A study of brand name and country of production congruity

A consumer study – assessed with the example of a Swedish luxury bed manufacturer

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Abstract
As companies become ever more globalised, manufacture firms choose to outsource production to lower labour cost countries. However, as studies have shown, such a relocation of production may lead to undesirably decreased quality perceptions by consumers as the brand origin and country of production are de-coupled. This quality perception linked to congruity between brand origin and country of production has been studied for various products and product classes, but little has been written about how a luxury bed manufacturer may be affected by this phenomenon known as the country of origin effect. Thus in theory quality perceptions are higher if the brand origin and country of production are congruent and are further amplified if that country is already regarded highly in terms of production competence. In our study, we set out to verify this theory through a consumer-based questionnaire. Our results give strong evidence in support of this theory which is why we ultimately claim, from a theoretical standpoint, that the company we focus on should maintain its production location in Sweden.

Keywords: Perceived quality, country of origin, country of production, congruity, Swedish
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Appendix 1 – Questionnaire
1. Introduction to the company Hästens

Hästens is a family-owned Swedish bed manufacturing company that has produced beds for 160 years with its headquarters in Köping, Sweden. Established in 1852 by Pehr Adolf Jansson, Hästens had been a saddle manufacturer for two generations before manufacturing beds. The traditional philosophy of making beds and mattresses entirely by hand and using only natural materials is still prevalent today. Jan Ryde, the present owner, is the fifth generation owner and led the company into the 21st century. He placed emphasis on marketing the blue-white chequered linens and making it Hästens’ symbol, next to the horse in the logo. The practical as well as empirical expertise in technique and “continuous refinement” has made Hästens a unique player in the luxury beds segment: “The world’s number one company when it comes to building beds by hand using only natural materials”. The third generation owner, David Janson, met his future wife Astrid in 1924 and jointly they decided to move the headquarters of the company from Hed to Köping where it is based ever since. The central aspect with Hästens beds is quality, which was even acknowledged by the Swedish King Gustav VI Adolf during his visit to Köping in 1953. (Hästens Sängar AB, 2012)

Hästens has become a strong and well-known brand in its home country, building upon their long experience in handcrafting beds with natural materials, allowing them to be considered a premium producer with superb quality standards. Hästens beds are sold in 35 countries, in approximately 75 wholly owned Hästens stores and 200 resellers all over the world, in all of which the history of the company and the bed manufacturing is being told. To this day, they are one of the few companies in their industry still manufacturing high quality handcrafted beds in their original location. Jan Ryde, a fierce traditionalist, has built upon time-honoured values of traditional craftsmanship, quality, timeless design, and up-to-date technology. However, with rising production costs, he has naturally been confronted with the inevitable question of whether to adapt to the movements of modern globalisation and outsource production. Being a direct descendant of Pehr Adolf Jansson (1852), and having grown up in Köping living and breathing the Hästens culture, the issue is, to him, perhaps one of a moral nature. For this reason one can understand Jan’s personal desire to maintain production in Köping. (Ryde, 2012)
Prior to this study, we conducted telephone interviews with four key people of the Hästens management team. The purpose of these interviews was to gain greater insight into the company and, in particular, a deeper understanding of their philosophy regarding production location. These four managing figures were: Jan Ryde, current owner; Nick Braden, CEO and global president; Bretton Essex-Evans, the global product marketing manager; and Karin Wickberg, the integrated marketing manager. In addition, we also took the time to visit two of their stores to speak with their sales representatives, one on Sveavägen in Stockholm, and the other on Margret Street in London. The purpose of these in-store visits was two-fold. One, it gave us valuable qualitative information about their marketing concepts allowing us to get a feel for the customer experience, and two, they provided us with useful information of their customers’ general demographic preferences.

From the interviews it was clear that they are all too aware of the high production costs associated with manufacturing in Sweden. However, they consider the Swedish production location as a highly integral part of their value as mentioned by all four, the owner, the CEO, the global product marketing manager, and the integrated marketing manager. Even though they have not conducted any consumer research of their own, they feel confident enough with their location decision based on the immensely positive feedback from customers, retailers, and the media. The reason for the positive and oftentimes surprised response is because people nowadays probably assume that production is located abroad in lower labour cost countries (Wickberg, 2012). Despite their awareness of high production costs, the discussion of whether to relocate has never, and will never, occur until it has been proven that the production location in Sweden is no longer perceived positively.

According to the CEO, the Hästens strategy is in many ways “an antithesis to the globalisation thesis”. They produce in “probably the most expensive country in Europe today” and ship to countries they would normally be shipping from. (Braden, 2012) One question facing their production strategy is the implication for future value creation, whether or not there are certain aspects of production that should always be kept in Sweden, and if there are others that are acceptable to sub-manufacture elsewhere without losing their heritage. Thus far, much of Hästens’ success comes from being able to brand and communicate their core product - a high quality bed hand-crafted in Sweden based on several generations’ experience - in a way unlike any others in the industry. The difficulty is in the “story-telling” as this apparently is what actually brings value to consumers’ minds. (Ibid)
From our visits to their stores in Stockholm and London, we noticed that much of their marketing emphasis was put on telling the story of their heritage as a generational heirloom and not that of a Swedish one in particular.

The information we obtained from both the interviews and in-store visits were essential factors in the development of this study as they enabled us to find a potential missing knowledge-gap, which this paper intends to explore.

1.1 Problem
Historical evidence shows, that the natural evolution of labour-intensive production companies has been to outsource production to lower labour cost countries in order to gain a cost-based competitive advantage. Noteworthy examples include companies like Nike, Apple, and Volkswagen that outsourced all or large parts of their production to lower labour cost locations, particularly Asia. (Nike, 2011; Dean, J., 2007; Volkswagen, 2011) Such companies choose to relocate or outsource production to lower production cost countries in order to save increase revenue margins. However, there exist companies that choose to keep production in their home country for various reasons. The problem relates to how a relocation of production may affect consumers’ perceptions of product quality. Therefore, the purpose of this study is to investigate how consumers perceive quality of luxury beds with regard to brand origin and production location.

1.2 Disposition
The general outline of this paper will be as follows. We begin with a summary of the relevant theoretical background and previous research consisting of brand equity, country of origin (COO), and country of production (COP). Based on this theoretical framework, we will present our hypotheses, which will then be followed by a description of our methods. Here we will reason our approach to the study and operationalise our data collection through a consumer survey. Next, we will present our empirical findings followed by an analysis that we will discuss and attempt to draw conclusions relating specifically to Hästens. Finally, we will finish with our personal thoughts of the study and give suggestions for further research.
2. Theory
In this study, we will base our research upon a theoretical framework composed of perceived quality, country of origin (COO) and country of production (COP). First, we will examine brand equity and its components in order to narrow it down to perceived quality, followed by examining COO and COP based on previous research. Thereafter, we will bring these concepts together and formulate our theoretical model of analysis.

2.1 Brand Equity - what is a brand?
“A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless.” (Stephen King cited in Aaker, 1991, p. 1)

David A. Aker, an oft-cited author and researcher in the field of marketing and brand strategy, defines brand equity as a set of assets and liabilities that underlie a brand. He mentions that a brand’s name and symbol can either add or subtract value from a product or service and therefore represents a certain value to the firm and its customers. (Aaker, 1991, pp.15-16)

In terms of providing value to the customer, brand equity assets can help the customers “interpret, process, and store huge quantities of information about products and brands.” Essentially, brand equity acts as an interpretive cue for the customers, from which they can assume certain knowledge about products attributes based on past use experiences or familiarity with the brand and its characteristics. Consequently, this also affects customers’ confidence in the purchasing decision. More importantly perhaps is the potential for perceived quality and brand associations to “enhance customers’ satisfaction with the use experience.” (Aaker, 1991, pp. 15-16)

Value from brand equity comes to the firm in a number of ways. Primarily, monetary value originates from generating marginal profits in the short term as well as the long term. It entails the ability to capture new customers and retain old ones. It also enables enhanced brand loyalty by increasing perceived quality and thus satisfaction. Strategic value for advantageous distribution channels is also provided through brand recognition and its associations. (Aaker, 1991, p. 16)
Aaker (1991: 17) outlines five main asset categories underlying brand equity: brand loyalty, name awareness, perceived quality, brand associations, and other proprietary brand assets. Brand loyalty pertains to customer retention as it is more expensive to gain new customers than it is to keep existing ones. Strong brand loyalty also protects against competitive action as customers must be convinced to choose another brand. Brand name awareness is a second important category in providing brand equity as people are comfortable with something that they are familiar with and generally choose a known brand over an unknown one. The third category is perceived quality. Consumers often have certain associations with brands based on a multitude of factors and this category is therefore highly subjective aspect of brand equity. In addition to associations of perceived quality, other associations with brands, such as general attitudes or feelings, also comprise brand equity. The fifth and final category which Aaker describes in his model consists of other proprietary brand assets linked to the brand such as patents, trademarks, and channel relationships, which give further advantages by protecting and setting a brand apart from its competitors.

![Brand Equity Model](source: Aaker, 1991, p. 17)

Figure 1. *Brand equity model.* (Source: Aaker, 1991, p. 17)

In this study, we intend to focus on just one of these categories – perceived quality. Specifically, we will be looking at perceived quality from a consumer perspective. Therefore we will expand further on this topic in the following section.
2.1.1 Perceived Quality – what is it?

Aaker (1991: 85) defines perceived quality as “the customer’s perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives.” Perceived quality is by definition a subjective concept as the qualitative evaluation of a product is determined by the individual’s own judgment of importance to him or her and therefore varies from person to person. It is an intangible overall feeling about a product or brand which is based on underlying dimensions of product characteristics. David A. Garvin (cited in Aaker, 1991, p. 91) outlines these dimensions influencing perceived product quality as follows:

1. Performance – operating characteristics
2. Features – distinctive attributes
3. Conformance with specifications – incidence of ‘defects
4. Reliability – consistency of performance
5. Durability – economic longevity
6. Serviceability – efficiency and competence of service system
7. Fit and finish – appearance and feel

Perceived quality builds upon certain cues from which consumers gather information and can be categorised as either intrinsic or extrinsic. Schweiger, Otter, and Strebinger (1997: 4) describe products as “a bundle of product attributes” and describe intrinsic cues as physical attributes (shape, colour, materials, performance, etc.) and extrinsic cues as non-physical attributes (brand, country of origin, price, distribution channel, etc.).

How consumers perceive quality is a central building block of this paper and will be described in a practical context based on previous research in the following sections. In order to explore our focal problem, we will further examine current theory surrounding how perceived quality ties in with two extrinsic cues - country of origin and country of production.
2.2 Country of Origin - where does it really come from?

From our theoretical research, we have found an abundance of literature on the so-called “country of origin effect”, having already been studied as early as the 1960s. (Al-Sulaiti and Baker, 1998, p. 150) Therefore, in the following paragraphs, we will first begin by providing definitions of country of origin (COO) effect according to various authors followed by briefly summarising the results of a few relevant studies and their theoretical implications.

Before discussing the COO effect, we must first look at what is meant by the term “country of origin”. In Al-Sulaiti and Baker’s literature review of COO effects, they cite the definition of country of origin by Johansson et al. and Ozsomer and Cavusgil as “the country where corporate headquarters of the company marketing the product or brand is located.” (Al-Sulaiti and Baker, 1998, p. 151) This is generally regarded as the home country for a company. For a product, on the other hand, Al-Sulaiti and Baker cite several authors who define the product’s country of origin as “the country of manufacture or assembly”. Furthermore, other authors used the term “made in” to define the country of origin of the product. As multinational companies increasingly outsource components of their products to different countries, these so-called “hybrid products” potentially skew the accuracy or validity of the “made in” label, which makes the definition thereof complex in the modern marketplace. (Ibid)

2.3 Country of production

When evaluating a product’s quality, consumers assess the different dimensions of perceived quality based on certain cues. Due to the difficulty of gaining complete knowledge of these quality dimensions, consumers often resort to pre-established knowledge from past experiences as a basis for evaluation. Consumers often use brand name and country of production as indicators of quality. According to previous research, there is a strong correlation between consumers’ quality judgments and brand and COP congruity. That is to say, consumers have higher perceived quality of a product when its brand and country of production are located in the same place. If the COP moves to a country with a worse image, then perceived quality will decrease because, first of all the home country is seen as qualitatively better and secondly the brand and COP congruity is lost. Vice versa this is the case when the COP is moved to a more favourable country. Any negative COP effect due to having moved COP to a less favourable country not only causes a loss in brand and COP
congruity but is also always expected to have a negative effect on consumers’ quality judgments. (Häubl, 1999, p.199-200)

2.4 Previous research of country of origin effect
The COO effect pertains to consumers’ behavioural response with regard to a products’ country of origin. Researchers studying COO effects have defined this phenomenon in several ways. Wang and Lamb (in Al-Sulaiti and Baker, 1998, p. 150) define COO effects as “intangible barriers to [enter new markets] in the form of negative consumer bias toward products of foreign origin.” Multiple studies have examined the existence of consumers’ bias for products with certain company and production origin. The impact of the congruity between the brand origin and the country of production on consumers’ quality judgments has consistently shown to be significant.

A study by Schweiger et al. (1997) tested 219 consumers’ opinions of sound quality for CD-players from six different brands. The subjects were presented with two CD-players of each brand placed next to one another with the only difference being the “made in” label, one was marked “Made in Japan” and the other “Made in Singapore”. The results were clear: the assessments of the CD-players with the “Made in Singapore” label were much worse than those with the “Made in Japan” label for each of the six brands. Furthermore, when the subjects were asked about the respective countries’ competence in manufacturing these CD-players, Japan was ranked much higher than Singapore, which was shown to be a significant factor in their assessments of quality.

In the same article, Schweiger et al. (1997) tested the relationship between country of origin and brand of Alpine skis where 302 skiers were asked to assess the quality of four different brands represented by four different countries of origin. The consumers were asked to evaluate the quality of the skis for all 16 combinations of brand and country of origin. The results showed that there is a strong tendency to evaluate a brand-country combination better if the combination is “correct”. In other words, the study shows that the congruity between brand name and country of production is an important factor in consumers’ perceived quality judgments. Logically, the study also shows that a relocation of production for any of the brands would lead to severely reduced perceived quality of their skis. (Schweiger et al., 1997, p. 18-21)
2.5 Hypotheses

Previous research has mainly focused on a specific product or product classes. There exists no research on the perceived quality of the (luxury) bed segment and whilst looking for evidence and despite our efforts, the closest thing to beds were studies of perceived sleep quality by Freedman, Kotzer and Schwab (1999), Buysse et al. (1989), to name a few. As mentioned in the introduction, the CEO and global president of Hästens claims that the luxury bed market segment is considerably large and growing (Braden, 2012). From previous research, we have seen a positive correlation between quality perception relative to the congruity of brand name and country of production. We will be using this congruity model as our basis for analysis to examine its validity within this focal point. Therefore, our two hypotheses are as follows:

1. The quality perception is higher in case of brand name and country of production congruity, and
2. This perceived quality is amplified if the corresponding country itself is perceived as a high quality producer.

3. Method

We want to test the hypotheses – 1. The quality perception is higher in case of brand name and country of production congruity, and 2. This perceived quality is amplified if the corresponding country itself is perceived as high quality – in order to explain the relationship between brand name and country of production, connected with quality perceptions. The study examines consumers’ perceived quality of luxury beds, related to where the brand originates from and where the beds are manufactured. We want to know if this perception changes, i.e. the perceived quality increases or decreases, when introduced to a luxury bed that is produced in the same country as the appurtenant brand comes from, compared to when this congruity is disrupted, for example if production moved to a financially beneficial country.

The questionnaire was distributed to consumers for testing the two hypotheses. In order to gain background information of the luxury bed manufacturer Hästens, interviews were conducted with its management.
3.1 Questionnaire

Although the survey serves the purpose of testing our hypothesis, and thereafter making inferences applied to the company Hästens in the discussion, we want to clarify that the study is not about Hästens. The company acts as a concrete case, enabling us to show our hypothesis and results more realistically. Through interviews with the CEO, the global product marketing manager, and the integrated marketing manager, we got to know some of Hästens most relevant markets; that is the US and Northern Europe. Thus, these were the markets we wanted to focus on.

Prior to the final draft, we conducted a smaller pilot test of our questionnaire, which was designated to “ensure that the data collected will enable [our] investigative questions to be answered” (Saunders et al., 2012, p. 451). This was sent to 20 people in our acquaintance to complete as well as to the CEO, the global product marketing manager, and the integrated marketing manager to review and give comments. The feedback was mostly positive, meaning that the respondents seemed to have little or no problem answering the questions. In each copy, we asked the respondent to turn to us for any queries they had. In the pilot questionnaire, we referred to luxury furniture instead of luxury beds more specifically, which the respondents found unclear as they found it made a difference whether it refers to a shelf or a sofa, for example. Asking what he or she defined as (high) quality, was a vague question needing clarification, which we corrected by providing certain attributes to be ranked.

After some refinements, we programmed the questionnaire through the online survey tool SurveyMonkey™, (SurveyMonkey, 2013). These were sent to and distributed by Cint (Cint, 2013) to respondents in New York City, Stockholm and Frankfurt. Frankfurt, Germany, was selected as a third geographic market due to its relative proximity to the Swedish market, yet not biased by ‘patriotic sentiments’, as may be the case with the Swedish respondents. We specified our respondent target group as aged 30+ and earning € 50’000 or more as this group most likely has most knowledge and experience of purchasing luxury beds. Cint is an international market research firm that provides researchers with a worldwide panel of respondents to which one can send fully customised surveys. This panel consists of over five

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1 SurveyMonkey™ is an online tool used to create digital surveys. These surveys can then be programmed to specify a certain number of respondents whose responses can be viewed upon completion. The tool also provides various analyses of responses.
million respondents with a wide demographic range. Each respondent has a profile in Cint’s database which is used to cross reference for survey specifications (Cint, 2013).

By using Internet-mediated questionnaires, a wide audience could be reached and it also enabled us to receive geographically dispersed responses. The conducted surveys fall into the category of self-completed questionnaires and were sent electronically via the Internet (Saunders et al., 2012, p. 419). Using online software and initially asking about the nationality as a filter question simplified the targeting of respondents.

3.1.1 Survey questions
Several of our survey questions have been inspired from those of Schweiger et al. (1997). The benefit of using similar questions is that they have been tested before. The complete questionnaire can be found in Appendix 1.

For question one: “When purchasing a luxury bed, how much do you notice the "Made in" label?” the respondent was to choose one of the following alternatives “None what so ever; Not a significant amount; A little; A significant amount; Very much; I actively search for this information”. In question two: “How important is this label for your purchasing decision?” the respondent could choose between “Not important at all; Not of greater importance; Neutral; Somewhat important; Very important”. In question three: “When purchasing a luxury bed, how important is the brand's origin as a quality mark?” the same scale as for question two was used to choose an answer, and also for the following question four: “How important is the bed's brand origin for your purchasing decision?” These first four questions are intended to measure consumers’ notice taking of the brand origin of luxury beds and its importance for the consumer.

In question five: “When thinking about quality, please rate how important the following are when you make a purchase” the respondent was to rank the answer alternatives “Appearance/Design; Comfort; Durability; Serviceability” from 1, being the best, to 4, being the worst. In the sixth question: “In your opinion, how significant are the following attributes as quality indicators of a luxury bed?” the attributes being: “The nationality of the brand; Where the product is manufactured”, one of the alternatives “Not significant at all; Somewhat insignificant; Neutral; Somewhat significant; Very significant” was to choose. Questions five
and six aim at getting to know consumers’ definition of high quality. In the seventh question we asked the respondent to “Please evaluate the following countries' competence at manufacturing luxury beds”, choosing between Sweden, Portugal, Estonia and China, assessed as “Highly incompetent; Somewhat incompetent; Don’t know; Somewhat competent; Highly competent”. This, to get a sense of whether or not Sweden is perceived as a high quality country. We chose Portugal, Estonia and China as alternatives because the first two are the countries Hästens has named for considered relocation. China is included for the obvious reason, that it is the world’s second largest manufacturing country (UN, 2013).

In question eight we presented a specific situation: “If you were given a choice between two identical beds in terms of design and comfort, both of the same Swedish company, with the only difference being that one is labelled with "Made in Sweden" and the other "Made in Portugal", which one would you choose?” one of the alternatives “a) The bed labelled "Made in Sweden", b) The bed labelled "Made in Portugal", or c) Doesn't matter” should have been chosen. In question nine a seemingly similar situation was given: “If you were presented with two beds similar in design and comfort, one made in Sweden by a Swedish company and the other made in Portugal by a Portuguese company. Which one would you be willing to pay more for?” and again the respondent was to choose either “a) The Swedish-made bed, b) The Portuguese-made bed, or c) I would pay the same amount”. Question eight and nine are covering the brand name and country of production congruity where the respondent first is to choose between two beds of the same Swedish company, but one labelled with “made in Sweden”, and the other with “made in Portugal”. Second, the respondent is to state his or her willingness of paying more for two similar beds, either for the one made in Sweden by a Swedish company or for the other made in Portugal by a Portuguese company. This last question (question nine) is meant to give us a chance to verify whether or not this quality perception is amplified. Brand origin was referred to as “the nationality of the brand” and country of production as “where the product is manufactured”.

For question five: “When thinking about quality, please rate how important the following are when you make a purchase”, asking respondents to rank the four different quality attributes in order from 1 to 4, we have constructed a weighted frequency distribution by assigning each rank with a corresponding value. A rank 1 was given a maximum value 4, and a rank 4 was correspondingly given a minimum value 1. Thus, we were able to calculate the total weighted score for each attribute. The results represent each category’s obtained value of the maximum
potential score, which would for each category be equal to the total number of respondents multiplied by four (maximum value = 4). In other words, each category is systematically sorted according to its achieved score of its maximum potential. Knowing that the sum of the ranks for each response is equal to ten (4+3+2+1), we will be able to double-check that each response has been accounted for as the total sum of the ranks should be the total number of respondents multiplied by ten.

3.2 Interviews

Interviewing the management at Hästens provided us with valuable primary data about the company and their way of thinking and acting, and served solely for background information presented in the introduction.

The interviews were a combination of semi-structured and in-depth interviews as we wanted the interviewees to speak freely, but also to receive answers to specific questions, specified later on. The interviews naturally differed for the varying positions and tasks of the management personnel. The four main management representatives who we interviewed were: Jan Ryde, owner; Nick Braden, CEO and global president; Bretton Essex-Evans, global product marketing manager; and Karin Wickberg, integrated marketing manager. We began with talking to the CEO, who then further recommended the three other persons, as they also play a significant role in the decision making process at Hästens. The key questions we asked each and one of them contained a description of their respective roles within Hästens, their opinion about their current production location in Sweden, as well as a hypothetical relocation abroad. We began with one group interview with all three, for approximately 50 minutes. Thereafter we interviewed each and one of them in different periods, each lasted around 30 minutes. All were carried out over Skype, with us located in Uppsala, Sweden, and the interviewed located varying in Sweden, the US and the UK. In addition to the interviews, we visited the Hästens store on Sveavägen in Stockholm (20/11/12) and on Margaret Street in London (04/12/12). We did this in order to get a deeper understanding of the customer experience, giving us valuable insight into their marketing concept. Records of the interviews and in-store visits were made by annotations.

3.3 Methodological critique – are our methods valid and reliable?

In order to assess the outcome of our results, one must first scrutinise the validity and reliability of the methodological choice as it may have inherent drawbacks.
We suggest that some of the disadvantages of a survey is that the results may be somewhat biased, in terms of our choice of questions, and more importantly the questions we do not ask. Another critique may be that the Swedish respondents may be biased regarding the questions concerning Sweden, i.e. made in Sweden and a Swedish brand. Even if our questionnaire is valid and reliable, there still exists a chance that respondents interpret questions differently, which indicates that the questionnaire is not consistent or robust. By this, we do not question our internal validity, but more the precision with which the respondents read the questions. This is the case for question eight: “If you were given a choice between two identical beds in terms of design and comfort, both of the same Swedish company, with the only difference being that one is labelled with "Made in Sweden" and the other "Made in Portugal", which one would you choose?”, and nine: “If you were presented with two beds similar in design and comfort, one made in Sweden by a Swedish company and the other made in Portugal by a Portuguese company. Which one would you be willing to pay more for?”, as they at first seem similar.

4. Empirical Results
In this section, we will present the empirical results of our questionnaire. The numerical results of each question will be briefly explained and then further analysed in the analysis.

Of the 300 distributed questionnaires to the three different geographic markets (New York City, Stockholm and Frankfurt) we received 189 complete responses equalling a total response rate of 63%. 100 were sent to Sweden of which we received 83 responses; 100 were sent to Germany where 70 were answered; out of the last 100 which were sent to the United States, 56 were responded to. The results to each question are tabulated according to the geographic market in Table 1.

In order to simplify the presentation of our result, we have performed basic data processing in the follows ways. First, we have simplified the titles of each question in the first column in order to present the table on one full page. For questions one to four, respondents were asked to rate their answers on a likert-type scale from 1 to 5. Therefore, the figures represented in these questions are the mean scores for each respondent group, together with the total mean. As explained in our methods, the figures in question five are the weighted scores for each
quality attribute. Of their maximum total potential for each category (189 responses * 4 = 756), we see, for example, that ‘comfort’ was awarded a score 745 meaning that it achieved 98.5% of its total potential score, putting it firmly in first place. Additionally, we see that each response has been accounted for, as the total cumulated value is 1890 (189 responses * 10 = 1890).

Question six and seven are also likert-type questions where we see a mean score for each respondent group with a total mean in the far right column. In particular, question seven aims to find consumers’ opinions of the countries’ manufacturing competence, which is represented by the different values (1-low; 3- don’t know; 5-high).

In question eight, asking for a bed preference in the given scenario, we merely list the summed number of responses for each alternative. We see, for example, that 169 respondents chose the “made in Sweden” whereas only 1 chose the bed labelled “made in Portugal” and for 19 respondents it did not matter. Similarly, we have done the same in question nine where we see a total of 170 respondents willing to pay more for the Swedish bed in the given scenario.

When deciphering these results, we highly recommend referring to the questionnaire as the simplified titles and figures become much more evident. As explained, we have used three different question types: likert-scale, weighted sum of ranks, and total frequency.
Table 1. *Tabulated survey results*

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<th>Sweden</th>
<th>Germany</th>
<th>US</th>
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<td>4.30</td>
<td>4.07</td>
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<td>2. Importance for purchasing decision</td>
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<td>3.83</td>
<td>3.69</td>
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<td>3. Importance of brand origin as quality indicator</td>
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<td>4.24</td>
<td>3.97</td>
<td>4.20</td>
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<tr>
<td>4. Importance for purchasing decision</td>
<td>3.93</td>
<td>3.86</td>
<td>3.75</td>
<td>3.85</td>
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<tr>
<td>5. Quality aspect ranking</td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>278</td>
<td>221</td>
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<td>70</td>
<td>56</td>
<td>189</td>
</tr>
<tr>
<td>Sum</td>
<td>630</td>
<td>700</td>
<td>560</td>
<td>1890</td>
</tr>
<tr>
<td>6. Quality indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The nationality of the brand</td>
<td>4.10</td>
<td>4.10</td>
<td>4.23</td>
<td>4.14</td>
</tr>
<tr>
<td>Where the product is manufactured</td>
<td>4.45</td>
<td>4.27</td>
<td>3.98</td>
<td>4.23</td>
</tr>
<tr>
<td>7. Country competence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>4.98</td>
<td>4.70</td>
<td>4.60</td>
<td>4.76</td>
</tr>
<tr>
<td>Portugal</td>
<td>2.93</td>
<td>3.34</td>
<td>3.16</td>
<td>3.14</td>
</tr>
<tr>
<td>Estonia</td>
<td>2.80</td>
<td>3.27</td>
<td>3.03</td>
<td>3.03</td>
</tr>
<tr>
<td>China</td>
<td>1.83</td>
<td>1.91</td>
<td>2.18</td>
<td>1.97</td>
</tr>
<tr>
<td>8. Preference for “made in” label</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Made in Sweden</td>
<td>61</td>
<td>60</td>
<td>47</td>
<td>169</td>
</tr>
<tr>
<td>Made in Portugal</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Doesn’t matter</td>
<td>2</td>
<td>10</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Sum</td>
<td>63</td>
<td>76</td>
<td>56</td>
<td>189</td>
</tr>
<tr>
<td>9. Willingness to pay more for specific brand and corresponding COP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swedish bed</td>
<td>63</td>
<td>63</td>
<td>44</td>
<td>170</td>
</tr>
<tr>
<td>Portuguese bed</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Same</td>
<td>0</td>
<td>7</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Sum</td>
<td>63</td>
<td>70</td>
<td>56</td>
<td>189</td>
</tr>
</tbody>
</table>
5. Analysis

In this section, we will further process and analyse results of our study.

As question one, “When purchasing a luxury bed, how much do you notice the "Made in" label?” and three, “When purchasing a luxury bed, how important is the brand's origin as a quality mark?” seek to find a correlation with question two, “How important is this label for your purchasing decision?” and four, “How important is the bed's brand origin for your purchasing decision?” respectively, we have combined the results of each set in the following two diagrams. We have included a simple regression analysis, done in the statistics program SPSS, showing the correlation coefficient, $R$, as well as the coefficient of determination, $R^2$. The correlation coefficient shows us the level of dependence one variable has on the other based on a value from 0 to 1 (0 – uncorrelated; 1 – perfectly correlated). In other words, if two variables are positively correlated, they will lie on a positive slope meaning that as one variable increase, so will the other by the amount indicated by the coefficient. For example, in Figure 2, we see a correlation coefficient $R = 0.992$ meaning that those who pay high attention to the “made in” label will correspondingly also regard this as more important for their purchasing decision as opposed to those who pay less attention to the label. The coefficient of determination, on the other hand, represents the models’ ability to predict the variances in the model from a value 0 to 1 (0 – poor predictor; 1 – good predictor). (Dahmström, 2011, p. 224-226)
Figure 2. *Attention to the “made in” label and the importance of which in a purchasing decision - Questions one and two.* (Own source)

From the figures and regression analyses above, we see a strong positive correlation and a good regression predictor for both sets of values. The $R^2$ proves to be a good model predictor implying first, that the variables are highly correlated, and second, that the model is able predict the variances. These figures show that importance of purchasing decision is highly dependent on the respondents’ answer to the first question respectively. In other words, the model suggests that those who pay a lot of attention to the “made in” label and brand origin, are very likely to regard these aspects highly for their purchasing decision.
For question five, “When thinking about quality, please rate how important the following are when you make a purchase”, the respondent was to rank the answer alternatives “Appearance/Design; Comfort; Durability; Serviceability” from 1, being the best, to 4, being the worst.” We calculated the total sum of the weighted scores as described earlier. The results are shown as a percentage of the total potential scores for each attribute, thus providing strong support for the overall respondents’ quality preferences. As seen in Figure 4, comfort was consistently ranked number one followed in order by design, durability, and last, serviceability.

![Attributes of quality](chart)

**Figure 4. The importance of these attributes regarding quality - Question five.** (Own source)

In question six, “In your opinion, how significant are the following attributes as quality indicators of a luxury bed?” the attributes being: “The nationality of the brand; Where the product is manufactured”, the respondents were asked to assess the significance of brand origin and COP as quality indicators of a luxury bed. As seen from Figure 5, both the Swedish and German respondents seemed to have a slight preference for COP over brand origin. The US respondents, on the other hand, seemed to consider brand origin as a great mark of quality. This result seems to suggest a difference in cultural preferences between North Americans and Europeans. Possible reasons for this give room for wider speculation, which we hesitate to analyse in this essay. An interesting result, nonetheless, worthy of further analysis.
When asked to assess the four given countries in question seven, “Please evaluate the following countries' competence at manufacturing luxury beds”, choosing between Sweden, Portugal, Estonia and China, assessed as “Highly incompetent; Somewhat incompetent; Don’t know; Somewhat competent; Highly competent”, Sweden was rated highly favourable in front of the other across the entire board, as seen in Figure 6 below. Portugal and Estonia were evaluated very similarly by all respondents with a mean score 3 – “Don’t know”. The general perception of China’s competence was rated low with a mean score below 2 – “Somewhat incompetent”. The overall results showed to be remarkably similar for each respondent group.

Figure 5. Significance of brand origin and country of production as quality indicators - Question six. (Own source)
In question eight we created a scenario in which the respondents were asked to choose a specific alternative based on the given information. We introduced the situation of: “If you were given a choice between two identical beds in terms of design and comfort, both of the same Swedish company, with the only difference being that one is labelled with "Made in Sweden" and the other "Made in Portugal", which one would you choose?”. The results of which are depicted in Figure 7 below.

Figure 7. Brand name and country of production congruity – Question eight. (Own source)
As one can see in the figure above, there is an overwhelming preference for the bed labelled “made in Sweden”, with a total selection rate of 88.9%. The rate of 0.5% stating the preference “made in Portugal” is diminishing and therefore not significant. With the remaining 10.6% not having any preferences, it provides clear evidence in support of the congruity theory, as the respondents were faced with either going for congruity or not.

The fact that Swedish-made beds are considered of high quality is further shown in the final question asking, “If you were presented with two beds similar in design and comfort, one made in Sweden by a Swedish company and the other made in Portugal by a Portuguese company. Which one would you be willing to pay more for?” Once again, the majority of respondents chose the “Swedish-Swedish” bed, seen below in Figure 8, which is evidently corresponds to question seven where Sweden was ranked highly competent as a luxury bed manufacturer. This enables us to agree with the theory that the brand name-country of production congruity is amplified when the corresponding country is viewed as high quality.

Figure 8. Willingness to pay more for either a bed made in Sweden by a Swedish company or for a bed made in Portugal by a Portuguese company - Question nine. (Own source)
6. Concluding discussion

Based on the analysis of our empirical results, we will look at the implications from two perspectives: theoretical and managerial.

6.1 Theoretical implications

Perceived quality, as one main asset category of brand equity, we aimed at measuring using the questionnaire. From brand equity theory, we see that high perceived quality of a product gives value to the customer in that it provides confidence in a purchasing decision. As the responses indicate, Sweden is indeed perceived as a high quality country and therefore, Swedish luxury beds - Swedish brand, Swedish company – are generally preferred if faced with a purchasing decision. If linked to the brand, this quality perception also gives enormous value to the firm increasing its competitive advantage. More concretely, our analysis suggests that a Swedish bed manufacturer may have a competitive advantage over a Portuguese bed manufacturer. We can infer that the extrinsic cues, such as the country of production, play a significant role in consumers’ quality assessment. By combining quality perception with COO and COP, we obtain brand name and country of production congruity. Not only is the perceived quality comparably high of Swedish products, i.e. luxury beds, but moreover, this perceived quality is even higher when the production of the Swedish branded beds is located in Sweden.

As we have seen from the analysis, the results of our study support our hypotheses 1) that the consumers’ quality perceptions are higher when congruity between brand name and country of production exists, and 2) that this is further amplified because the country itself is regarded as qualitatively high, and thus accord with the theory. Luxury beds are more desirable when the brand and manufacturing facility are located in the same country, and further, luxury beds from Sweden are generally considered as high quality.

6.2 Managerial implications

The Hästens managements’ conviction about manufacturing in Köping seems to be merited by our results. As mentioned in the introduction, even though they are fully aware of their high production costs, they maintain that producing in Sweden outweighs the potential gain from relocation. Our research gives strong evidence for suggesting that Hästens should in fact maintain its production in Sweden, not only because consumers seem to prefer brand and country of origin congruence, but also because Sweden is seen as a high quality bed
manufacturing country. As indicated by their customers’ surprised, yet positive, reactions on being told that they produce in Sweden, it seems this is a relative rarity nowadays which makes them very special. Therefore, we believe that Hästens would only stand to gain from emphasising their brand name and country of production congruity, for example by marking the beds with “handmade in Sweden”.

7. Suggestions for further research
In this study, we have been able to empirically verify the validity of the congruity theory for this specific product. We have also briefly connected this with the Hästens brand and the relevant implications for production relocation. However, what we have not looked deeper into is the quantification of the perceived quality in relatable terms to financial gains of relocating production. In other words, we have not been able to conclude how much would be lost financially in brand value given production relocation. Therefore, we suggest further research on how to quantify the perceived quality in order to analyse the potential gains or losses. This is by no means an easy task as perceived quality equity is a seemingly abstract and indeed subjective concept.

On a personal note, the positive results of our study raise an interesting question – why do foreigners regard Sweden this highly as a bed manufacturer? In comparison to other product classes with high heritage-based value such as French wine, Swiss watches, or German automobiles, one cannot help but wonder how Sweden has come to be associated with high bed manufacturing competence. When looking at other highly exported Swedish products, one obvious company in particular springs to mind – IKEA. In contrast to Hästens, it is generally known that IKEA products are cheap and mass-produced in low labour cost countries. As IKEA has become a globally ubiquitous brand, this may in some ways have created a positive association with Swedish-designed furniture in general. Whether or not Hästens has been able to capitalise on this one cannot say, but one can probably assume that it is at least not harming their congruential success.
8. Bibliography


8.1 Interviewees

Braden, N., CEO and global president of Hästens, October 2012, Skype interview.


Ryde, J., Owner of Hästens, December 14, 2012, telephone interview.

Appendix 1 – Questionnaire

1. When purchasing a luxury bed, how much do you notice the "Made in" label?

<table>
<thead>
<tr>
<th>None what so ever</th>
<th>Not a significant amount</th>
<th>A little</th>
<th>A significant amount</th>
<th>Very much. I actively search for this information</th>
</tr>
</thead>
</table>

2. How important is this label for your purchasing decision?

<table>
<thead>
<tr>
<th>Not important at all</th>
<th>Not of greater importance</th>
<th>Neutral</th>
<th>Somewhat important</th>
<th>Very important</th>
</tr>
</thead>
</table>

3. When purchasing a luxury bed, how important is the brand’s origin as a quality mark?

<table>
<thead>
<tr>
<th>Not important at all</th>
<th>Not of greater importance</th>
<th>Neutral</th>
<th>Somewhat important</th>
<th>Very important</th>
</tr>
</thead>
</table>

4. How important is the bed’s brand origin for your purchasing decision?

<table>
<thead>
<tr>
<th>Not important at all</th>
<th>Not of greater importance</th>
<th>Neutral</th>
<th>Somewhat important</th>
<th>Very important</th>
</tr>
</thead>
</table>

5. When thinking about quality, please rate how important the following are when you make a purchase.
(1 - best; 4 - worst)

- Appearance/Design
- Comfort
- Durability - the bed's longevity
- Serviceability - efficiency and competence of customer service system
6. In your opinion, how significant are the following attributes as quality indicators of a luxury bed?

<table>
<thead>
<tr>
<th></th>
<th>Not significant at all</th>
<th>Somewhat insignificant</th>
<th>Neutral</th>
<th>Somewhat significant</th>
<th>Very significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>The nationality of the brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where the product is manufactured</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Please evaluate the following countries' competence at manufacturing luxury beds.

<table>
<thead>
<tr>
<th></th>
<th>Highly incompetent</th>
<th>Somewhat incompetent</th>
<th>Don't know</th>
<th>Somewhat competent</th>
<th>Highly competent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. If you were given a choice between two identical beds in terms of design and comfort, both of the same Swedish company, with the only difference being that one is labelled with "Made in Sweden" and the other "Made in Portugal", which one would you choose?

- The bed labelled "Made in Sweden"
- The bed labelled "Made in Portugal"
- Doesn't matter

9. If you were presented with two beds similar in design and comfort, one made in Sweden by a Swedish company and the other made in Portugal by a Portuguese company. Which one would you be willing to pay more for?

- The Swedish-made bed
- The Portuguese-made bed
- I would pay the same amount