

From “Made in China” to “Made in Europe”: Offshoring Strategies of Chinese Automakers in the European Market of electric cars

Abstract

This paper examines how European consumers perceive Chinese automotive brands entering the European market. Drawing on the Country Image, consumer value, and offshoring strategies, it highlights the tension between skepticism toward “Made in China” and growing recognition of Chinese leadership in electric mobility. The study proposes hypotheses for future empirical validation, offering a conceptual framework on brand legitimacy and consumer acceptance.

Keywords

Country Image, Offshoring, Electric vehicles, Perceived product quality, Willingness to pay

Alfredo Celentano

Associate Professor

Department of Economic, Business, Legal and Political Sciences - Marconi University of Rome

a.celentano@unimarconi.it

Michela Matarazzo

Full Professor

Department of Economic, Business, Legal and Political Sciences - Marconi University of Rome

m.matarazzo@unimarconi.it

TRACK: INTERNATIONAL MARKETING

Framing of research

Offshoring strategies of Chinese automakers to enter the European market must be understood within a broader context of global industrial transformation. The automotive sector is being reshaped by three concurrent dynamics: the acceleration of decarbonization, the digitalization of vehicles, and the rise of new global players that challenge the dominance of established manufacturers (Holweg, Luo & Oliver, 2009). Among these new competitors, China has emerged not only as the world's largest automotive market but also as a leader in electric mobility, supported by massive investments and integrated supply chains. This shift creates both opportunities and barriers for Chinese brands seeking legitimacy in Europe, a market long dominated by German, French, and Italian carmakers.

Country image (CI) research shows that brand consumer perceptions are strongly influenced by CI, since it acts as a heuristic that shapes expectations of quality, reliability, and symbolic value (Schooler, 1965; Han, 1989; Verlegh & Steenkamp, 1999). In the case of China, the COO cue is ambivalent. On the one hand, China is associated with advanced technological capabilities in the electric vehicle (EV) sector. On the other hand, Chinese origin is generally associated with lower quality standards, weaker symbolic capital, and geopolitical dependence. This duality makes the COO not merely a background factor, but a central variable in determining consumer acceptance in Europe.

A second strand of literature emphasizes the role of perceived product quality (PPQ) in shaping purchase decisions. Consumers' willingness to pay (WTP) is closely tied to their evaluation of product quality, especially in high-involvement goods such as automobiles (Peterson & Jolibert, 1995). Negative country images can therefore reduce WTP indirectly, by lowering perceived quality and weakening trust. At the same time, positive signals such as sustainability or local embedding can mitigate these effects, highlighting the importance of moderators and mediators in the COO-WTP relationship (Miller et al., 2027).

Two contextual moderators appear particularly relevant. First, the nature of the product, whether the car is electric or combustion-powered may alter the impact of COO on perceived quality. Given China's global leadership in EV technology, electric models can enhance perceived quality despite negative COO associations. Second, upward offshoring strategies, such as localizing production in advanced economies, act as credibility enhancers, reducing symbolic distance and strengthening the COO-quality link (Dunning, 2001; Pavlínek, 2018). Together, these moderators highlight that COO perceptions are not fixed liabilities but malleable signals that can be reframed by firms' strategic choices.

Finally, individual-level variables such as perceived consumer effectiveness (PCE) and environmental concern (EC) further nuance the analysis. Research shows that consumers who feel their choices can make a difference in environmental outcomes, and those who display higher concern for sustainability, are more willing to support high-quality, eco-friendly products with a greater WTP (Sweeney & Soutar, 2001; Arsyistawa & Hartono, 2022; Falchi, Grolleau & Mzoughi, 2022). These constructions link macro-level industrial transformations (green transition, offshoring strategies) to micro-level consumer decision-making, thus bridging institutional and individual perspectives.

In summary, this study is framed at the intersection of country image, perceived product quality, and willingness to pay, while considering both strategic moderators (electric orientation, localization) and individual moderators (consumer effectiveness, environmental concern). The originality of this approach lies in its multi-level integration: it shows how reputational biases associated with COO interact with technological, strategic, and individual factors to shape consumer acceptance of Chinese automakers in Europe.

Purpose and Methodology

The central purpose of this paper is to explore how European consumers perceive the entry of Chinese automakers into their markets and how these perceptions shape their willingness to pay (WTP). Unlike empirical contributions that test specific relationships using quantitative data, this work positions itself as a conceptual paper. Its aim is to weave together insights from the literature into a coherent framework and to develop hypotheses that may guide future empirical research.

The starting point is the well-documented Country-of-Origin Effect (COO). Decades of studies have shown that the image of a country operates as a powerful heuristic in consumer decision-making, influencing how products are judged in terms of quality, reliability, and symbolic value (Schooler, 1965; Han, 1989; Verlegh & Steenkamp, 1999). In the case of China, the COO cue is especially ambivalent: on the one hand, it is associated with global leadership in electric vehicle technology and industrial dynamism; on the other, it carries stereotypes of lower quality standards and geopolitical dependence (Diamantopoulos et al., 2017). This duality makes COO not simply a background condition but a determinant of legitimacy and market acceptance. Within this broader framing, the paper advances six hypotheses. The first two articulate the direct and indirect pathways through which negative country image influences willingness to pay. On the one hand, unfavorable COO perceptions are expected to directly reduce consumers' readiness to pay a premium (H1). On the other, country image exerts an indirect effect via perceived product quality (PPQ): when COO is negative, quality evaluations tend to suffer, and this in turn depresses WTP (H2). These hypotheses highlight the central role of reputation in shaping both symbolic and economic dimensions of consumer behavior.

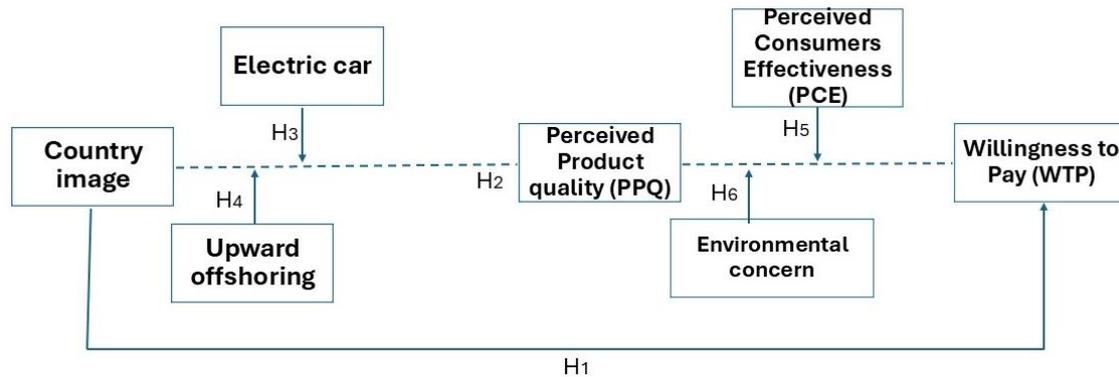
The framework also recognizes that COO effects are not static but can be reframed through contextual moderators. Two factors appear particularly salient. First, the nature of the product itself matters: when the car is electric rather than combustion-based, the association with China's recognized technological expertise in EVs may soften COO stigma and enhance quality perceptions (H3). Second, strategic choices in production location, what we term upward offshoring, can serve as signals of credibility. By localizing manufacturing in advanced economies, Chinese automakers may benefit from the reputational capital of those contexts, thereby reducing symbolic distance and bolstering perceived quality (H4).

Beyond these macro- and meso-level conditions, the model integrates micro-level consumer dispositions. Even when quality is recognized, the extent to which it translates into willingness to pay depends on individual beliefs and values. Consumers who feel that their choices can contribute to environmental improvements are more inclined to reward high-quality products with higher WTP (H5). Similarly, those with stronger ecological concerns are expected to attribute more value to sustainable vehicles, amplifying the link between PPQ and WTP (H6). In this sense, consumer-level moderators provide a crucial bridge between industrial dynamics and individual decision-making.

Methodologically, the contribution of this paper lies not in the collection of new data but in its conceptual integration. By combining COO research with insights on perceived quality, willingness to pay, and environmental psychology, the study proposes a framework that is both theoretically robust and practically relevant. The six hypotheses translate abstract constructs into testable propositions, offering a roadmap for future empirical studies that may employ survey data, regression models, or structural equation modeling to validate the relationships outlined here.

In sum, the methodology underscores the originality of this work as a conceptual contribution. It links reputational cues (country image), strategic responses (electric orientation, localization), and consumer-level factors (perceived effectiveness, environmental concern) into a multi-layered model. In doing so, it provides a structured explanation of how Chinese automakers may overcome COO stigma and build legitimacy in Europe, while simultaneously setting the stage for future empirical validation.

Figure 1 – Proposed Conceptual Framework



Results

As this study positions itself as a conceptual paper, the results are not empirical findings but rather the expected dynamics that emerge from the theoretical framework. The aim here is to illustrate how the interaction between country image (CI), perceived product quality (PPQ), and willingness to pay (WTP) may unfold, and how such relationships are shaped by technological, strategic, and individual-level moderators. The first insight relates to the direct impact of country image. In line with H1, a negative CI is expected to reduce WTP. This reflects the enduring salience of COO stereotypes: when the country of origin is perceived as less reliable, consumers are reluctant to pay a price premium, regardless of the functional attributes of the product. In the case of Chinese automakers, this liability manifests in a structural disadvantage when competing in markets where European or Japanese brands enjoy strong reputational capital. The second insight emphasizes the mediating role of product quality. As proposed in H2, negative COO perceptions are likely to undermine evaluations of quality, which in turn lowers WTP. This mechanism highlights the centrality of PPQ as a bridge between reputational cues and economic outcomes. Even if consumers do not consciously link COO to price sensitivity, their judgments of quality act as the channel through which COO shapes WTP. Thus, COO does not merely influence symbolic associations but directly constrains the perceived value that consumers are willing to attach to a product. The framework also suggests that COO stigma is not immutable. H3 posits that the negative impact of CI on PPQ can be attenuated in the case of electric vehicles. Here, product category becomes crucial: China's recognized leadership in EV technology and battery innovation provides a positive counterweight to COO skepticism. When the product embodies technological expertise aligned with European priorities of decarbonization, quality perceptions may improve, partially neutralizing COO stigma. Similarly, H4 emphasizes the role of upward offshoring strategies, such as localizing production in advanced economies. By embedding operations in contexts with strong industrial legitimacy, Chinese automakers may signal credibility, reduce symbolic distance, and align with consumer expectations of quality. Both hypotheses highlight that COO is not a deterministic liability but a malleable perception, responsive to firms' technological and strategic choices. The fourth layer of expected results concerns the translation of quality perceptions into willingness to pay. As suggested by H5 and H6, this translation is not uniform but contingent on individual-level dispositions. Perceived consumer effectiveness (PCE) moderates the PPQ-WTP link by shaping how consumers interpret the significance of their choices. Those who believe their purchasing decisions can positively affect environmental outcomes are more likely to reward perceived quality with greater willingness to pay. Similarly, environmental concern (EC) reinforces this link: consumers with strong ecological values are expected to attach more importance to sustainable vehicles, making them more willing to pay for products they perceive as environmentally responsible. These individual-level moderators illustrate that COO and quality perceptions are filtered through consumers' value systems,

producing heterogeneous responses across different market segments. Taken together, these conceptual results provide a multi-level explanation of how Chinese automakers may be received in Europe. At the macro level, COO acts as a reputational baseline that influences acceptance. At the meso level, strategic levers such as EV positioning and localized production offer pathways to reshape COO effects. At the micro level, individual beliefs and values condition how quality perceptions translate into economic behaviors such as WTP.

In summary, the framework does not claim to present tested evidence but to articulate plausible, theoretically grounded outcomes. It shows that the success of Chinese automakers in Europe will depend on their ability to navigate reputational stigma, highlight technological leadership, strategically embed production, and resonate with consumer values related to sustainability and individual responsibility. These insights set the stage for future empirical research, which will be needed to validate, refine, or challenge the six hypotheses advanced in this study.

Reserch Limitations and Managerial Implications

As a conceptual paper, this study is subject to a set of limitations that must be acknowledged. The most evident limitation is the absence of empirical testing: the six hypotheses proposed here remain theoretical propositions, not yet supported by statistical evidence. Future research will need to validate the framework through survey-based studies, experimental designs, or structural equation modeling, in order to assess the strength and robustness of the relationships hypothesized. A second limitation concerns the context specificity of COO effects. Perceptions of Chinese automakers may differ widely across European countries, reflecting cultural traditions, political climates, and national industrial policies. The framework thus provides a general conceptual roadmap, but its predictive power is likely to vary depending on local conditions. Finally, COO and sustainability perceptions are dynamic constructs: as Chinese firms expand production in Europe, improve quality standards, or adjust their communication strategies, consumer perceptions may shift, requiring longitudinal studies to capture such evolutions. Despite these boundaries, the framework yields several important managerial implications. First, it underscores that country image remains a decisive factor in consumer acceptance. Managers of Chinese automakers must recognize that COO is not neutral and that negative stereotypes can directly depress willingness to pay. At the same time, the model shows that such stigma can be managed. Positioning within the electric vehicle segment allows firms to leverage China's recognized leadership in EV technology, reframing consumer perceptions in a positive light. Similarly, adopting upward offshoring strategies, for instance, localizing production in European markets, can strengthen credibility, reduce symbolic distance, and align the brand with trusted industrial ecosystems. Second, the framework emphasizes the importance of perceived product quality as the central driver of willingness to pay. Communication strategies should therefore go beyond emphasizing price competitiveness, focusing instead on reliability, safety, and technological performance. Investments in transparency and verifiability, particularly in relation to sustainability claims, are equally crucial to build trust among European consumers. Third, the analysis highlights that consumer responses are heterogeneous. Individual-level moderators such as perceived consumer effectiveness and environmental concern shape how quality perceptions translate into economic behaviors. For managers, this implies the need for segmented marketing strategies, targeting consumer groups with strong ecological values and a sense of personal responsibility. Narrative branding that emphasizes the consumer's role in the ecological transition, "your choice matters", may be particularly effective in these segments. Finally, the findings also carry implications for policymakers. If consumer acceptance depends on the interplay between COO stigma, technological positioning, and localization, industrial policies that encourage sustainable investments and support local employment can play a decisive role in legitimizing foreign entrants. Such policies not only

foster competitiveness but also align market acceptance with broader societal objectives, such as decarbonization and economic resilience.

In conclusion, while the study is constrained by its conceptual nature, it offers actionable guidance for managers and policymakers alike. For managers, the path to success in Europe lies in combining technological leadership, local embedding, and sustainability-driven narratives. For researchers, the framework provides a basis for future empirical studies that will refine or challenge the propositions advanced here, thus enriching both academic debate and managerial practice.

Originality of Paper

This paper offers originality by reframing the Country-of-Origin Effect in the context of Chinese automakers' expansion into Europe. Rather than treating country image as a fixed liability, the study conceptualizes it as a dynamic factor whose impact on consumer acceptance can be mediated and moderated by multiple conditions. By linking country image directly and indirectly to willingness to pay, through the role of perceived product quality, the framework highlights the reputational, technological, and individual dimensions that shape consumer behavior.

The contribution lies in proposing a multi-layered model that combines macro-level cues, strategic firm choices, and consumer-level values. In doing so, the paper not only enriches COO literature but also provides a structured agenda for future empirical research on legitimacy and acceptance of emerging-market brands in advanced economies.

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