

A hand holding a camera lens against a blurred background of a lake and mountains. The lens is held in the foreground, and the background is a soft-focus landscape with a blue lake and green mountains under a blue sky with white clouds. The lens is black and silver, and the hand is light-skinned.

June 2018

IMAGE OF GERMAN BRANDS 2018

HOW CONSUMERS IN GLOBAL KEY MARKETS PERCEIVE GERMAN BRANDS

4th edition of the Globeone Biennial Brand Survey

GLOBEONE®

Agenda

Management summary

Research question and survey design

Survey findings

- Chapter 1: How Trump's "America First" policy affects the success of German brands
- Chapter 2: Performance review of top German brands
- Chapter 3: Strengths and weaknesses of "Made in Germany" COO image
- Chapter 4: The impact of "Dieselgate" scandal on German automotive brands

Background of the survey

Management summary (I/II)

TRUMP'S "AMERICA FIRST" POLICY WITH A NEGATIVE IMPACT ON GERMAN BRANDS

Despite high sympathies for German brands (85%), almost half of Trump supporters (46%) buy less of them. In return, 76% of Trump supporters obey to the "Buy American" paradigm that displays its strongest impact among the age group of 18-39 years. On the other hand, only 17% of the non-Trump supporters intend to buy less German brands.

THE "AMERICA FIRST" POLICY DAMAGES THE COUNTRY IMAGE OF THE USA IN GERMANY

66% of all German respondents say that their image of the USA has decreased over the last year. For 25% the image did not change, while only 6% state that their perception of the USA improved. The decrease of the US country image can be observed across all relevant age groups.

GERMAN BRANDS ARE PERCEIVED MORE POSITIVELY ABROAD THAN AT HOME

German brands have experienced a popularity boost. The positive image among German consumers now averages 60%. In China (Ø 69%) and the USA (Ø 71%) the positive perception is much higher than in Germany, despite the lower awareness in these markets. Especially the top five German car manufacturers have a much better standing in China and the USA than in Germany.

"MADE IN GERMANY" CONTINUES TO BE THE BEST-IN-CLASS QUALITY LABEL

Germany as country-of-origin is still most strongly associated with excellent quality (71%), high prestige (69%) and reliability (64%), yet without any significant improvements. With BMW, Audi, Volkswagen, Mercedes-Benz and Porsche leading the awareness ranking, Germany is primarily perceived as an automotive country.

Management summary (II/II)

“MADE IN CHINA” IS GAINING GROUND INTERNATIONALLY

The image of China has improved across all relevant country-of-origin dimensions (average increase of 6%). Chinese goods and services even reached eyelevel with the USA in price-performance-ratio dimension (China: 29%, USA: 30%) and are notably catching up in consumer proximity (China: 27%, USA: 31%).

GERMANY LACKS CREDIBILITY IN SHAPING THE FUTURE OF THE AUTOMOTIVE INDUSTRY

Germany is still perceived as leading in the traditional automotive industry (65%), but German car manufacturers fail to make use of this image for innovative mobility concepts, such as autonomous driving or e-mobility (Ø 28%). Here, the USA, China and Japan are seen as clear frontrunners.

GERMAN CONSUMERS LACK BELIEVE IN THE INNOVATION POWER OF GERMAN BRANDS

Only 1 in 4 German consumers believe that German producers will deliver life-changing innovations in the next years, compared to 60% of US respondents expecting the same from their domestic manufacturers. Especially in the robotics industry (Germany: 26% vs. USA: 52%) and with regard to autonomous driving (27% vs. 57%) this gap becomes manifest.

“DIESELGATE” SCANDAL ERODED THE TRUST OF GERMAN CONSUMERS IN DOMESTIC CAR MANUFACTURERS

In Germany, the expansion of the VW scandal to “Dieselgate” scandal has significantly eroded the trust in the major German automotive brands with VW now suffering the lowest reputation (29%). In the USA and China, the scandal displayed only very little impact: after a brief image slump, VW was able to recover (+24% to 66%), while all other brands showed slight growth rates.

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Background of the survey

Research question and survey design

Objectives:

- Analysis of the impact of Trump's nationalist policy on consumer behavior among US and German respondents
- Analysis of the perception of German brands in Germany, China and the USA
- Identification of strengths and weaknesses of German brands as well as relevant country-of-origin dimensions
- Analysis of the impact of the "Dieselgate" on "Made in Germany" and German automotive brands

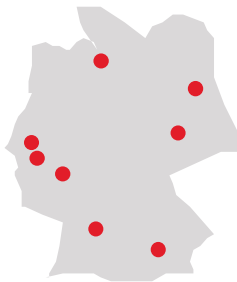
Method and timing:

- Representative survey of German (n = 500), Chinese (n = 513) and US consumers (n = 506) aged between 18 and 69 years
- Inclusion of the 50 most relevant German brands
- Survey period: end of 2017

Germany



- Berlin
- Dusseldorf
- Frankfurt am Main
- Hamburg



- Cologne
- Leipzig
- Munich
- Stuttgart

China



- Beijing
- Chengdu
- Chongqing
- Dongguan
- Guangzhou



- Hangzhou
- Shanghai
- Shenzhen
- Tianjin
- Wuhan

USA



- Chicago
- Dallas
- Houston
- Los Angeles
- New York



- Philadelphia
- Phoenix
- San Antonio
- San Diego
- San Jose

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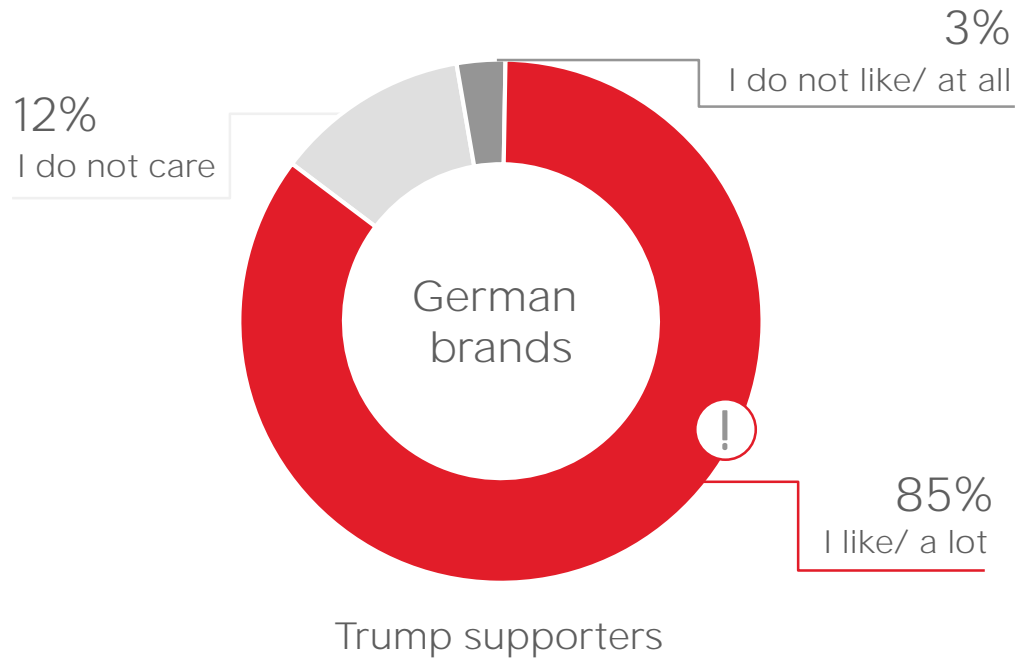
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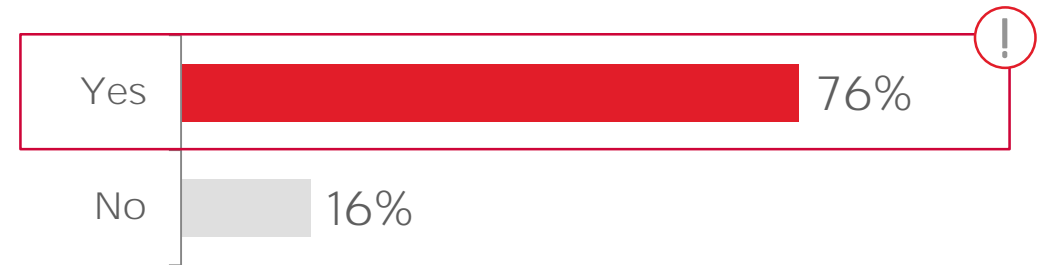
Background of the survey

“America First” strongly affects the purchase decisions of Trump supporters

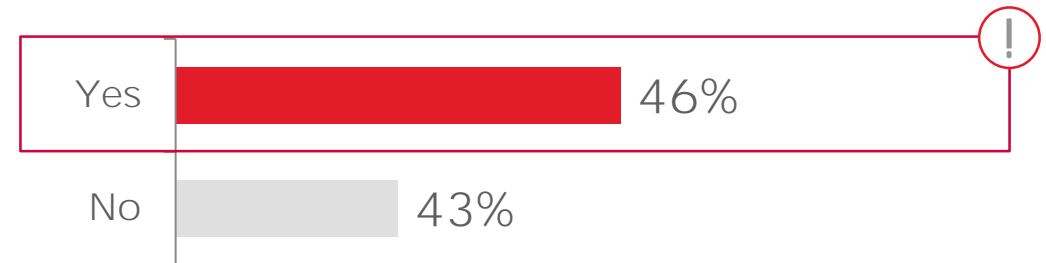
- Attitude towards German brands among Trump supporters -



- Intention to purchase more American brands among Trump supporters -



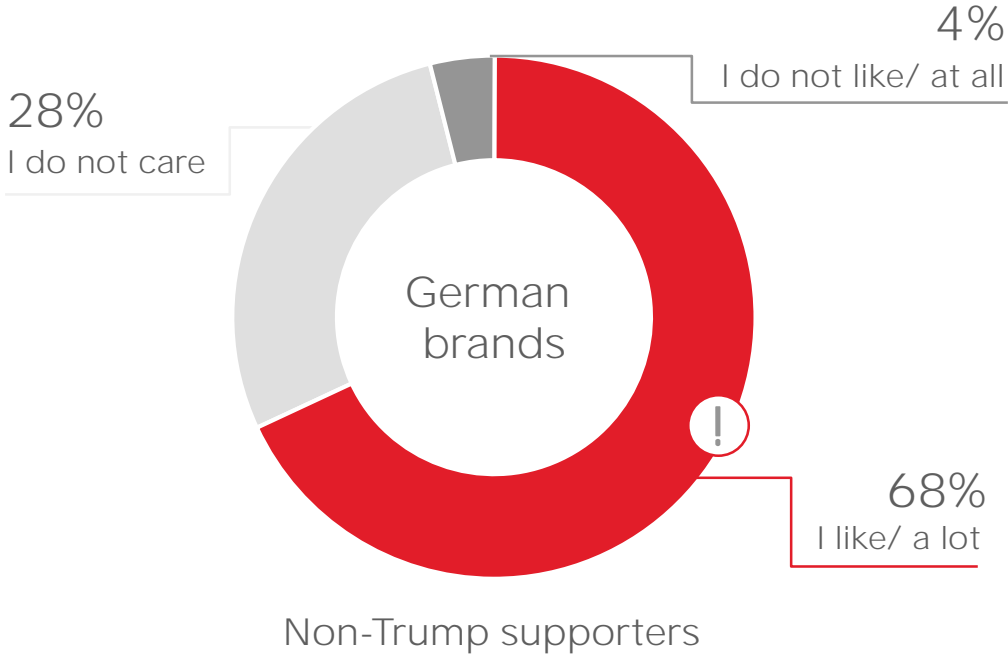
- Intention to purchase less German brands among Trump supporters -



Although the majority of Trump supporters like German brands, nearly 1 in 2 express resistance to purchase

Non-Trump supporters are less affected by the “America First” policy

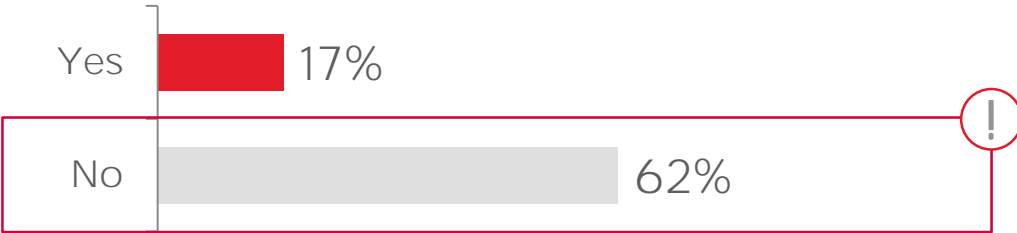
- Attitude towards German brands among non-Trump supporters -



- Intention to purchase more American brands among non-Trump supporters -

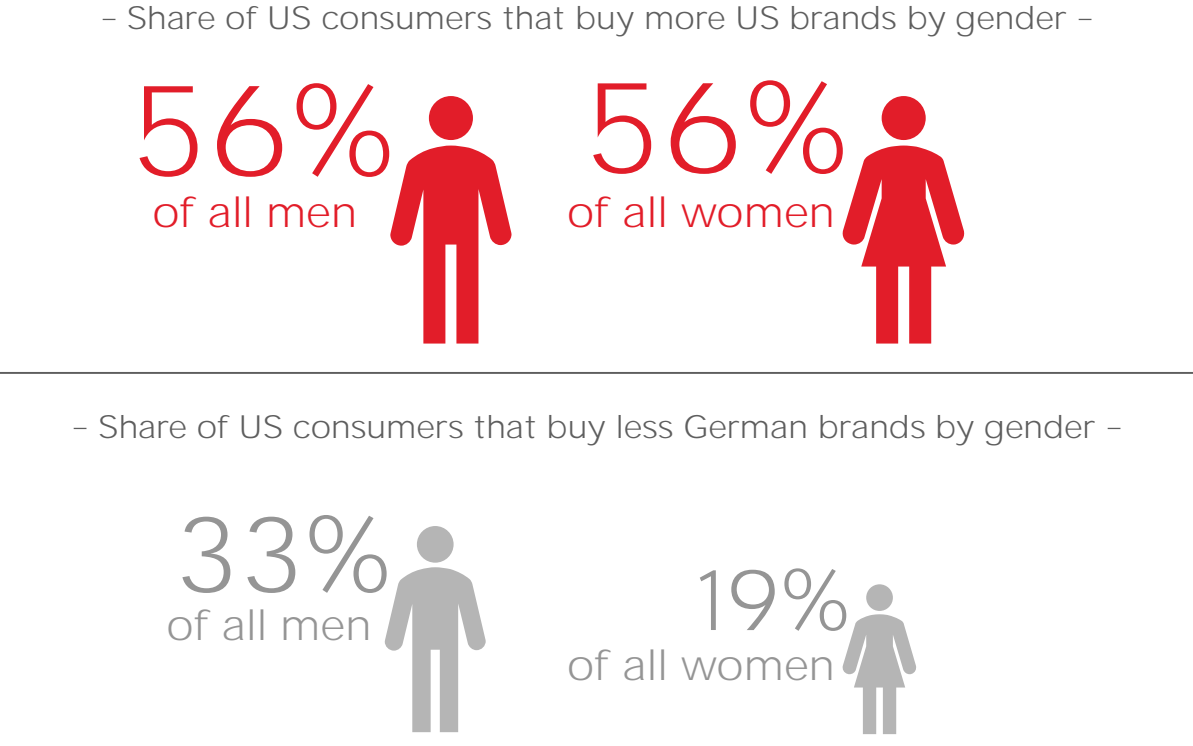
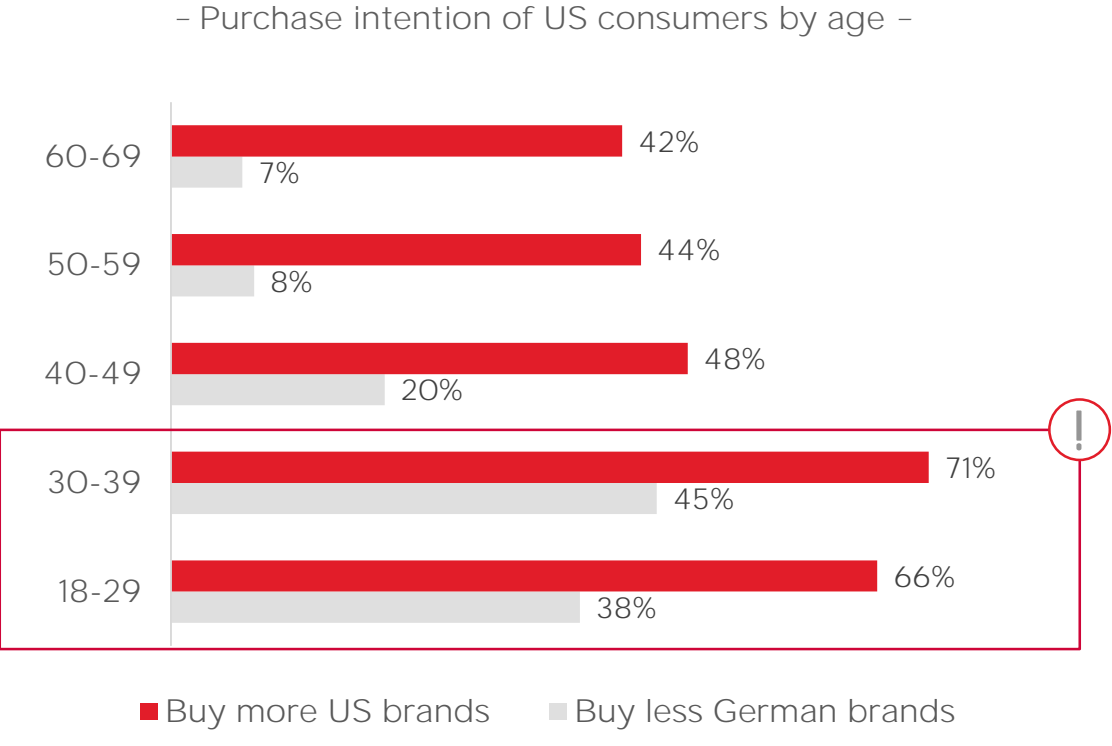


- Intention to purchase less German brands among non-Trump supporters -



Non-Trump supporters prefer German brands to a lesser extent, but also show less purchase resistance (17% vs. 46%)

Highest impact of the “Buy American” paradigm on consumers aged 18-39

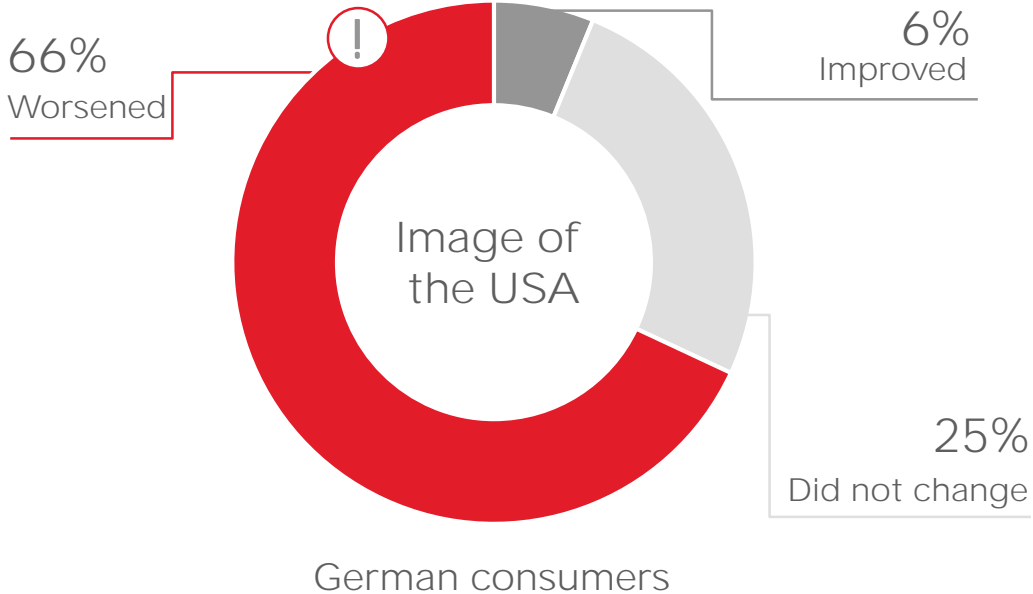


Young and middle-aged US consumers display the highest opposition towards purchasing German brands

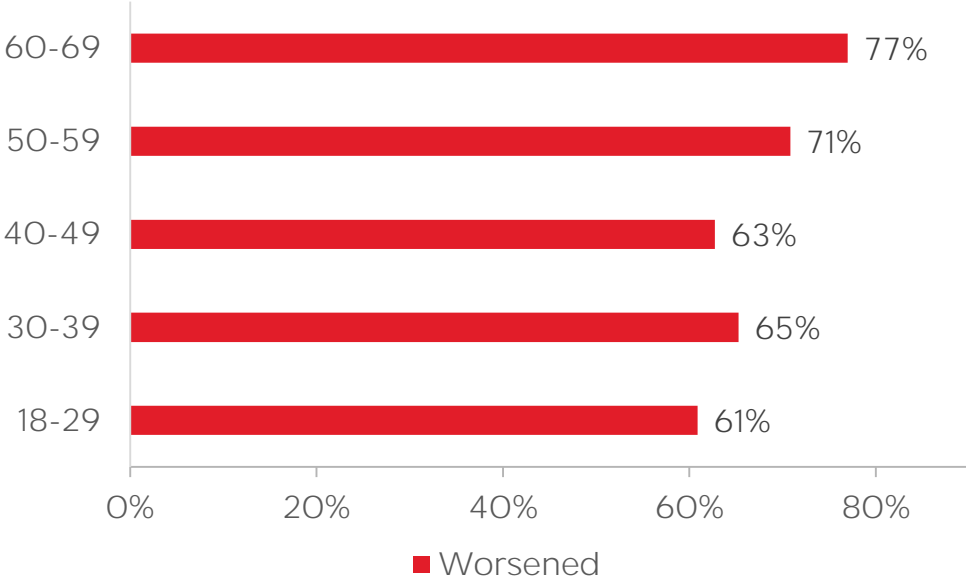
Questions: 1) Have you increasingly purchased American brands in the past year or have you planned to do so? 2) Have you purchased less German brands in the past year or have you planned to do so? Base each age group: 18-29 = 115, 30-39 = 110, 40-49 = 120, 50-59 = 116, 60-69 = 45; Base genders: n male = 251, n female = 255 (n US total sample = 506). Filter: consumers by age/ gender that answered “yes” in both questions.

The “America First” policy harms the country image of the USA in Germany

- Impact of Trump's protectionist policy on the country image of the USA among German consumers -



- Negative impact of Trump's policy on the perception of the USA among German consumers by age group -



The image of the USA decreased in the eyes of German consumers across all age groups

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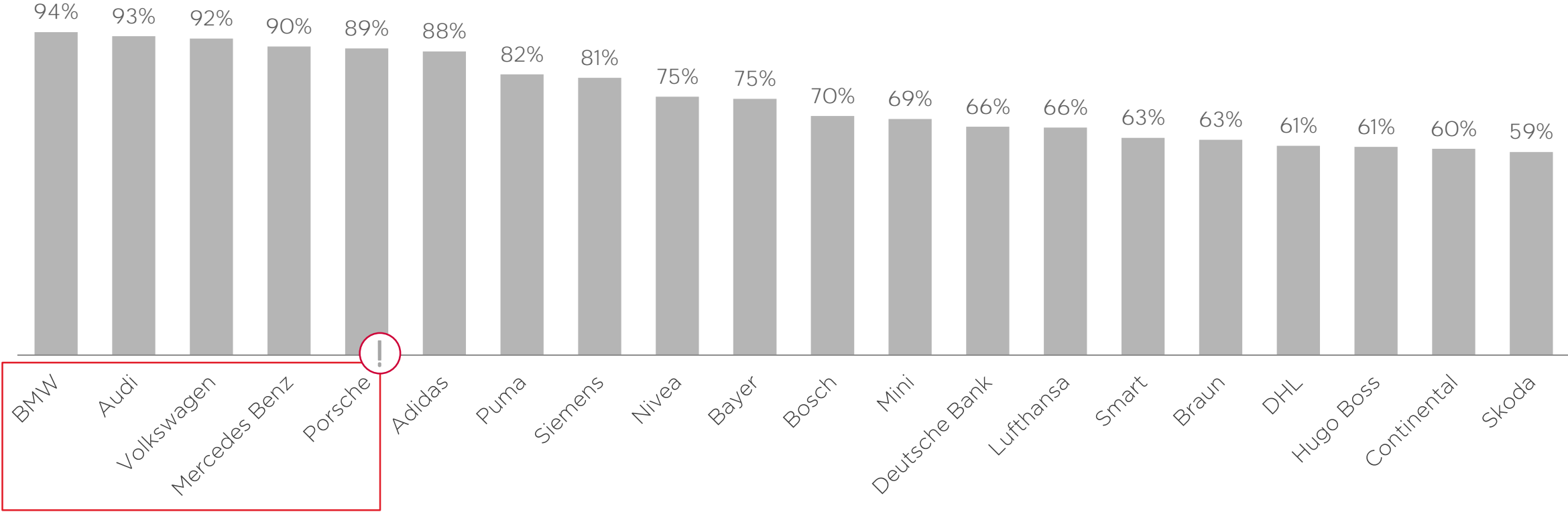
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Background of the survey

Primarily an automotive country: automotive brands lead in awareness

- Awareness of top 20 German brands among German, Chinese and US respondents¹ -

Awareness



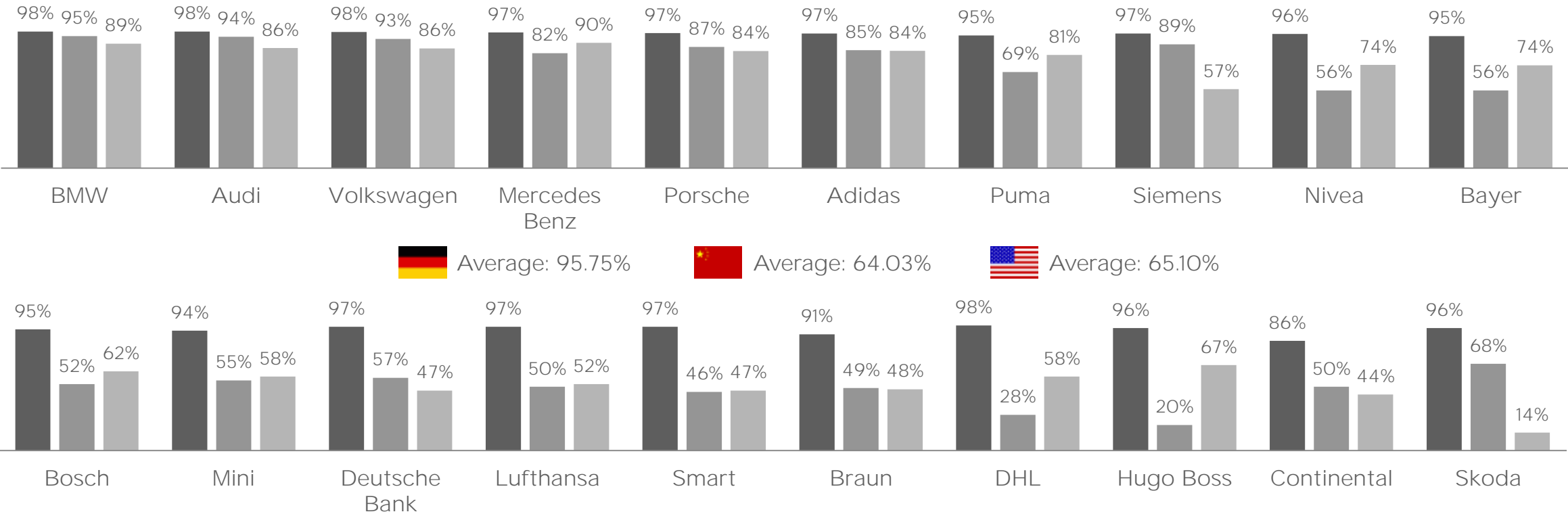
¹ Base: 50 pre-selected German brands. Question: Which of the following brands do you know? Please choose all brands that you know. Multiple answers permitted (Base: n = 1519).

German car brands are also the front-runners in the USA and China

- Awareness of top 20 German brands among German, Chinese and US respondents¹ -

Awareness

■ Germany ■ China ■ USA

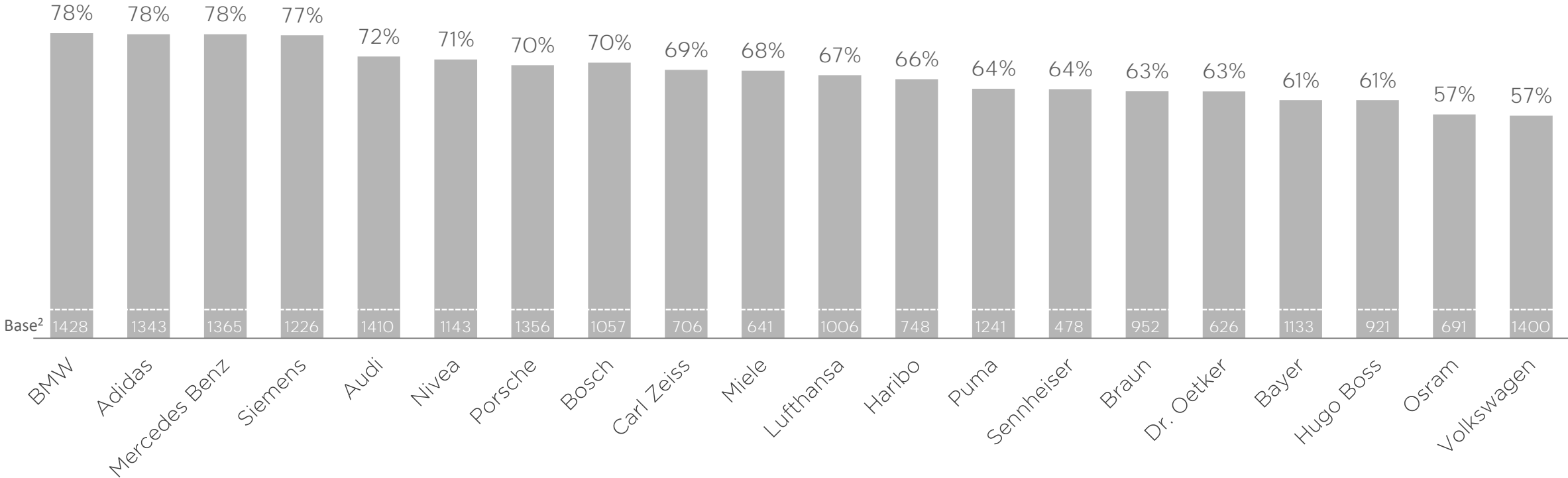


¹ Base: 50 pre-selected German brands.
 Question: Which of the following brands do you know? Please choose all brands that you know. Multiple answers permitted
 (Base: n German sample = 500, n Chinese sample = 513, n US sample = 506).

BMW, Adidas and Mercedes-Benz reap the highest reputation

- Positive image of top 20 German brands among German, Chinese and US respondents¹ -

Positive image

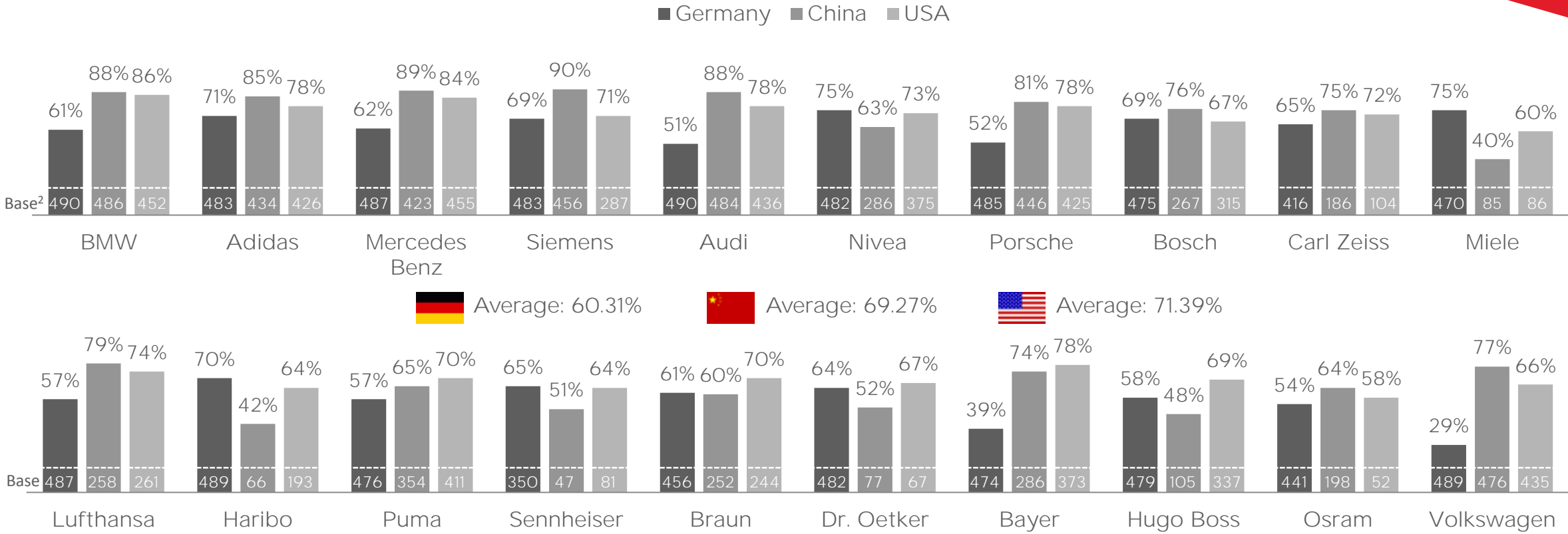


¹ Base: 50 pre-selected German brands; ² Base: brand awareness absolute score.
 Question: Which of the brands that you know have a positive image? Multiple answers permitted. Filter: only brands you know
 (Base: n total sample = 1519).

3 in 5 German brands tend to have a better image in China and the USA

- Positive image of top 20 German brands among German, Chinese and US respondents¹ -

Positive image

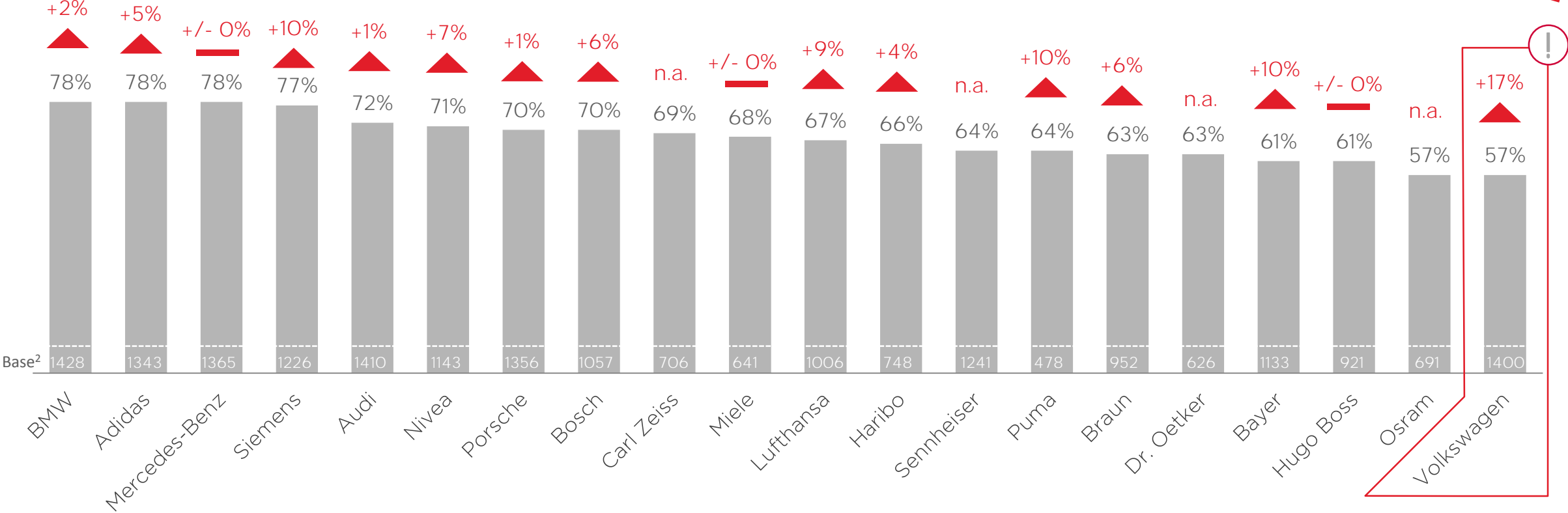


¹ Base: 50 pre-selected German brands; ² Base: brand awareness absolute score.
 Question: Which of the brands that you know have a positive image? Multiple answers permitted. Filter: only brands you know
 (Base: n German total sample = 500, n Chinese total sample = 513, n US total sample = 506).

German brands experience a strong popularity boost (2015 vs. 2017)

- Positive image development of German brands 2015 vs. 2017 among German, Chinese and US respondents¹ -

Positive image



¹ Base: 50 pre-selected German brands, ² Base: brand awareness absolute score 2017. Question: Which of the brands that you know have a positive image? Multiple answers permitted. Filter: only brands you know (Base: n total sample: n 2015 = 1500, n 2017 = 1519).

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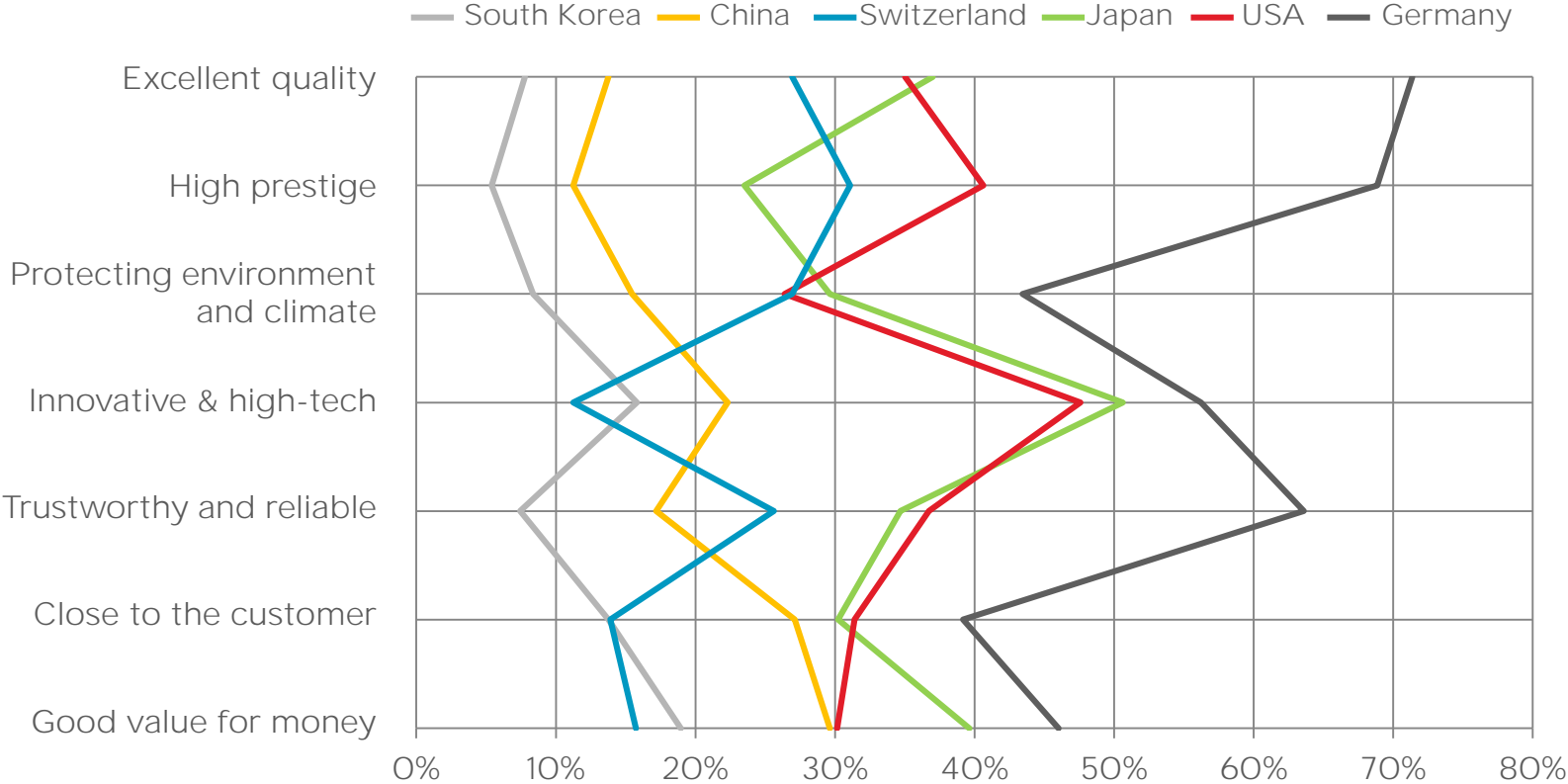
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Background of the survey

“Made in Germany” is unrivaled across relevant COO image dimensions

- COO image dimensions of selected countries among German, Chinese and US consumers -

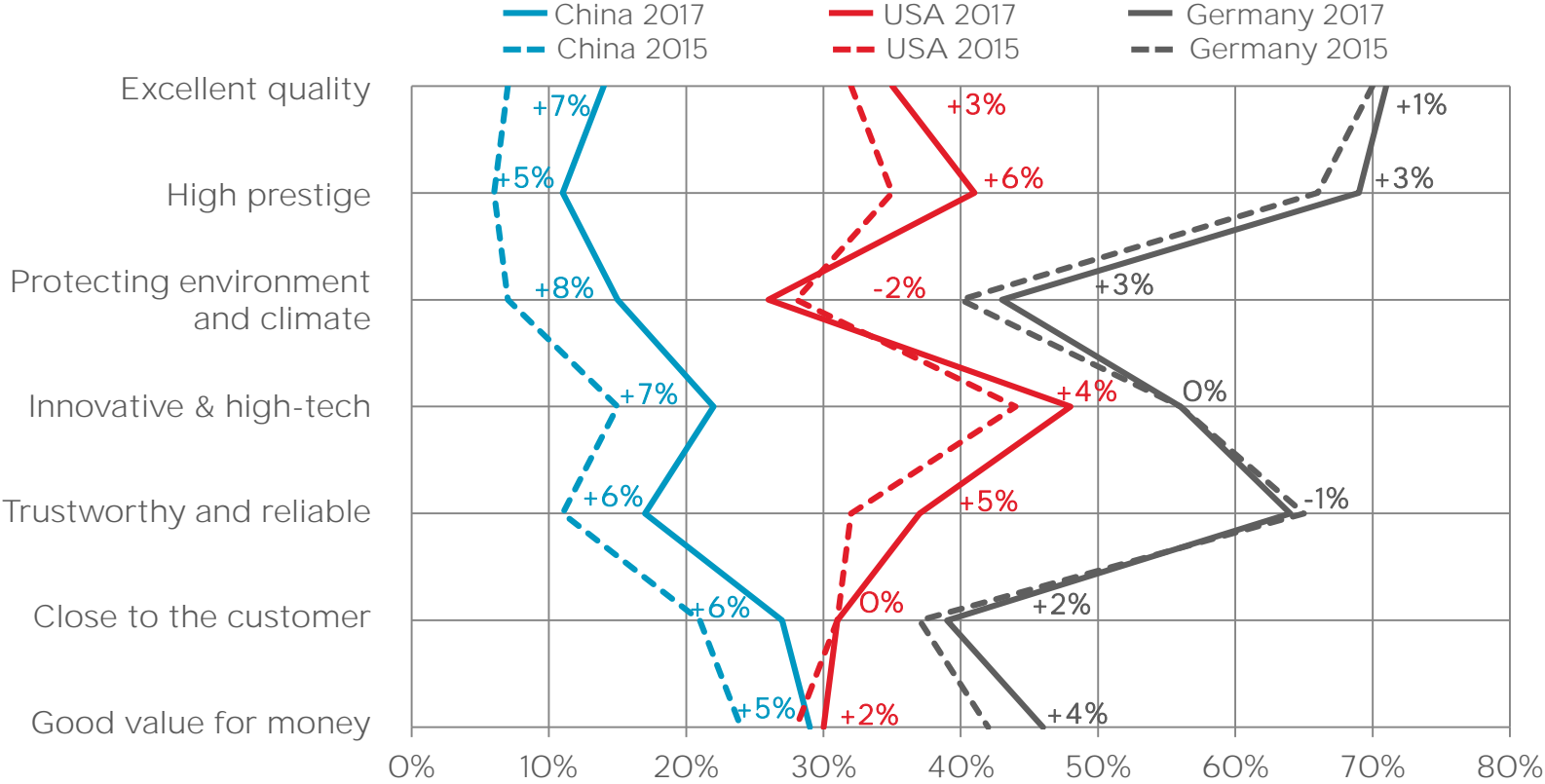


Insights

- Germany stands out in excellent quality (71%), high prestige (69%), eco-friendliness (43%) and trustworthiness (64%)
- Japan (51%) and the USA (48%) are head-to-head behind Germany (56%) in being perceived as innovative countries
- Swiss brands are perceived as less innovative (11%) and of less value for money (14%), even compared to Asian brands

China is notably catching up along all COO image dimensions

- COO image dimensions of selected countries 2015 vs. 2017 among German, Chinese and US consumers -



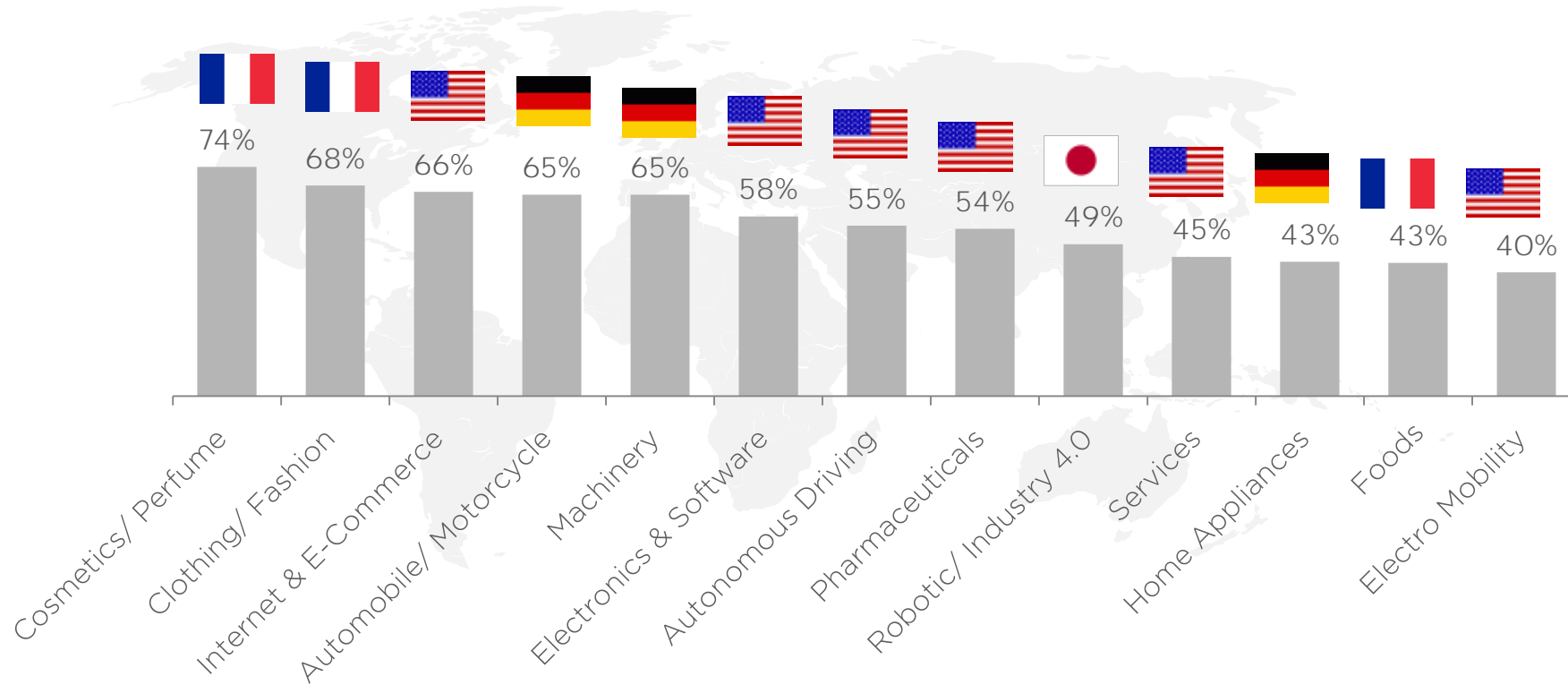
Insights

- “Made in China“ reached eyelevel with US products in price-performance-ratio
- In customer proximity, China (27%) is also closely following up the USA (31%)
- The USA improved along most of the dimensions, except eco-friendliness and customer proximity
- No major changes in the COO perception of Germany

Question: Please choose which attributes you associate with brands/ products from Germany, Japan, USA, China, Switzerland, and South Korea. Please name up to three countries. Percentage expresses the total number of times a country was named. (Base total sample: n 2015 = 1500, n 2017 = 1519). Filter: Switzerland, USA and Germany.

Germany is still closely associated with automotive sector and machinery

- Most famous COOs within selected industries among German, Chinese and US respondents -

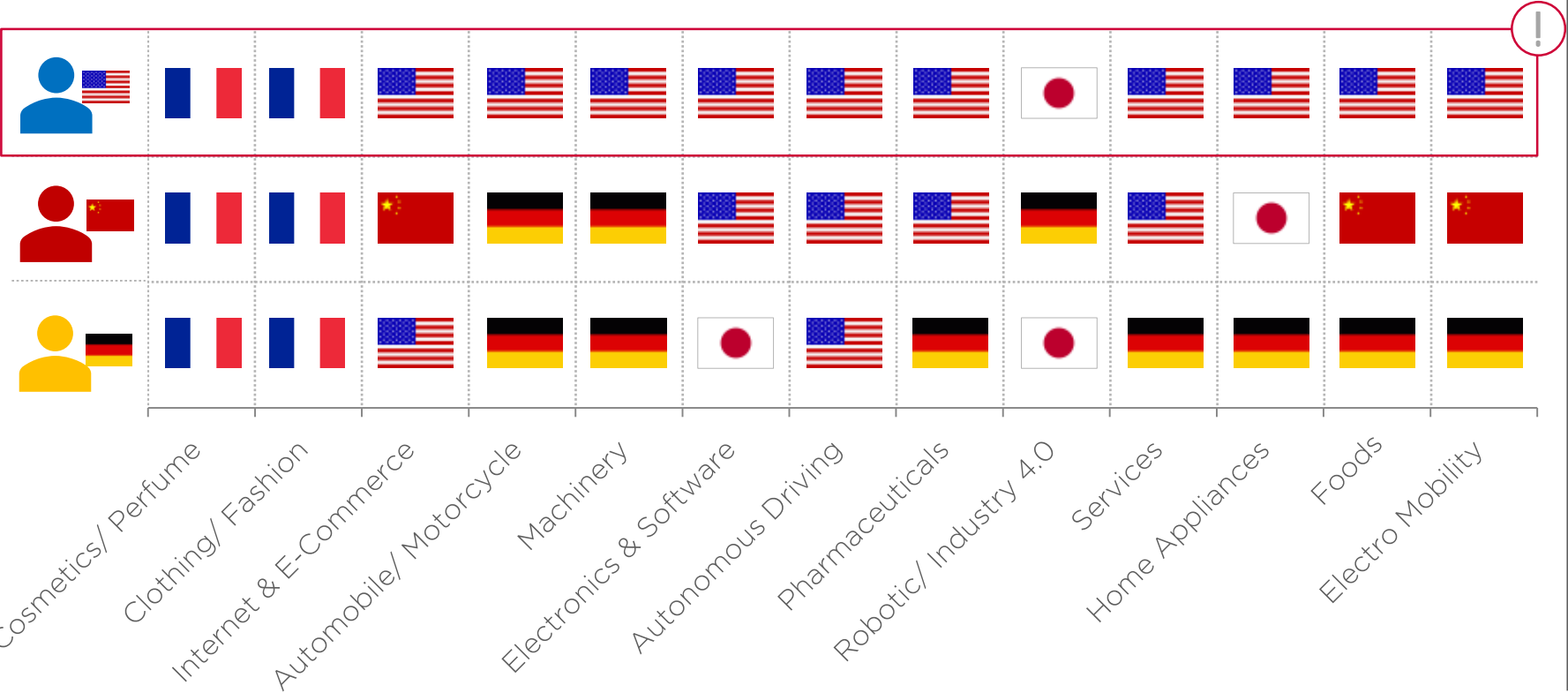


Insights

- High recognition of the USA as representative COO across diverse categories
- France continues to be regarded as famous for beauty, fashion and food brands
- Japan is perceived as representative COO in the Industry 4.0/ robotic sector

Lack of recognition of German brands among US consumers

- Most famous COOs within selected industries among German, Chinese and US respondents -

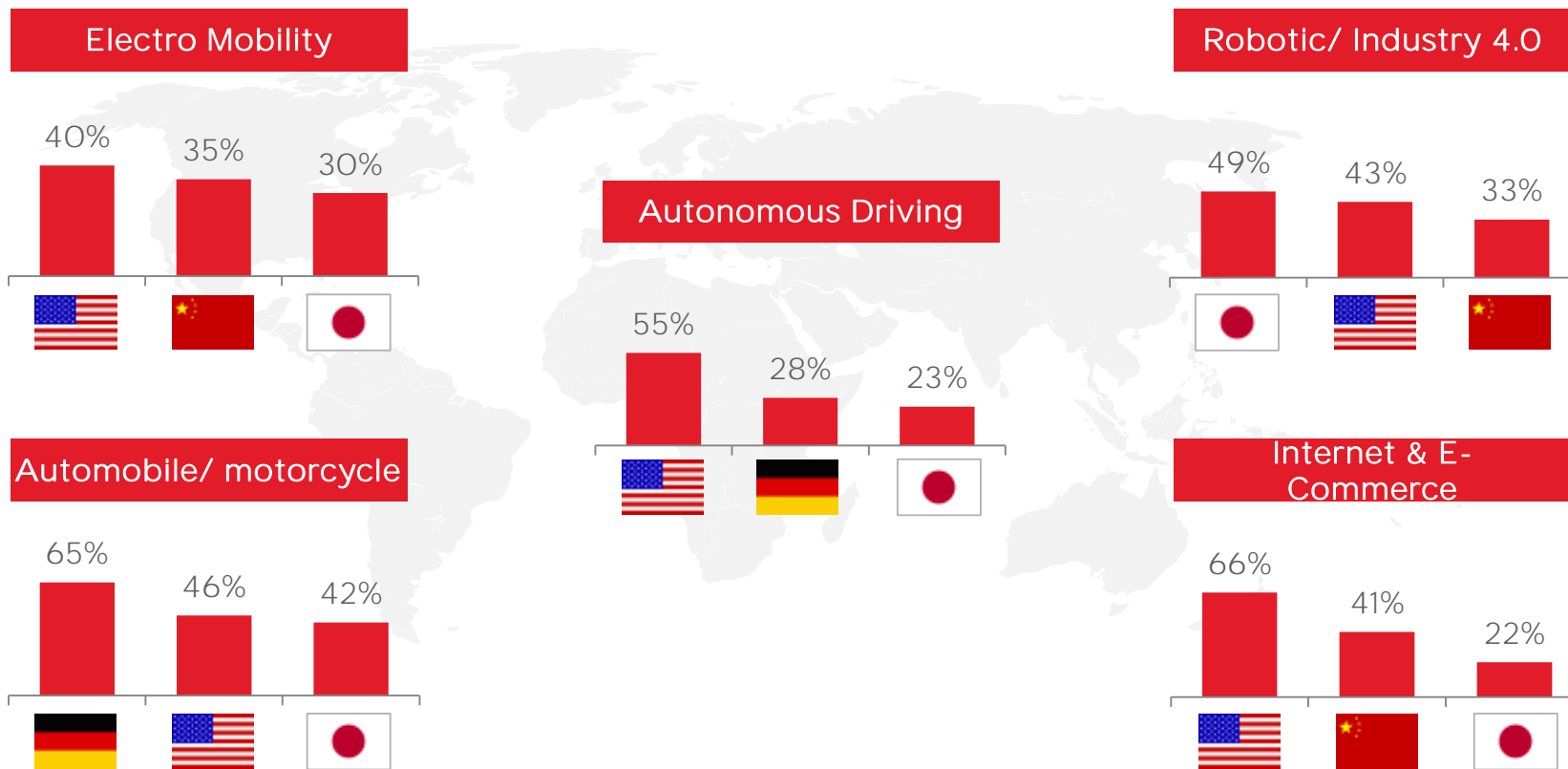


Insights

- Trump’s protectionist policy matches the perception of US consumers as they see domestic brands famous across most industries
- German brands, mainly from the technical industries, find recognition in China
- Chinese brands lack recognition outside of China, but are perceived industry-leading in the domestic market (e-mobility and e-commerce)

Industries of the future: Germany is lagging behind

- Most famous COOs within selected industries among German, Chinese and US respondents -

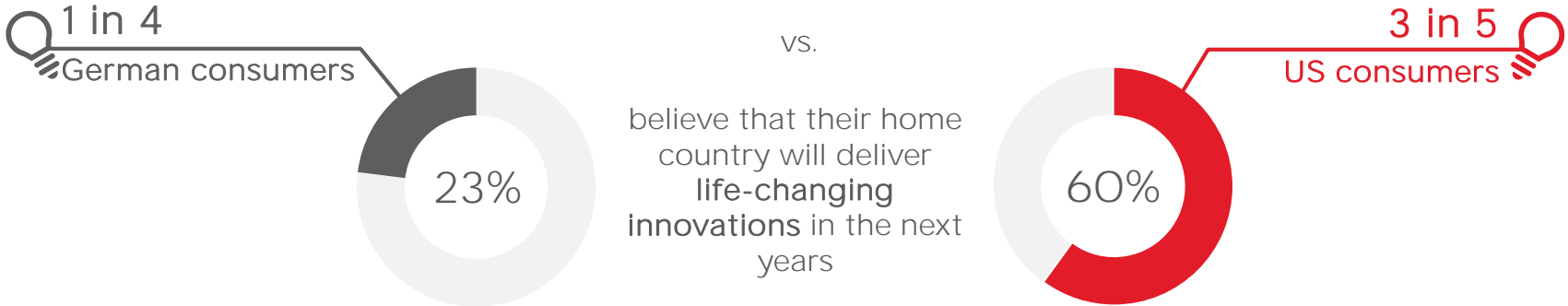


Insights

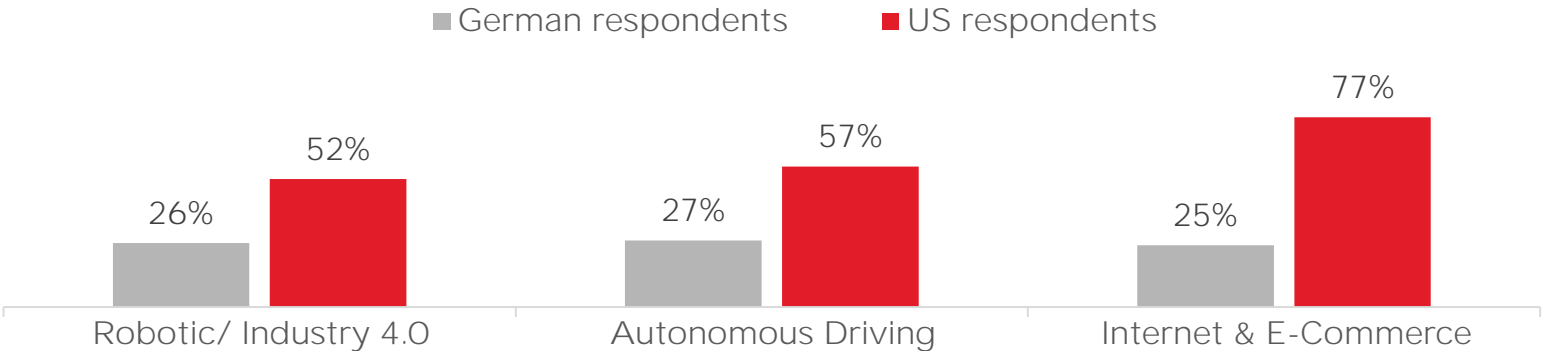
- German, Chinese and US consumers recognize US, Japanese and Chinese brands the most
- Germany is perceived as the leading COO in the classic automotive industry, yet lacks credibility in shaping the industry's future
- Despite being a German-born term, Germany is behind major players in the "Industry 4.0"/ robotic sector

Germans lack belief in their own country's disruptive innovation power

- Belief in own country's disruptive innovation capability among German and US respondents -



- Perception of domestic industry as famous COO among German and US respondents -



Insights

- The majority of US consumers is convinced of the disruptive innovation power of their home country
- Germans evaluate the disruptive innovation strength of their own country lower than Americans do
- Correspondingly, only one quarter of the German consumers see domestic brands as representative in relevant industries of the future

Questions: 1) Please rate on a scale from 1-5 (1 = strongly agree, 5 = strongly disagree): I believe that innovations from the following countries will change my life over the next few years. Filter: top-two answers, countries: Germany and USA; 2) Which countries are famous for brands/ products in the following categories? Please name up to three countries. Filter both questions: German and US respondents (Base: n German sample = 500, n US sample = 506).

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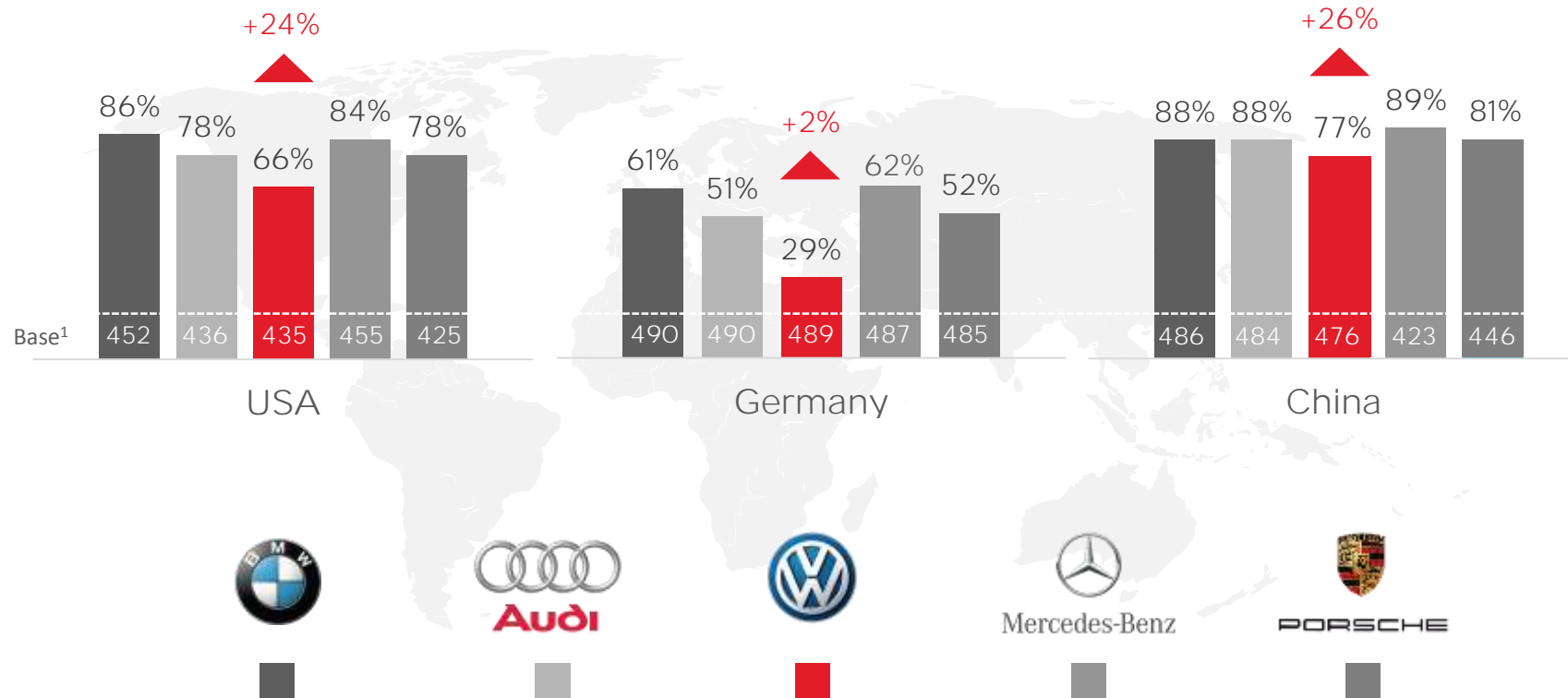
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Background of the survey

Strong recovery of the VW image in China and the USA, not in Germany

- Top 5 German automotive brands by positive image in the USA, Germany and China -

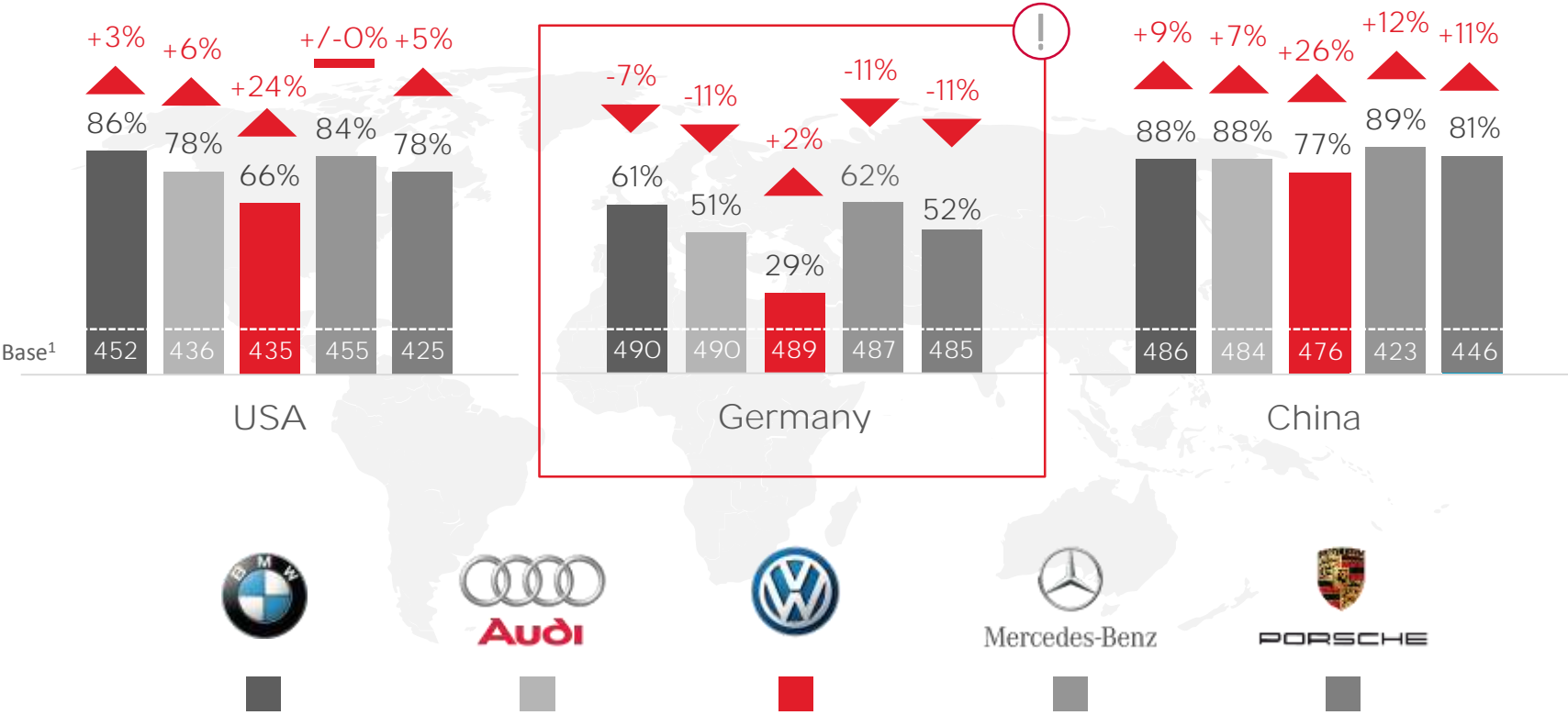


Insights

- The Diesel scandal damaged VW's mid-term image particularly in Germany
- With 29%, Volkswagen continues to be significantly behind competitors in Germany
- To a much lesser extent has VW's reputation been affected in the USA (66%) and China (77%)

The image of major German car brands decreased sharply in Germany

- Top 5 German automotive brands by positive image 2015 vs. 2017 in the USA, Germany and China -



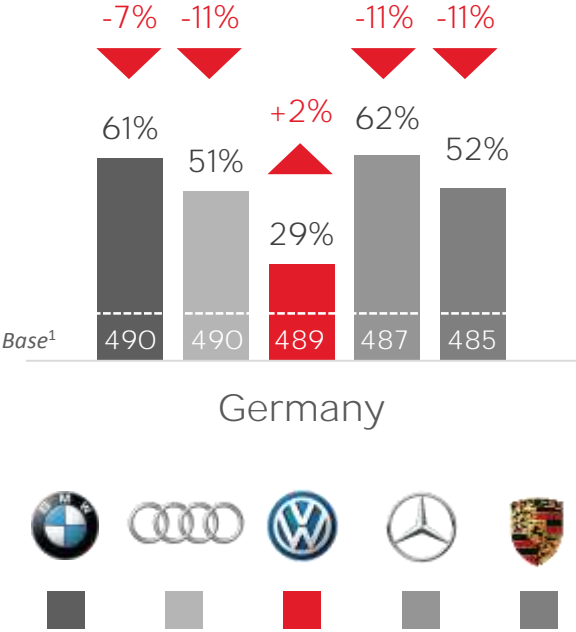
Insights

- The overall image loss in Germany reflects that all major German automotive brands are now affected by “Dieselgate” in their domestic market
- In line with the strong recovery of VW, all major German automotive brands however show a positive reputation growth in the USA and China
- The “Dieselgate” has been overcome in the USA, while it never really came to bear in China

¹ Base each brand: absolute brand awareness score 2017.
 Question: Which of the brands that you know have a positive image? Multiple answers permitted. Filter: only brands you know
 (n US total sample: n 2015 = 500, n 2017 = 506; n German total sample: n 2015 = 500, n 2017 = 500; n Chinese total sample: n 2015 = 500, n 2017 = 513).

German automotive brands have a serious credibility problem

- Positive image of German brands among German respondents 2015 vs. 2017 -



- Credibility perception of German car manufacturers among German respondents -



Insights

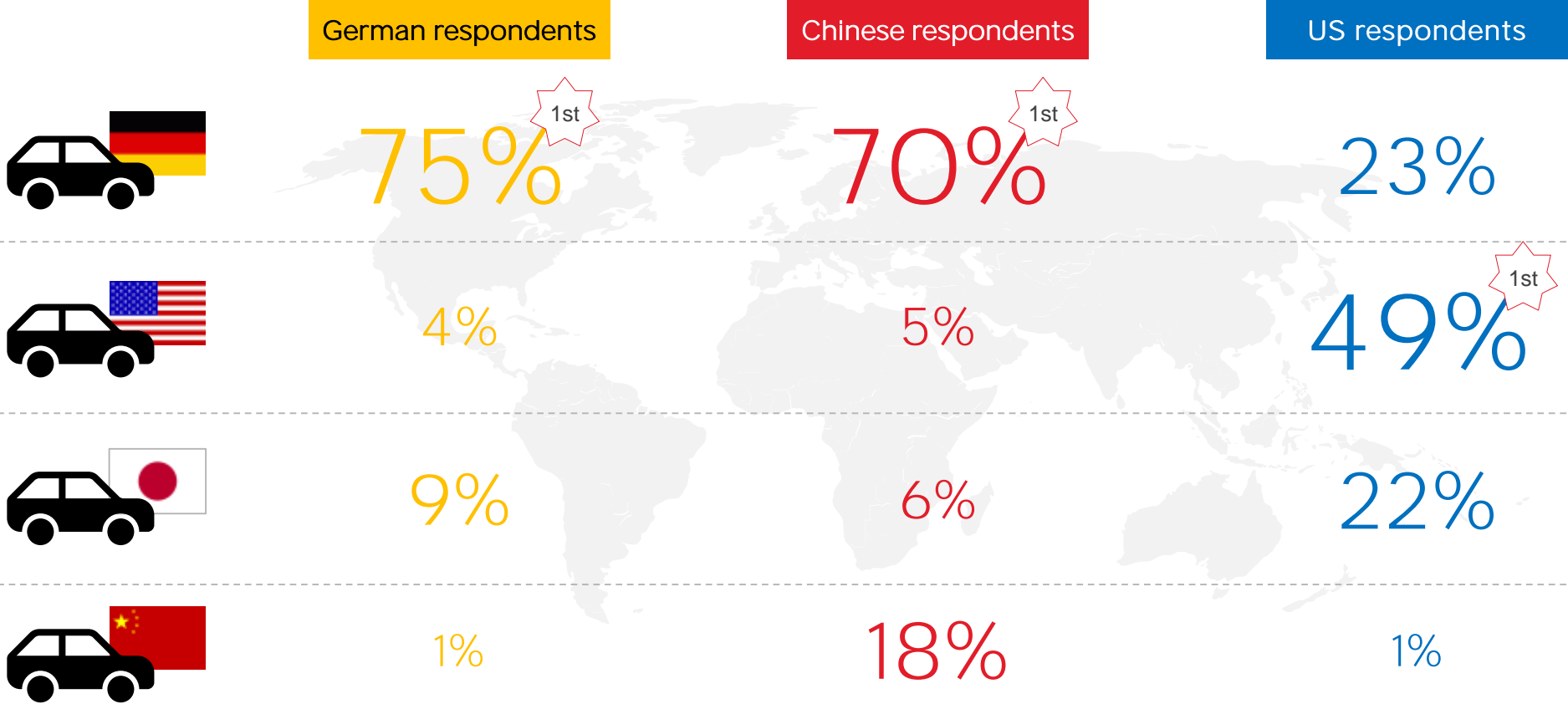
- The reputation loss of German automotive brands is also reflected in the loss of consumer trust
- Only about 1 in 3 German consumers still trust German automotive brands
- At the same time, 1 in 3 German consumers have no longer confidence in German car manufacturers

German respondents only

¹ Base each brand: absolute brand awareness score 2017.
 Questions: 1) Which of the brands that you know have a positive image? Multiple answers permitted. Filter: only brands you know (n German total sample: n 2017 = 500, n 2015 = 500).
 2) Do you consider German car manufacturer as credible? (n German sample 2017 = 500).

Business as usual: German brands win at home and in China, but face headwind in the USA

- Automotive brand COO preference among German, Chinese and US respondents -



Question: If you had to purchase a new car right now, from which country would the brand be? Please rank the following 7 countries from 1 to 7 according to your preferences. Note: top-one choice. Filter: a car from Germany, USA, Japan, China (Base: n German sample = 500, n Chinese sample = 513, n US sample = 506).

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Country-of-Origin (COO) as key factor in purchase processes

COO - High interest

“Country-of-Origin effect is one of the most analyzed phenomena in consumer behavior in international markets.”¹

Definitions of country-of-origin

“Country-of-Origin is defined as the country where corporate headquarters of the company marketing the product or brand are located. This does not require local manufacturing.”²

“Consumers and customers associate positive or negative attributes with a company, product or brand if they know it originates from a certain country.”³

“The COO can be divided into Country of Manufacture (COM) and Country of Design (COD). The COM identifies the place where the product is made or assembled, while the COD indicates where the brand is designed.”⁴



COO influences the way consumer perceive a company, product or brand

General relevance of a positive COO image

A positive COO image can:

- Increase the perceived quality and prestige of a brand
- Promote consumers' purchase intentions in favor of a brand
- Lead to an increased brand performance dependent on the industry and product category

Factors forming the COO image

The COO image is formed by subjective beliefs and knowledge of consumers about a country and relates to its past and present economic, political, technological, and socio- cultural situation

The COO image is usually stable in nature, but can change due to e.g. public policy in home country or “buy-local”-campaigns that especially appeal to politically conservative and patriotic buyers

Perceived COO examples



About Globeone



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About Globeone



Co-pilots for our clients

At Globeone, we are our clients' trusted allies. We work in long-term, productive relationships. We listen and learn, give direction and create individual solutions and services that fit to their global and local needs.

Informed Decisions

We turn complexity into clarity through an analytic and data-driven approach. This enables top-executives to take smarter strategic decisions in a dynamic and digital world. We aren't a network agency – and focus only on what needs to be done.

Actionable Strategies

We work with you. We are strategic thinkers with an implementation mindset and skills. We boost efficiency, accelerate processes, drive progress and connect the dots across global markets. Together, we get things done.

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