is also perceived like that by the customers, this especially for the Hungarian respondents resulting in a image of status besides the basic safety image. Regarding advertising and the intentional use of Sweden as a positive image supporting aspect for Volvo Cars Hungary is not that clear but as stated in theory this is not always that explicit. The indications from the interviewed representatives of Volvo Cars Hungary and other material presented by are a bit twofaced. One thing that is for sure is that Volvo has succeeded in creating an image of being one of the safest cars in the world.

## **7.2 General conclusions and future research**

Here we provide a number of general conclusions connected to the research questions and the situation for advertising as a means of communicating the image of international companies. Last we provide some suggestions for future research.

### **7.2.1 Organisation and standardisation of the advertising**

The use of standardization and adaptation in international advertising is affected by a number of factors. Political and economical decisions have during the years formed new centres and zones in the world. The EU and EMU for example have created centralisation of decision-making but also enhanced the local identity base with strong regions that are claiming their integrity. In such strong regions there are also openings for strong regional brands. Such situations results in the request for strategies for both international and regional marketing activities. It is though important to distinguish between international companies and international brands. In reality international branding is not a strategic option for many companies, when seeing this strategy as the use of a single, standardised brand proposition. This even though the products is the same in the different markets.

In order to organise the work with the advertising to be as effective and efficient as possible the company have to recognise the similarities and differences on the three different levels; national-, regional and international level. The challenge it though not longer to build impersonal international brands, it is instead to finding synergies and locally based strategies that works on all three levels. International companies have to consider aspects as culture, tradition, values and lifestyles in their advertising. Though in doing this, the handling of the differences and similarities has to be effective not just looking at either total standardization or complete adaptation. Through recognising these similarities and differences, an organisational coordinating of the different markets could use this to from specific groups for closer co-operations. A number of countries in a region can have a larger span of similarities, ending up as being subject for reaching efficiency through further standardisation. As stated, the company also need a general strategy for the advertising. The international similarities are the base and prerequisites for creating a brand with international coverage. This should though not, as during the eighties, be the only thing important since there is a risk of an international strategy resulting in a too strict standardisation. For international companies it is almost unavoidable to try to create an overall image but it is also important that they emphasize different factors in different markets, depending on the particular market situation. The purpose of having a centrally based planning



system for the advertising communications is not just finding these similarities. This kind of organisational structure also provides the possibility of establishing a balance between the international and regional brand image.

Regarding the standardisation and adaptation of the actual advertising design we conclude that the language and sometimes also the message of standardised advertising materials of course have to be adapted to the different national markets. There are a number of standardised examples that you as a consumer come in contact with. Parts of the material, as pictures is often standardised because the consumers know that an old man is an old man independent of in what country the advertising is used. The standardisation is also often logically connected to different kinds of resources, costs and scale of business. As this thesis shows, in countries where the subsidiary operations are small-scale compared to the company as a whole, the use of standardised materials produced on a corporate level of the organisation are more frequent. The standardisation is also dependent on the ration between the cost of the advertising materials and the potential number of costumers reached. The reasoning here is about not spending large parts of the budget when only reaching a small number of potential customers.

### **7.2.2 The components of the image**

Advertising seen as a means communicating image can be divided into a number of categories. The first is advertising utilising the positive associations that are connected with the products and their features. The product is though not only built on physical features, it also consist of social and physiological ones. These last two components are more directly connected to the human behaviour, based on sets of feelings, ideas, and attitudes that consumers have towards the built-in image of the products or the brand. International companies are aware of this and as seen in highly competitive business as the automobile industry this is what largely contributes to the competitive edge. This differentiation seen in getting customers attention and hopefully ending up as the customers' choice. Depending on the industry or/and the product the way of the advertising can vary. Also, the components that build the image can and will differ.

The companies have also recognised that the overall image and its components is linked to the consumers own perceptions. The image of the targeted group in turns consists of their self-perception and how they perceive other factors in the world surrounding them. The awareness of these specific perceptions and trends gives the marketing managers the opportunity to emphasise associations between the brand identity and this customer-image in the advertising. Companies are also aware of the fact that image is not only a guidance for decisions for customers, it also provides the potential customers additional advantages besides the real benefits that they can draw from a purchase. These additional advantages are what contribute to the situations where the purchase may lead to emotional satisfaction. Through realising this, the companies can use the image, as a powerful tool in convincing the customers of needing their product out of self-image reasons as well as out of practical reasons. Different countries and cultures represent different levels of materialistic values and need for appearances. As we our study show, prestige is another important factor. This is most evident in high-involvement product categories as these require a higher level of interest and knowledge, and strongly relate to the customers self-image.

### **7.2.3 The use of the country of origin in the advertising**

Regarding the role of the country of origin we conclude that the companies can have one general reason for using COO in their advertising. This is to make people associate their products and brands with the positive features and good reputation that the country of origin potentially can employ. These associations do not always appear explicitly in the advertising, as in form of

picture or slogans. They can instead appear through supportive materials that emphasize the positive things about the country of origin of the product. To use COO as part of the advertising efforts is a common means to communicate a lifestyle associated with using their products. This can be to show a connection to a country of origin representing a more high-quality lifestyle than the targeted customers normally lead.

#### **7.2.4 Implications for further research**

The purpose of this study was to gain a better understanding of how international companies are using advertising to communicate their brand identity. Through this we wanted to see how they standardise and adapt their advertising messages to the different markets, in the different targeted countries. We find that we actually have acquired a lot of interesting insights to this area of marketing. Based on the same research questions as in this thesis, it would be interesting to see how other large international companies handle the work with the image communicating through advertising. Connected to the first research question it would be interesting to see if there are any resemblances in the organisational solution for the handling. We have also recognised that the use of COO is somewhat unclear. There are a number of both theoretical and empirical studies in this area but it could be interesting to see if there are any explicit examples. Such studies of different companies would further provide a base for recognising potential correlations, which in turns would hand the researchers the opportunity of presenting more specific recommendations.

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2001-02-15 Nr 2001:037 TK 27 SM 0101

Available: <http://www.scb.se/sm/tk27sm0101%5Fikortadrag.asp>

Average income of 1999, SCB

Available: <http://www.scb.se/befovalfard/inkomster/iof/SamRakForvInk99.asp>

"Volvo Personvagnar 1927-2001" Volvo Personvagnar AB, Department of Information,  
SE-405 31 Göteborg, Sweden

Volvo Personvagnar AB, Årsredovisning 2000

Volvo Chartbook Sweden, quarter 2, 2001

Marketing/market research material (confidential)

*Other contacted persons:*

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Andrea Sztárcsevity, PR and communication specialist, Volvo Car Hungary and Southeast Europe Trading Ltd., Budapest

## **INTERVIEWED PEOPLE**

Björn Jutendahl, manager of market communications, Volvo Cars, Gothenburg

Tamás Pálfi, prospector, Volvo Car Hungary and Southeast Europe Trading Ltd., Budapest

Gabriella Parányi, marketing manager, Volvo Car Hungary and Southeast Europe Trading Ltd., Budapest



## **Appendix 1**

### **Intervjuguide för intervju med Volvo Personbilar Sverige AB**

#### *Organisationen för arbetet med reklam*

- Hur stort inflytande har Volvo personvagnar i Sverige över reklamkampanjer i övriga Europa?
- Anlitar Ni reklambyråer vid utformning av reklam eller har Ni en egen avdelning för detta?
- Om reklambyråer anlitas hur strikta riktlinjer ger Ni dem, hur fria händer får de?
- Hur stor årlig budget har ni för reklam?
- Hur stora del av omsättningen går till reklam?

#### *Standardisering/anpassning*

- Utformas reklamkampanjer i syfte att fungera i fler länder än enbart Sverige?
- Anlitas ”kunniga i kulturellt relaterade frågor” från respektive land som reklamen är avsedd för?

#### **Reklam**

- Används Sverige som ursprungsland medvetet som del i reklamen?
- Vilka olika segment/kundgrupper har Ni delat upp Er marknad i?
- Anpassas reklamen till olika segment?
- Är det något segment som kräver/behöver mer reklam?
- Känner Ni att Er reklam når de segment Ni önskar?
- Finns det några lagar eller/och regler som begränsar Er särskilt i Sverige?
- Vilka kanaler/medel använder Ni? (ge gärna exempel på aktuella marknadsförings/reklamkampanjer)
- Vilka kanaler upplever Ni som mest effektiva? Har det gjorts någon marknadsundersökning på området?

## **Image**

### *Sverige som ursprungsland*

- Används Sverige som ursprungsland i reklamen för att kommunicera er image?
- Hur tror ni att ni skulle kunna dra nytta av att använda Sverige i er imagekommunicerande?
- Vilka signaler tror ni att Sverige som ursprungsland kommunicerar i bilindustrin ( så som kvalitet, säkerhet, miljömedvetenhet och design)?

### *Företags image och varumärkes identitet*

- Vilken image vill ni kommunicera till era kunder/potentiella kunder?(säkerhet, kvalitet, o dyl)
- Har ni genomfört någon marknadsundersökning angående Volvos image?
- Vilken image upplever Ni att ni faktiskt har i Sverige?
- Tror ni att era kunder har upplevt någon förändring av er image?
- Har ni medvetet, genom särskilda aktiviteter försökt att förändra er image?
- Försöker ni kommunicera olika image till de olika segmenten?
- Eller fokuserar ni istället på att kommunicera en övergripande image för Volvo?

## **Appendix 1**

### **Interview guide for Volvo Cars Sweden**

#### *Advertising organisation*

- How large is the influence of Volvo Cars Sweden on advertising campaigns in the rest of Europe?
- Do you hire advertising agencies to design your advertising or do you have an own advertising department?
- If you hire advertising agencies, what kind of instructions do you give them?
- How large is your budget for advertising?
- How large percentage of the total sales is used for advertising?

#### *Standardisation/adaptation*

- Are there advertising campaigns that are supposed to be used in more countries than Sweden?
- Are experts on cultural matters from hired when designing the advertising?

#### **Advertising**

- What different segments have you divided the market in?
- On what criteria do you base your segmentation?
- Do you adapt the advertising to the different segments?
- Is there any segment that needs/require more advertising?
- Do you think that your advertising reaches the segments you wish/aim to reach?
- Are there any laws and regulations that limit your advertising design specifically in Sweden?
- What channels are you using?
- What channels do you see as most effective? Do you think that you succeed in communicating the image you aim to?
- Could you please present some examples of your latest advertising

## **Image**

### *Country of origin*

- Is Sweden as the country of origin used in the advertising (in the communication of the image)?
- How do you think you could benefit from using Sweden in your advertising, that is in the sense of creating a favourable image?
- What signals do you think Sweden as the country of origin sends in the car industry? (Quality, safety, environmental care, design and so on)

### *Company image and brand identity*

- Which image do you want to communicate to your customers and potential customers? (Such as safety, quality, environmental care, and so on)
- Have you performed any marketing research on the image of Volvo?
- What image do you think that Volvo actually has?
- Do you think that your customers perceive any change in the image of Volvo?
- Have you intentionally (through specific programs) tried to change your image?
- Do you try to create different images of Volvo in the different segments?
- Do you concentrate on communicating an overall image of Volvo?

## **Appendix 2**

### **Interview guide for Volvo Cars Hungary**

#### *General questions about Volvo in Hungary*

- How large are Volvo's Hungarian market share compare to other car producers?
- Which car producer do you consider as your competitors?
- Can you provide us with any information about how large the competing car producers' market share is in Hungary?

#### *Advertising organisation*

- How large influence does the Swedish Volvo have in designing your advertising?
- Do you hire advertising agencies to handle your advertising or do you have your own department for that?
- If you hire advertising agencies, do they have to follow your instructions or can they take the decisions themselves?
- How large amount of your turnover goes on advertising?

#### *Standardisation/adaptation*

- Do you use the advertising, made in Hungary only in the Hungarian market or is it used in other Middle and Central European countries?

### **Advertising**

- In which segment have you divided the Hungarian market?
- Do you adapt the advertising to the different segments?
- Are there any segments that need more advertising?
- Do you think that your advertising reaches your target market?
- Are there any laws in Hungary that restrain the way you design your advertising?
- What kind of communication channels do you use for your advertising? (TV, radio, magazines, sponsoring, events etc.)
- How do the actual Volvo advertisements look like? Please describe them!

- Which communication channels do you think is the most effective?

## **Image**

### *Country of origin*

- Does Sweden as the country of origin of Volvo appear in the advertising?
- What image do you want your customer to have of you?
- How do the Hungarian people think about Volvo? Have you made any marketing research in connection with this?
- What signals do you think Sweden as the country of origin sends in the car industry? (Quality, safety, environmental care, exterior design and so on)

### *Company image and brand identity*

- Which image do you want to communicate to your customers and potential customers? (Such as safety, quality, environmentally aware, and so on)
- Have you performed any marketing research on the image of Volvo?
- What image do you think that Volvo actually has?
- Do you think that your customers perceive any change in the image of Volvo?
- Have you intentionally (through specific programs) tried to change your image?
- Do you try to create different images of Volvo in the different segments?
- Do you concentrate on communicating an overall image of Volvo?

## **Appendix 3**

### **Questionnaire for the Swedish respondents**

We are two students at the Luleå University of Technology, who are writing their master thesis within marketing. We are aiming to write about how advertising is influenced by cultural differences and how the image of certain companies differs between two countries. This we will examine with the focus on an international company, namely Volvo Cars in Sweden and in Hungary. We would like to find out how the companies produce their advertising in order to create a favorable image. In connection to this we also would like to see how people actually understand and perceive the company. It would therefore be helpful if you were willing to answer our questions below.

#### ***Background question***

**Man:**

**Woman:**

**Age:**

**Occupation:**

**Approximately salary (annually):**

**Type of housing: (flat, house)**

**Number of family members:**

**Number of wage earner in the household:**

**Hobby:**

**Car owner: Yes      No      (Please circle your answer)**

**Number of cars previously owned (brands):**

**Purpose of using the car:**

**Number of previously owned cars (brands?, mainly new/used ones?)**

***Questions in connection to Volvo***

1. **Do you own a Volvo?**
2. **If not, would you consider buying a Volvo? (Please, circle the right answer!)**

**Yes                  No**

**Why? Why not?**

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3. **Is there any retailer of Volvo in your city? (Please, circle the right answer!)**

**Yes                  No**

- If no, where can you buy Volvo otherwise? \_\_\_\_\_

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4. **Would you consider buying a used Volvo? (Please, circle the right answer!)**

**Yes                  No**

5. **If yes, how old it could be that you would consider buying?**

1-5 years old                  6-10 years old                  11-15 years old

15 years old or older

- Please motivate your answer!

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**6. Where do you advertising for Volvo at the moment?**

On TV      On the radio      On billboard      In magazines

At other places, please specify

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**7. What image do you think Volvo wants that you have of Volvo cars?**

**That it is:** (You can choose more than one alternatives)

- a) A safe car
- b) economical to drive
- c) a quality car
- d) a family car
- e) a luxury car
- f) a low budget car
- g) an environmental friendly car
- h) other, like

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**8. What characteristics do think Volvo wants to enhance in their advertsing?**

- a) Quality
- b) Environmental care
- c) Safety
- d) Economical
- e) Other

**9. Do you think that you could place Volvo in a specific category of cars regarding the image?**

- a) Luxury car
- b) Family car
- c) Economical everyday car
- d) Other

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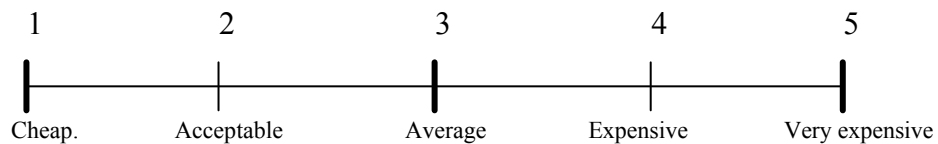
10. **What features do you find the most important in a car?**

- a) Horsepower
- b) Economical to run
- c) Exterior design
- d) Safety
- e) Environmental care
- f) Quality
- g) Other \_\_\_\_\_

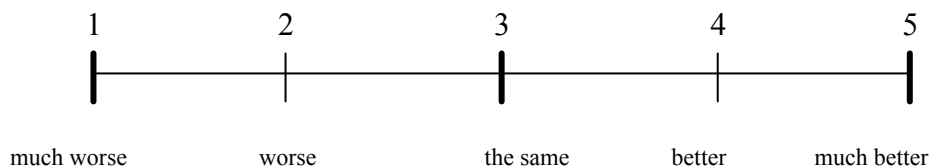
11. **Do you think that the above listed characteristics are found in Volvo's cars? (Please circle the right answer)**

**Yes                  No**

12. **What kind of image do you connect to the price of Volvo cars?**



13. **Compare Volvo cars to other types (brands) of cars! How would you characterise it?**



14. **Has the image of Volvo cars changed in the last ten years? (Please, circle the right answer!)**

**Yes                  No**

- If yes, how?

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**15. Do you think that there is any specific opinion about which kind of people that buys Volvo ? (Please, circle the right answer!)**

**Yes                  No**

- What kind of groups?

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*Thank you for your time!*

*Edit Lundman Kerekes*

*Linda Tonvall*

## Appendix 3

### Frågeformulär för de svenska respondenterna

Vi är två ekonomistudenter vid Luleå Tekniska Universitet som just nu skriver D-uppsats. Vi avser behandla hur utformning av reklam påverkas av kulturella skillnader länder emellan. Detta ska undersökas med inriktning på internationella företag och vi har valt Volvo Personvagnar i Sverige och i Ungern. Vi har för avsikt att ta reda på hur företaget utformar sin reklam, i synnerhet för att framhäva/skapa en image samt att vi vill se hur människor faktiskt upplever företagets image. Det skulle vara till stor hjälp om Du ville svara på våra frågor.

#### Allmänna frågor

Kön:

Ålder:

Sysselsättning:

Ungefärlig årlig inkomst:

Boendeform (hyreslägenhet, villa, bostadsrätt):

Antalet personer i familjen(fördelning barn/vuxna):

Antalet personer med inkomst i familjen:

Fritidintressen:

Äger du en bil? Ja      Nej (*ringa in ditt svar*)

Om ja, antal bilar i hushållet:

Primärt syfte med bil (arbete/privat, stadstrafik/längre sträckor, vintertid/sommartid):

Antal ägda bilar innan nuvarande (samt märken, huvudsakligen nya/begagnade?):

#### Frågor kopplade till Volvo

**1. Äger du en Volvo?**

**2. Om du inte är ägare av en Volvo, skulle du då kunna tänka dig att köpa en Volvo? (*Ringa in ditt svar*)**

Ja      Nej

Motivering:

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**3. Finns det en Volvo återförsäljare i staden där du bor? (Ringa in ditt svar)**

Ja      Nej

**4. Skulle du kunna tänka dig att köpa en begagnad Volvo? (Ringa in ditt svar)**

Ja      Nej

Motivering:

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**5. Om du skulle köpa en begagnad Volvo, hur gammal skulle den då vara? (Ringa in ditt svar)**

1-5 år      6-10 år      11-15 år      15 år eller äldre

Motivering:

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**6. Var ser/hör du Volvos reklam för tillfället? (Ringa in ditt svar)**

På TV      I Radio      I tidningar      På affischer      På övriga ställen

Om du valde ”på övriga ställen”, var?

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**7. Vilken image tror du Volvo Personbilar vill skapa? (Du får välja flera alternativ)**

- a. Säker bil
- b. Bensinsnål bil
- c. Kvalitets bil
- d. Familjebil
- e. Lyxbil
- f. Lågbudget bil
- g. Miljövänlig bil
- h. Övrigt

**8. Vilka egenskaper tror du att Volvo försöker framhäva i sin reklam? (Du får välja flera alternativ)**

- a. Kvalitet
- b. Miljövänlighet
- c. Säkerhet
- d. Ekonomiska egenskaper
- e. Övrigt

**9. Tycker du att man kan placera Volvo i någon särskild (alternativt flera) kategori av bilar när det gäller image?**

- a. Lyxbil för framgångsrika människor
- b. Familjebil
- c. Ekonomisk bil för att sköta vardagliga ärenden
- d. Något annat (i så fall nämn det)

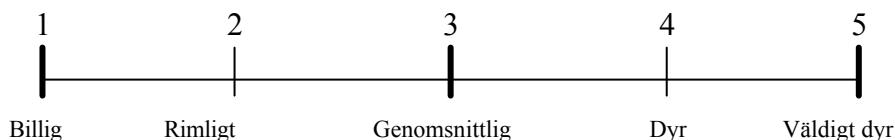
**10. Vilka egenskaper tycker du är de viktigaste hos en bil?**

- a. Hästkrafter
- b. Bensinförbrukning
- c. Utseende
- d. Säkerhet
- e. Miljövänlighet
- f. Kvalitet
- g. Övrigt

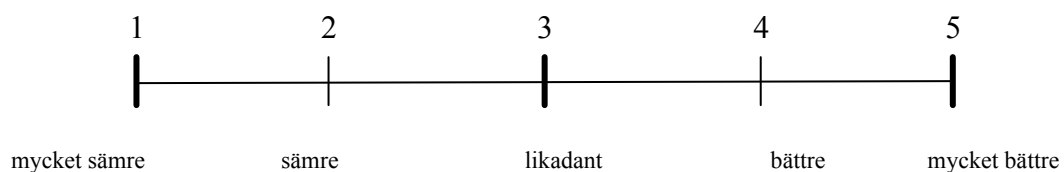
**11. Tycker du att de egenskaper som du listade upp i föregående fråga finns hos Volvo personvagnar? (Ringa in ditt svar)**

Ja      Nej

**12. Vad tycker du om Volvo Personvagnars pris? (Markera ett alternativ!)**



**13. Markera hur du upplever Volvo personvagnars kvalitet gentemot andra bilar**



**14. Tycker du att Volvo Personvagnarnas image förändrats de senaste tio åren?**  
*(Ringa in ditt svar)*

Ja      Nej

Om Ja, på vilket sätt?

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**15. Tycker Du att det finns någon slags uppfattning om vilka personer som köper Volvo?** *(Ringa in ditt svar)*

Ja      Nej

Om "Ja", beskriv.

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***Tack för att du tog dig tid att svara på våra frågor!***

*Linda Tonvall*

*Edit Lundman Kerekes*

## **Appendix 4**

### **Questionnaire for the Hungarian respondents**

We are two students at the Luleå University of Technology, who are writing their master thesis within marketing. We are aiming to write about how advertising is influenced by cultural differences and how the image of certain companies differs between two countries. This we will examine with the focus on an international company, namely Volvo Cars in Sweden and in Hungary. We would like to find out how the companies produce their advertising in order to create a favorable image. In connection to this we also would like to see how people actually understand and perceive the company. It would therefore be helpful if you were willing to answer our questions below.

#### *Background question*

**Man:**

**Woman:**

**Age:**

**Approximately yearly salary:**

**Occupation:**

**Type of housing: (flat, house)**

**Number of family members:**

**Number of wage earner in the household:**

**Hobby:**

**Car owner:**

**Number of cars previously owned (brands):**

**Purpose of using the car:**

#### *General questions*

**1. Do you know anything about the brand Volvo? (Please, circle the right answer!)**

**Yes**

**No**



2. **What ways did you get to know of Volvo?**

a) word of mouth

b) advertising

c) other ways, like \_\_\_\_\_

3. **Do you know what country Volvo is produced in? (Please, circle the right answer!)**

Yes

No

4. **Do you connect Volvo cars as a product of Sweden? (Please, circle the right answer!)**

Yes

No

5. **What is your image of Sweden? (Please write your answers on the lines below!)**

People: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Products: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Reputation of the country: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Prices: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Living standard: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. **Have you seen any advertisements of Volvo in Hungary? (Please, circle the right answer!)**

**Yes**                      **No**

- If yes, where? (Please, circle in the right answer!)

On TV,                      On the radio                      On billboard                      In magazines

At other places

7. **Is there any retailer of Volvo in your city? (Please, circle the right answer!)**

**Yes**                      **No**

- If no, where can you buy Volvo otherwise? \_\_\_\_\_

\_\_\_\_\_

8. **Would you consider buying a Volvo? (Please, circle the right answer!)**

**Yes**                      **No**

Why? Why not? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. **Would you consider buying a used Volvo? (Please, circle the right answer!)**

**Yes**                      **No**

- If yes, maximum how old it could be that you would consider to buy?

1-5 years old                      6-10 years old                      11-15 years old                      15 years old or older

- Please motivate your answer!

\_\_\_\_\_

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**10. What image do you think the company Volvo wants that you have of Volvo cars? That it is**

(You can choose more than one alternatives)

- i) A safe car
- j) economical to drive
- k) a quality car
- l) a family car
- m) a luxury car
- n) a low budget car
- o) an environmental friendly car
- p) other, like \_\_\_\_\_

**11. What do you perceive as the best/less good with Volvo cars? Please name them!**

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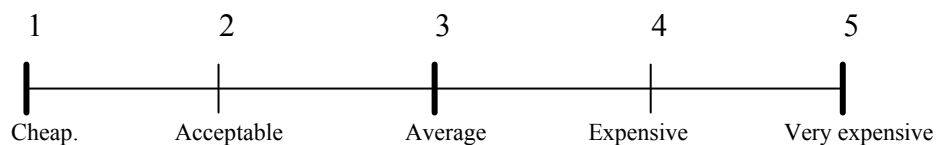
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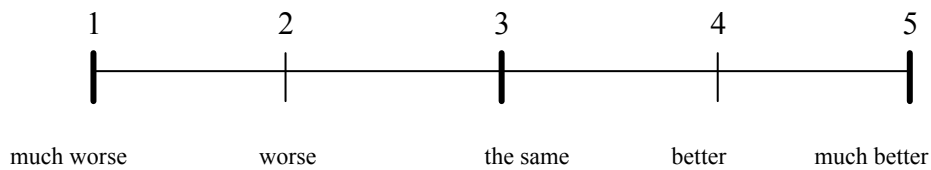
**12. What kind of image do you connect to Volvo cars themselves? That it is**

- q) a safe car
- r) economical to drive
- s) a quality car
- t) a family car
- u) a luxury car
- v) a low budget car
- w) an environmental friendly car
- x) other, like \_\_\_\_\_

**13. What kind of image do you connect to the price of Volvo cars?**



14. Compare Volvo cars to other types (brands) of cars! How would you characterise it?



15. Has the image of Volvo cars changed in the last ten years? (Please, circle the right answer!)

Yes                  No

- If yes, how? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

16. Do you perceive older, used Volvo cars in the same way as the new ones? (Please, circle the right answer!)

Yes                  No

Please motivate your answer! \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

17. Do you think that it is a special social group that buys Volvo cars? (Please, circle the right answer!)

Yes                  No

- What kind of groups? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**18. Do you know anybody who owns a Volvo? (Please, circle the right answer!)**

**Yes                  No**

**19. How would you characterise that person? (Which place in the society does he/she have?)**

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**20. What kind of functions do you think are the most important for cars generally?**

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**21. In what degree do you think Volvo fulfils the criteria you just have presented? (Please, circle the right answer!)**

- a) Not at all
- b) It fulfils only a few of the criteria
- c) It fulfils most of the criteria
- d) It fulfils all of the criteria

**22. Do you think that Hungary is a good profitable market for Volvo? (Please, circle the right answer!)**

**Yes                  No**

**23. Do you think that there will be a better market for Volvo in the future? (e.g. after entering the EU) (Please, circle the right answer!)**

**Yes                  No**

*Thank you for your time!*

*Edit Lundman Kerekes & Linda Tonvall*

## Appendix 5

### Distribution of cars

Registered of cars during the year 2000. Manufacturer, number and sex of the owner (for natural persons, not legal entities).

Manufacturer	Number	Women (%)	Men (%)
Volvo	23 360	20,9	79,1
Volkswagen	18 123	35,4	64,6
Ford	11 331	32,0	68,0
BMW	10 685	21,3	78,7
Renault	10 489	43,6	56,4
Audi	9 971	23,4	76,6
Mercedes	9 403	22,4	77,6
Skoda	9 144	39,2	60,8
Toyota	8 769	36,1	63,9
Opel	7 549	30,9	69,1

Top five-list distributed based on the age of the owner for the total number of cars registered on a natural person

Ranking	Age of the owner			
	Between 18 - 30	Between 31 - 50	Older than än 50	Total
1	Volkswagen	Volvo	Volvo	Volvo
2	BMW	Volkswagen	Volkswagen	Volkswagen
3	Volvo	BMW	Ford	Ford
4	Audi	Ford	Toyota	BMW
5	Ford	Audi	Renault	Renault

Top five-list distributed based on the age of the owner of cars registered on women

Ranking	Age of the owner			
	Between 18 - 30	Between 31 - 50	Older than 50	Total
1	Volkswagen	Volkswagen	Volkswagen	Volkswagen
2	Volvo	Volvo	Renault	Volvo
3	Renault	Renault	Volvo	Renault
4	Ford	Ford	Skoda	Ford
5	Audi	Skoda	Toyota	Skoda

**Top five-list distributed based on the age of the owner of cars registered on men**

Ranking	Age of the owner			
	Between 18 - 30	Between 31 - 50	Older than 50	Total
1	BMW	Volvo	Volvo	Volvo
2	Volkswagen	Volkswagen	Volkswagen	Volkswagen
3	Volvo	BMW	Ford	BMW
4	Audi	Audi	Toyota	Ford
5	Mercedes	Mercedes	Skoda	Audi