

CHAPTER ONE

INTRODUCTION

The first section will give a general picture of the thesis and what the aim of this study will be. Furthermore, a background to the study will be given and the problem area of branding in international markets will be discussed. The research problem will subsequently be defined, as well as the purpose, limitations and organization of the study.

1.1. Background of the Study

Why do consumers care about brands so much? According to Aaker and Biel (1993) there are many reasons why consumers care about brands. Throughout consumers lives there are always cycles or periods where they go through developmental changes. For example, we can see the social maturity one faces from high school to college, dating to marriage, as well as how ones sense of style and fashion changes with age. When these changes take place consumers look at brands to see if they conform to their lives. If brands do not fit into consumers lives, and they no longer connect with the brand, they will not trust that this brand can fulfill their needs. However, it is possible for brands to maintain meaning and trust in consumer's life. If trust can be established and maintained through customer satisfaction it is possible to build successful relationships with the consumers (See Figure 6).

According to Clifton and Maughan (2000) it is important that the brand owner takes responsibility of their brands by creating real value for their customers. In order to accomplish this, companies need to make sure that they are creating, managing, or re-developing their brands to the changing needs of their target audience. Sang Jin Park, who is the Vice President of Global Marketing Operations at Samsung Electronics,

believes that the company needs to perceive the signs of change and then meet the needs of new trends. Howard Schultz who is the Chairman and Chief Executive Officer of Starbucks Coffee Company, believes that trust is the future of brands, since there are too many choices available to consumers today. Therefore, he argues that if brands are going to be sustainable in the world today, they need to strongly focus on trust.

He further explains that there are three attributes that brand must have today in order to be successfully competitive. First is building trust with consumers by always providing them with good experiences, second is building respectful relationships with workers in the company, so this can transfer to consumers, and third is giving back to the community through various forms of community service and goodwill. However, Karl-Heinz Kalbfell (Global head of Brand and Product Strategy for BMW Group), claims that the more people there are working in a company the harder it becomes to keep the brand consistent. Therefore, brands today need to maintain a consistent brand image, since today consumers increasingly have a high demand for security.

(Clifton and Maughan, 2000) Lawrence and Johnson (2002) argues that by understanding the drivers of customer behaviors and attitudes along with the ability to build a company, and brand that people trust, as the key to the success of a marketing strategy. In certain industries, trust in the brand is becoming crucial for consumers to even consume the product. Biotechnology and food safety are issues that are placing more emphasis on trust (Button, 2002). For example, in the meat industry, where foot-and mouth and mad cow disease have been raging, trust could not be more important. Although trust has been greatly studied by many marketing and management theorists, as well as by sociologist and psychologists, if you ask ten people to define trust, you are likely to get 10 (maybe 11) different answers as to what it means. Furthermore, trust literature consists of a mixture of different theories that link one way or another to brands but still there has been no consolidated research in this area that specifically links to international companies. The result is a multitude of different conceptualizations of the trust concept. However, if one were to define the most basic meaning of trust, it would be to simply say that trust is

developed when another shows they truly care and are concerned about our individual needs during the toughest circumstances, while not taking advantage of their vulnerability. Trust and international brands is increasingly gaining importance.

Today, we are living in a modern and materialistic world, where brands have become the center of our consumer-driven capitalistic economy. Temporal and Lee (2001) argue that powerful brands are the ones that are built on trust and this will not change, but only get more important in the future. Furthermore, they articulate that trust is the key deciding factor that determines why consumers favor particular brands over others. Upshaw (1995) agrees and claims that branding is the art of trust creation and therefore it is imperative for companies to build a trustworthy identity in order to maintain trust with their consumers. However, today companies are faced with many problems affecting the success of their brands identity and distrust is increasingly growing. Lucas (2001) argues that although it takes a long time to build consumer trust in a brand, it takes just a fraction of the time to destroy that trust. For example, when consumers became aware that there were critical defects associated with Ford Explorer, the first thing that Ford did was to entirely blame Firestone's tires. Firestone continuously insisted that their tires were safe. At this point consumers were very confused and did not know which company to believe. As a result, this destroyed the trust and brand identity for both of these brands (Cody and Moed, 2001). Based on the decreasing level of trust in the market environment today, and the difficulties for companies to develop and maintain trust for their brands, one can imagine the difficulties for international companies to develop and sustain trust with foreign consumers. Usunier (1993) argues that in actuality, in one way or another all cultures have borrowed something or another from somebody else, and then they just adapt it to fit their cultural norms and standards. According to Majkgård and Sharma (1998), this is becoming more important as international trade is increasing and there are many differences in cultures, which makes it more difficult to establish trust with consumers. They further express that it can take a longer time and more money in order

to gain the trust of foreign consumers. One could argue that it is astounding that International brands even exist at all in a world with so many different cultures.

However, not many societies will admit that aspects of their culture were borrowed from another. He further expresses that many societies want to protect and maintain their own cultural identity. One could ask themselves why foreign consumers should trust international brands over their domestic brands, especially when considering the elements of Western capitalist culture today. Buckley and Casson (2001) argue that Western culture has encouraged a 'low-trust' form of capitalism, which is essentially based on a high level of competitiveness and self-interest is very dominant. According to Usunier (1993) today it is very common to see international companies ranting and raving in magazines such as Fortune and Forbes, about their competitive and strategic tactics, usually comparing and referring their strategies to military and war. While these companies are proudly boasting of new ways to increase sales and profits, should international consumers trust these companies that will do anything for a dollar to beat the competitors? Should consumers be expected to trust companies that refer and compare to them as numbers and prospects? Are consumers supposed to believe that these companies have their best interest in mind? Moreover, entrepreneurs look for the best way they can exploit and maximize profit of their consumers at any cost, whether through manipulative marketing techniques or deceptive practices. If we buy a Mercedes does that actually mean that we are more prestigious? So which brands and companies can foreign consumers actually trust? Should they trust companies who are part of this materialistic world, or advertisers who hire psychologists to find out the best ways to get into our minds?

According to the Economist (2001) brands have come to represent a 'fascist state', where consumers have lost total control of the brands that enter their lives. Since, Internet servers, streets and retail spaces are all controlled by multinational corporate interests, as well as newspapers and television stations, who can we trust to actually have the consumer interest at heart. According to Fletcher (2002) the most trusted brands hold

onto consumers' confidence year after year and nowadays the most trusted brands are trusted multi-nationally. His conclusion is that that consistency over time and consistency across borders are the main characteristic of great brands.

Furthermore, brands that offer consumers good quality and good value are trusted, but good quality and good value can be perceived differently by individual consumers, especially across national borders.

As shown in the research background, there are several important issues to consider when managing a brand. International brands also have to compete with local brands that have the advantage of closeness and familiarity to the consumer. The main problem chosen to be investigated is therefore:

1.2. Focus of Study

We have always been interested in sociology and psychology, and have found that the conflict that exists between the theories of 'nature versus nurture' is ever more prevalent today as it has been in the past. It is remarkably interesting that it is still a phenomenon why certain people behave in some ways and some in others. Maybe it is the cultural environment, which causes people to act or behave in a certain way, or perhaps it's genetic, or some even argue that it is a combination of both. We have truly recognized the substantial impact that culture plays in shaping the accepted norms within a society, and shaping the behaviour of individuals within that society. Furthermore, we have become conscious of the conflicts that can occur from not being aware of cultural accepted norms and standards, especially being closely integrated within Nepalese society for a sustained period of time. In addition, we have learned that through sharpening ones insight and sensitivity to a culture that is not your own, will positively influence the level of communication and intercultural effectiveness that can be created between individuals.

More and more are we seeing national brands expand to global markets, as international companies seek to expand, in order to gain an increase in their market share. A current

trend is for consumer product companies to create single branded products that can be marketed globally. The reason behind this strategy is primarily the great financial gains that follow the consolidation of manufacturing, packaging and marketing costs. This is obviously a cost driven strategy that pays little attention to the effects it might have on revenue. Extensive marketing research is the only mechanism that is available to control the strategy's success. It is also being admitted that the local input in some way has to be synthesized into a unified marketing message, which might not be an easy task. In trying to cut costs by a unified brand the company is essentially set up to either succeed or fail on a global basis. Evidently, there seems to be a trade off between risk and reward when choosing between uniform global branding and more locally adapted branding, and the stakes are high.

1.3. Statements of Problems

So why do consumers care about brands so much? According to Aaker and Biel (1993) there are many reasons why consumers care about brands. Throughout consumers lives there are always cycles or periods where they go through developmental changes. For example, we can see the social maturity one faces from high school to college, dating to marriage, as well as how ones sense of style and fashion changes with age. When these changes take place consumers look at brands to see if they conform to their lives. If brands do not fit into consumers' lives, and they no longer connect with the brand, they will not trust that this brand can fulfill their needs. However, it is possible for brands to maintain meaning and trust in consumer's life. If trust can be established and maintained through customer satisfaction it is possible to build successful relationships with the consumers.

So, in this study answer area stated for the following research questions:-

1. How far price and quality affect the overall trust of international brands.
2. Why do consumers care about brands so much?

3. How does culture affect the trust of international brands?
4. How does it possible to maintain meaning and trust in consumer's life?
5. How does it possible to establish successful relationships with the customers.

1.4. The Objectives of the Study

The objective of this study is to investigate and analyze about the trust consumers have for brands from an international perspective. In particular, the characteristics of Nepal will be investigated to examine how their culture affects the trust for international versus domestic brands.

Furthermore, the *How trusted are international brands in Nepal?* Purpose is to provide a foundation for future research in the area of brand trust in international markets.

Some objectives of the study are given below:-

1. To analyze about the trust consumers have for brands from an international perspective.
2. To analyze how culture affects the trust for the international brands?
3. To provide a foundation for the future research in the area of brand trust in international markets.
4. To analyze the most trusted countries for the international brands.
5. To examine the why Nepalese and non Nepalese trust the international brands?
6. To examine how the people influence by the international brands over domestic brands?

1.5. The Significance of the Study

The study will be performed as a case study, which is appropriate when researching contemporary and social phenomena (Yin, 1999). The trust of international brands is a current phenomenon and will be studied within the case of Nepal. The concept of case

studies is rather diffuse but this study can be considered to fit reasonably well to the case study concept. Yin (1999) states, that “a case study is an empirical inquiry that (a) investigates contemporary phenomena within its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident”.

This study would be very useful for brand entrepreneurs, decision makers and researchers because it will deal with the aspect of trust of international brands. Not only this but also It would provide the framework to the brand companies which are searching the customers to Nepal.

1.6. Limitation of the Study

In every case study, there is pragmatic limitation under which the study is to be made theory and practical does not necessarily match always. Besides this, there are other working problems such as time constraints, resources unavailability, study type and various market related difficulties that hinder in the study.

The following will be the major limitation of the study:-

1. The study will focus people's perception, brand loyalty and value. These are not the valid measurement to trust for the brands.
2. Take part few numbers of the consumers will not be given the result of the whole population.
3. Limited time available to submit this thesis for the practical fulfillment of MBS course.
4. This study is based on interview and question-answer approach, this will not give the valid output.

1.7. Organization of Study

This study will be divided into eight chapters they are as under:

1. Introduction
2. Review of Literature
3. Research Methodology
4. Nepalese Culture
5. Presentation and Analysis of Data
6. Summary Conclusion and Recommendation

Bibliography

Appendix

The first chapter describes about the introduction, which includes background, statement of problems, objectives of the study, scope of study, importance of study, limitation of study and organization of the study.

The second chapter related about review of literature, which includes conceptual review and review of related studies. For review of related studies some books, dissertations, reports and articles have been received.

The third chapter concerned with research methodology. In this chapter research design, sample selection and target group, Method of data analysis, and data collection described.

The fourth chapter is concerned with Nepalese culture. In this chapter general background information on Nepal, the generic model applied to Nepalese cultural environment described.

The fifth chapter is concerned with presentation and analysis of data. In this chapter evaluation of the study, presentation and analysis, trust, most trusted countries and

brands, advertising and pricing, (low) power distance and trust for international brands, (low/high) uncertainty avoidance and trust for international brands, individualism and trust for the international brands and major findings.

The sixth chapter concern with summary, conclusion and recommendation.

Bibliography and appendix is presented in the last part of the study. Thus research is organized.

CHAPTER TWO

REVIEW OF LITERATURE

In this chapter a broad review of literature that is connected to the problem will be performed. The literature will cover areas linked to trust and branding to give a general idea of what has been previously studied by other researchers. Also, this part will provide a foundation for the analysis. Not only this but also helps to investigate the trust for international brands, four major theoretical areas need to be utilized. First the concept of brands and the theories behind branding will be explained. Brands are the target for the trust in this study and it is obviously important to be aware of the components brands are built of. The components of the brand, such as the personality and image, are greatly affecting the perception of the brand. Perception, true or false, is linked to trust since this is what the individual bases the trust or distrust he or she will have for a certain brands. Furthermore, the perception that the individual will have is greatly influenced by the culture he or she has been brought up in. Theory that explores and describes culture will therefore play an important role since this is deeply connected to the individual's values and perception. Theory behind trust is lastly considered as well as how it is linked to brands.

2.1 Conceptual Review

2.1.1. Branding Strategy

According to Kotler (1999), a brand is described as a name, term, sign, symbol or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. We can further look at a

brand to identify the maker or supplier of a product, while presenting specific features, benefits and services to consumers. Moreover, a brand is a promise to the consumer of what the product, service, or company stands for, and of the kind of experience they can get from it. A brand incorporates a personality based on cultural factors including film stars, sport heroes, or fictional characters. Today's brands are viewed and understood from an emotional perspective. Furthermore, Arnold (1992) compares a brand to a prejudice, in the literal sense of a prejudgment. Therefore, branding has to do with the way that customers perceive and buy things, not simply a characteristic of certain industries. Clifton and Maughan, (2000) claim that a brand equals a 'relationship', 'reputation', a 'set of expectations' and a promise. Moreover, they state that a brand is a combination of tangible and intangible attributes, symbolized in a trademark, which if properly managed, creates influence and generates value.

Temporal and Lee (2000) also define the brand as a promise to the consumer of what the product, service, or company stands for, and for the kind of experience they can get from it. If the promise is delivered customers will be satisfied which will keep them coming back to a company's product. Kotler (1999) defines three clear advantages which brands offer to consumers. Firstly, brands inform the consumer about the product quality. Buyers, who consistently purchase the same brand, are aware that they will get the same quality each time they purchase the product. Secondly, brand names simplify shopping for consumers, where they are quicker able to find the products that match their wants and needs, as oppose to generic branding. Lastly, brand names allow consumers attention to be drawn to new products that are beneficial to them, since the brand is the first form of recognition. The performance of a brand usually depends on how long the brand has been in the market in a particular country and the competitive environment in which the brand operates in each country. Moreover, the advertising and marketing pressure that supports the brand and cultural receptiveness to the content of the brand's advertising and marketing programs also impact the performance of the brand. (Aaker and Biel, 1993)

a. Positioning

Arnold (1992) claims that positioning is an essential aspect of branding. Positioning is the process by which a company offers its brands to the consumer. It is necessary that the message is communicated by all the organizations activities because any of them may be the particular characteristic that the customers analyses and develops their perception. Moreover, Arnold sees the objective of the positioning as the process to make the offer in to a brand. Positioning is not about what you do to a product, but what you do to the mind of the prospect. This simply means products are positioned in the mind of prospects (Kotler, 1999).

According to Aaker and Biel (1993), brand positioning refers to both the process and the end result of building or rebuilding an image for a brand relative to a target market segment. However, Kotler (1999) explains that a product position is defined as the way the product is visioned by consumers on important characteristics as well as the mental thinking that the consumer has for the product relative to competing products. Thus, positioning focuses on gaining a share of consumer's minds rather than the share of the market. By a company focusing on this they strongly develop a good image or reputation that stands out from competition and gains the trust of consumers (Temporal and Lee, 2001).

b. Brand Equity

Brands differ in the amount of power and value they have in the market place due to different factors. Powerful brands are known to have brand equity. Brand equity is a set of brand assets and liabilities linked to a brand through its name and symbol, which adds or subtracts from the value provided by a product or service to a firm and/or to that firm's customers (Aaker, 1991). According to Kotler (1999), the brand equity is based on the extent to which it has brand loyalty, name, awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks and channel relationships. Furthermore, brands that have strong brand equity are seen as a valuable asset to the company and can be bought or sold for a price.

c. Value

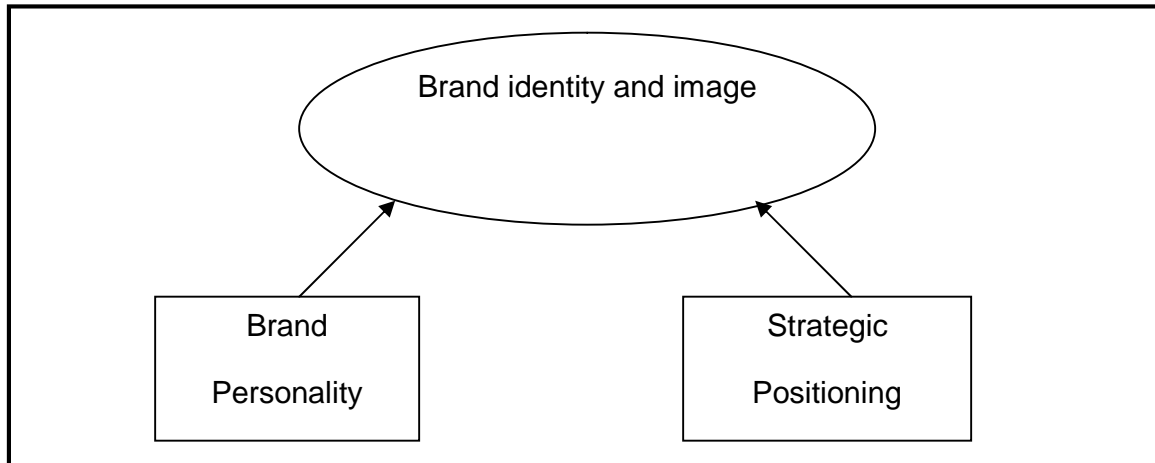
Value is the trade-off between what a consumer gives and gets from a brand. Intangible values are the benefits that customers experience that are not functional or physical aspects of the brand, which can include the aspects of the brand personality. These characteristics of the brand cannot be seen, tasted, felt, heard or smelled before they are bought. For example, trust, freedom, power and excitement. However, tangible values are the benefits that the customer experiences that are the functional or physical aspects of the brand. These characteristics of the brand can be seen, tasted felt, heard or smelled before they are bought. Perceived value is the consumers overall evaluation of the benefits of a product, which is based on what they receive (ex: quality, satisfaction, or convenience) and what is given (ex: price, time, effort). Furthermore, perceived value is completely based on the individual. Perceived quality is the consumers perception about a products overall excellence or superiority in comparison to other products, and is also based on the individual. (Aaker and Biel, 1993)

d. Brand Image and Identity

The personality and the positioning of the brand make up the brands identity and image (Temporal and Lee, 2001). Brands are built by creating a strong brand personality, or set of brand values, and positioning the brand by creating a favorable perception in the mind of the target audience. Brand images are the set of beliefs that a consumer holds about a particular brand. Consumers beliefs may differ based on their individual experience or perception of the brand (Kotler, 1999). Furthermore, the brands identity is the total proposition that a company makes to consumers, or the promise it makes and is everything the company wants to be seen as. It may consist of features, benefits as well as all other values that the brand possesses. (Temporal and Lee 2001). Therefore, the identity is a brand's unique fingerprint that makes it one of a kind. The company needs to achieve harmony between the brand identity and the brands image through creating good experiences. If consumer's perception of the brands image is different than how the company has built the brands identity, the consumer will not see the brand as credible. Furthermore, if the brand identity offers something that the brand cannot actually deliver

to consumers, the consumer will have a bad experience with the brand and therefore a negative perception. Therefore, it is important that companies base the brands personality and position the brand based on the things that are relevant and achievable to the target consumer (Temporal and Lee, 2001)

Figure 1: Achieving Harmony between the Brand Identity and Brand Image



(Source:-Temporal and Lee, 2001)

e. Brand Popularity

Brand popularity can be defined as the extent to which a brand has been widely sought after and purchased by a significantly large population. Furthermore, it is considered to be the accumulation of market acceptance and brand goodwill over a long period of time. Brand popularity can occur from word-of-mouth, from prior users (friends, family, and work associates) and is the result of the superior image of the brand, which is reflected in the brands marketing (ex: product quality, advertising and price). Brand popularity will positively influence the brand performance in the short run as well as in the long run, by creating a favorable brand image in the minds of consumers. As a result, the brands popularity will have a positive contribution to the brand's loyalty, image, or market sales.

f. Product and Company Branding

A company uses product branding when they decide that the product should stand on its own, and should be left to succeed or fail without any support from the corporate brand or company name. Usually fast moving consumer goods are associated with this level of branding. For example, Lux soap. Corporate branding is when the brand name gives all its identity to the products, and then the products receive strength and association through the companies brand values. In extreme cases of corporate branding the company's name is strongly associated with the product, while there is no mention of products and services at all for ex, Amazon.com. (Temporal and Lee, 2001)

g. Yin and Yang Model to Branding

According to Asian culture, Yin and Yang are complementary sides to every individual and it provides balance so that the individual is harmonized. Like Yin and Yang, the human brain has two hemispheres; one on the left, another on the right. The left side of the brain deals with logic and rationality, while the right side is concerned with emotions, dreams and creativity. In branding the Yin represents the rational (quality and reliability), while the Yang represents the emotional (sophistication, and caring attitude). Both the left side and the right side of the brain are important for people to have because it creates balance. Based on this concept, companies either build their brand personality to appeal to the rationality, or the emotions of consumers, while others use both. This way of looking at consumers began with packaged consumer goods, but has adopted rapidly by practically every type of business in various industries, since it has shown to provide many benefits. (Temporal and Lee, 2001)

h. Factors Favoring Local Brands

According to Kapferer (2002) local brands are filled with a high level trust and personal connections, which is based on the way that consumers relate the brand to their personal life. Furthermore, it is explained that local brands are more than just brands. They can be seen as institutions, which foster a definite level of trust. This trust is dependent on four factors, which include *structural, brand equity, competitive, and environmental*.

Structural Factors

Local brands provide consumers with trust and loyalty. Furthermore, consumers rely heavily on trust and confidence they have developed in well-known brands, or on the advice they may receive from friends or professionals. (Kapferer, 2002) The sales force plays a key role in customer bonding, and have a strong ability to impact the buying behavior of consumers towards a local brand. Local brands have the ability of being close to the distributors, and have a better advantage to follow up on consumers. Furthermore, local brands are many times cheaper than foreign brands, due to the added on tax, that is transferred to the final price in which the consumer pays. This factor may further promote a consumer to stick to their local brands, which may be less expensive, familiar, and trust worthy. (Kapferer, 2002)

Brand Equity Factors

Consumers develop strong emotional connections to local brands in which they normally develop a positive perception of the brand image. Emotional connections to the brand can be further explained by the fact that the consumer has been around the brand for a long period of time. When a new foreign brand comes on the market, consumers are not inclined to see the need to even try a foreign brand, especially when there is nothing wrong with the brand that they are using, and they have developed an emotional connection to the brand. In many circumstances one can see that local brand names incorporate nationalistic meanings in order to further enhance emotional added value. In France two famous detergent brands are La Croix (Henkel) and Saint Marc (Benckiser), both have a credible reputation in terms of product performance. Moreover, they both use the country's symbols, which has a religious connotation (La Croix means the cross), which creates latent sources of consumer bonding. In addition, we can look for further comprehension in an old widow who has developed an emotional bond with the local bread brand that she eats. This bond was established based on the fact that she and her husband that passed away used to eat this exact bread together for breakfast every morning. (Kapferer, 2002)

Competitive Factors

According to Kapferer (2002) local brands have a high level of awareness and are usually able to deliver faster services to customers, unlike foreign brands that can experience complications in getting the final product to the end consumer.

Environmental Factors

Lastly, a distinctive aspect that the local brand obtains is the pride in which a consumer feels towards a brand that is linked to their country. “Brands are perceived as local participants in the defense of what makes each country or even region in highly federal states unique.” Furthermore, consumers want to support their own countries domestic market. (Kapferer, 2002).

i. Porter’s International Industry Categories

According to Porter, world industries can either be multi-domestic, global or something in between (Hunger & Wheelen, 2001). In *multi-domestic* industries products and services are tailored for essentially every country. The subsidiaries of the multinational company (MNC) in a multi-domestic industry operate highly independent to satisfy the particular needs of their market. The MNC in a *global* industry on the other hand, operates with a global scope, with minor adjustments in local markets. The subsidiaries in a company like this are coordinated to a higher extent in their activities.

There are two factors determining the nature of the industry. The first one is the *pressure for coordination* within the MNC. Pressure for coordination could be coming from other companies taking advantage of economies of scale. The second factor is the *pressure for local responsiveness*, which could be coming from cultural differences and tastes. If the pressure for coordination is strong and the pressure for local responsiveness is weak the industry will become global. If the relationship is reversed the industry becomes multi-domestic. Between the two extremes lies a continuum of industries with varying amounts of pressure. Of course, in multi-domestic industries there will be more trust for local brands will it will be more even in global industries where there is no pressure for local responsiveness.

Figure 2: Continuum of World Industries



(Source: *Hunger and Wheelen, 2001*)

2.1.2. Perception

Perception is the way in which individuals select, organize, and interpret information in order to create a meaning for themselves. Furthermore, individuals will have different perceptions on the same stimulus due to three perceptual processes, which include *Selective Attention, Selective Distortion, and Selective Retention*. (Kotler, 1999)

1. *Selective Attention* is the tendency for individuals to screen out most of the information to which they are exposed.
2. *Selective Distortion* is the tendency for individuals to adapt information to personal meanings.
3. *Selective Retention* is the tendency of individuals to retain only part of the information that they are exposed to, which usually supports their attitudes or beliefs.

Multi domestic Global Traditionally suppliers have used their name as a way to simply identify and differentiate themselves in the marketplace from competitors, since consumers are faced with so many choices. However, today brands are commonly seen as a reflection of feelings that the company wants to stimulate, in which the consumer perceives the brand from an emotional standpoint (Arnold, 1992). For example, a consumer who wears Nike buys into the attitude of being a professional athlete, which includes power, athleticism and, accomplishment in reaching the highest of ones potential, all in which Nike has portrayed as a brand. Therefore, one can see that perception is based on the attributes of a brand that are relevant or directly stands out in the mind of each and every individual. Customers generally view products based on their perception since they do not acquire the same knowledge of the supplier, who is aware

and understands everything that goes into the product. Therefore, a brand can be seen as a Prejudice (Arnold, 1992). Consumers initially have feelings towards a brand before they even consume it. In many cases this is not based on what the supplier originally intended the brand to be. These feelings may be based on facts or reality in the eyes of the individual. Moreover, the prejudice, in which an individual has of a certain brand, deeply reflects the trust of the brand. (Buttle and Burton 2002)

2.1.3. Culture

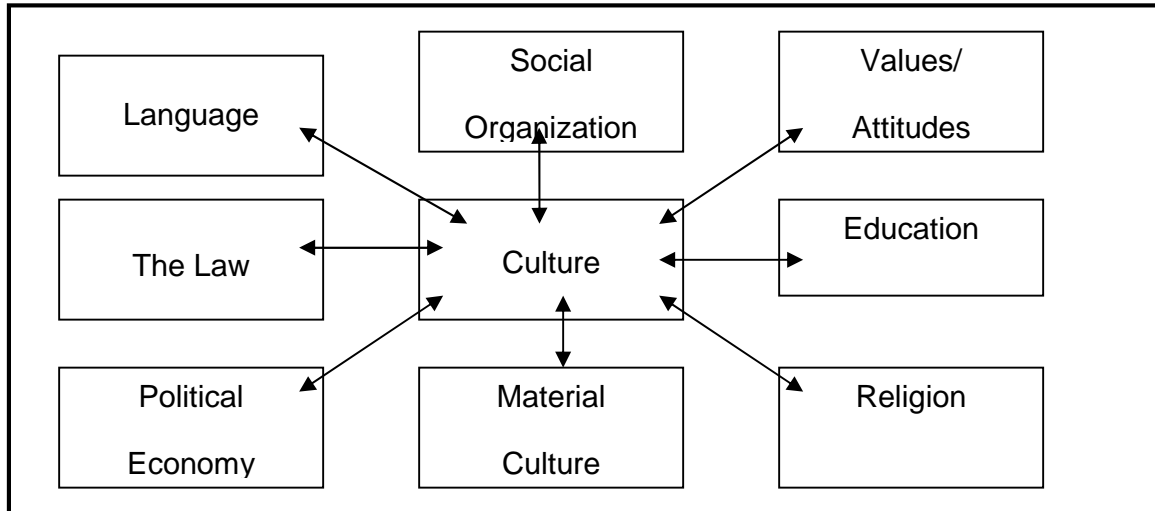
Many definitions have been put together to give significance and precise meaning to the word culture, but since it is seen as an ambiguous theoretical concept, there exist many definitions. Culture is the make-up of learned behavior and can be seen as patterns of thoughts and manners which are widely shared and passed along to members of society. Culture can also provide individuals with guidelines to use in their daily life within their society and community. Other academic theorist define culture as a set of elements, which consist of knowledge, beliefs and values, arts, law, manners and morals, as well as all other skills and habits obtained by an individual, by being a member of a particular society. Selma Lagerlöf defines culture as ‘what remains when that which has been learned is entirely forgotten’.(Usunier, 1993) However, there are two basic elements of culture accepted by theorists. First, culture is learned, and second, culture can be forgotten. This means that human beings can disassociate elements of culture in which they have learned (Usunier, 1993). Hofstede (1991) claims that culture is learned and not inherited, meaning that culture does not come from ones genetic makeup, it derives from ones social environment. Moreover, culture is an important determinant for brand trust, since it greatly influences one preference.

a. Generic Aspects of the Cultural Environment

According to (Mercado and Prescott, 2001), there are nine Generic aspects of culture that one can analyze in order to gain perspective of a countries Cultural Environment which

include *language, social organization, social stratification, education, law, political economy, Material Culture, values and attitudes and religion.*

Figure 3: The Generic Aspects of the Cultural Environment



(Source: Mercado and Prescott 2001)

Language- Language is the main factor in a culture, which provides a means of communication between a firm and its buying environment. It is important that international businesses make sure that the name brand of their product does not have any negative meanings within another culture.

Social Organization- The family has an important influence on the way in which individuals think and behave, because it is here that social norms are instilled in an individual at a young age.

Social Stratification- The class group of an individual can impact the way in which they perceive things, and directly impacts the things that they see as being upper or lower class.

Education- Education influences the attitude of an individual within their society.

Law- The law of a country impacts the social norms within that society, and structures what will or will not be accepted in a society.

Political Economy- Politics and economics have an important role to play in shaping national character. This can directly influence the way an individual feels when it comes to buying foreign or national products.

Material Culture- Material culture relates to the way in which people regard material possessions and wealth and often serves to communicate important messages about different societies. This directly impacts the products, which there will be higher demand for in different societies.

Values and Attitudes- Values and attitudes refer to the beliefs that an individual has and directly impacts the behavior of that individual.

Religion- Religion provides a foundation for attitudes, beliefs and values in a society, and shapes individual group behavior. Furthermore, religion may provide reasons for buying a product or for not, because some things may be thought of as not classy or too secular.

b. Hofstede's Cultural Model

Hofstede's model, which includes power distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity, can be used to describe the differences between national cultures in general terms when managing. Furthermore the position of a country based on Hofstede's dimensions allows one to make predictions on the way a particular society operates. (Hofstede, 1991)

Power Distance

Power distance is the level or extent to which a culture encourages or fosters social inequality. Furthermore, one can observe the power distance of a country based on the differences within countries social class, education level and occupation, as well as the relationship one has with their family. (Hofstede, 1991)

High Power Distance

A country with a high level of power distance indicates that inequality is the norm and that there are big differences between individuals in reference to power status and wealth. In addition high power distance countries are more likely to give emphasis to the importance of prestige, status and wealth, in shaping boundaries and relationships

between social and economic classes such as rich and poor. As a result, individuals within this culture seek to maintain and increase their power as a source of satisfaction and are motivated and inspired by the need to conform to those in their class. (Hofstede, 1991)

Low power Distance

Countries with low power distance shows that equality is the societal norm. They focus much less on class, power and status differences and the law guarantees that everybody regardless of status has equal rights. Since there is more equality in this society, wealth and power is less likely the basis for forming relationships (Hofstede, 1991)

Uncertainty Avoidance

Uncertainty avoidance is the level or extent to which individuals in a culture feel threatened by uncertain or unknown situations and experiences. One can see the expression of uncertainty avoidance when individuals are either stressed or nervous, and therefore have the need to develop written or unwritten rules or laws to increase predictability when situations arise. It is possible for one to analyze a countries uncertainty avoidance based on their norms in society, family, the work place and politics. (Hofstede, 1991)

High Uncertainty Avoidance

Countries, with a high level of uncertainty avoidance, are those that live life according to high levels of structure, and a lot of formal rules. Countries associated with high uncertainty avoidance are risk averse, resistant to change and have a low tolerance or acceptance for uncertainty. When consumers experience something they dislike they will be motivated to remove or reduce the problem or potential as far as possible, in order to not threaten or jeopardize anything. (Hofstede, 1991)

Low Uncertainty Avoidance

Countries that are associated with low uncertainty avoidance will not be subjected to follow many rules in their society. They will be more open to variety, changes, and will be less afraid of taking risks. Furthermore, aggressions and emotions are not shown in low uncertainty avoidance cultures. (Hofstede, 1991)

Individualism-Collectivism

Individualism is the level or extent in which people are more likely to value personal and individual time, freedom, as well as experiences. Furthermore, the interest of the individual prevails over the group. On the contrary, cultures that emphasize collectivism show patterns of group or collective thinking and acting, and the interest of the group comes before the interests of the individual. Moreover one can view individualism and collectivism based on the way they were raised in their family, laws protecting one in their working environment, and views on privacy. (Hofstede, 1991)

High Individualism

Individuals can be described as those who like a high sense of independence. Countries that display high individualism will therefore look for more independence, uniqueness, variety, self-indulgent and self-gratifying experiences. Furthermore, people in high individualistic countries are less likely to follow social norms. They are more likely to form relationships, make decisions, and initiate behaviors or trends independent of others. (Hofstede, 1991)

High Collectivism

Countries that exhibit a collectivist culture are associated with high levels conformity as well as group behavior. Moreover collectivism focuses on the power of the group, and not the power the state has over the individual. One could view a country's femininity or masculinity by analyzing the gender roles played in society, family, workplace, industry and politics. (Hofstede, 1991)

Feminine/ Masculine

Femininity relates to societies whose social gender roles overlap, this means that both men and women are supposed to be modest, tender and concerned with the quality of life. On the other hand masculinity defines societies whose social gender roles are clearly distinct. (Hofstede, 1991)

High Femininity

A highly feminine country strives for a welfare society and strongly value social partnerships and harmonization within society. Moreover, they strongly stress the importance of quality in work life. Dominant values in society include caring for others, and behaving in a modest way. Furthermore, feminine countries are more likely to resolve international conflicts through compromise and negotiation. (Hofstede, 1991)

High Masculinity

A highly masculine country strives for a performance society and strongly values assertiveness and materialism, while highly promoting competition and strong leadership. Furthermore masculine countries are less tolerant than feminine countries and therefore, are more likely to try to resolve international conflicts through fighting. (Hofstede, 1991)

2.1.4. Trust

a. Company Trust

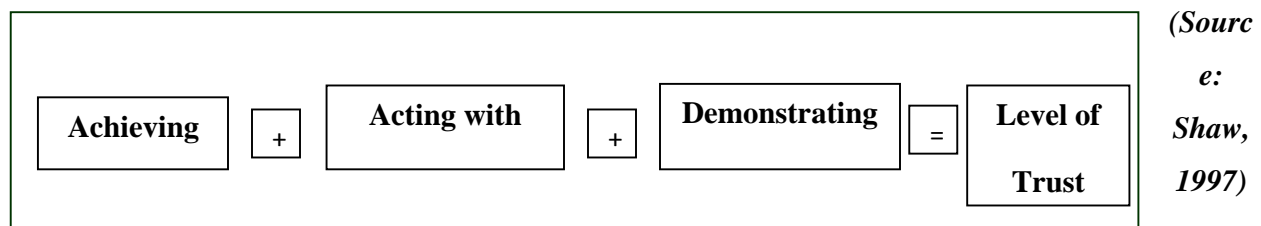
Trust is developed with customers through competence, which is the ability for a company to do a job well. To earn trust it is important that consumers believe that they can trust your decisions and judgment even when there are changes. It is also important that the company is open, honest and truthful with their consumers in order to gain their trust. This means that they have to be as transparent as possible with their business actions, including financial performance, and taking responsibility for their actions when they wrongfully hurt consumers (Reynolds, 1997). Furthermore, companies need to show their consumers that they are reliable and consistent, which simply means that they do what they say that they are going to do. In order for consumers to build trust with the company they need to know that they can depend on them. Lastly, equity affects the relationship between the consumer and the company. This means that the company must find out what consumers really want and provide this equitably and fairly. Consumers will not trust the company if they feel that the company is unreasonable for example, overpricing their brands (Reynolds, 1997). Also, trust has also been viewed as a form of behavior that allows one to rely on a partner and in doing so they allow themselves to be

vulnerable since they cannot know for certain that they will always be satisfied by the trustee. (Moorman et al, 1993)

b. Factors for Achieving Trust

There are three actions that companies can take in order to create trust in a rapidly changing marketplace, which include *Achieving Results*, *Acting with Integrity*, and *Demonstrating Concern*. Although each of these factors influence one another, the importance and relevance of each of these actions in building trust is different according to the situation. Most importantly, in order for companies to achieve high level of trust with their consumers, they must understand and practice these factors consistently. (Shaw, 1997)

Figure 4: Achieving and sustaining trust



If companies want to earn as well as sustain the trust of their consumers it is their responsibility to fulfil and be committed to the promises they make. Since expectations are based partly on what the company promises the brand will perform or achieve for them, consumers will lose trust if their expectations are not met or the brand does not deliver on their promises. In addition, everyone in the organization needs to work together by fulfilling their obligations, in order to see that consumers develop a trustful relationship with the brand. Organizations who brands can achieve results but lack integrity or manufactured in an unethical will not gain the trust of their consumers. (Shaw, 1997)

Acting with Integrity

Inconsistency in words and actions is the key factor that draws one to believe that another is untruthful or untrustworthy. Since most individuals are prone to trust those who they perceive to behave consistently in their words as well as actions, if companies want to

gain the trust of consumers, it is imperative that they act with integrity (being honest truthful and consistent) in all their actions.

Demonstrating Concern

A company's ability to demonstrate concern is imperative if they want to develop trust with their consumers and want their consumers to feel that they can rely on them at all times. The company can do this by showing consumers that they understand and are responsive to their well-being (interests, needs and satisfaction). (Shaw, 1997)

c. Expectation

Trust is built on the expectation that something or someone will act in the way that they need want, desire, or crave. When individuals put trust in someone or something, they believe that their expectations will be met and they will not have to deal with the disappointment of their expectations not being fulfilled. When expectations are met trust is built, while if they are unfulfilled expectations, the result will be lost trust. (Sanner, 1997) Expectations are connected to three central modes of trust. In process-based trust, the person's willingness to trust is based on the outcome of a prior exchange. Therefore, firms make investments in 'process-based trust' by creating positive brand names and building a positive reputation. In 'characteristics-based trust', the person's willingness to trust is based on information concerning social similarity in family background or social situation. Therefore, the individual is likely to trust based on the common understanding that is created from these similarities. From the trust based on this common understanding, individuals will expect that they will have a satisfactory exchange outcome. In 'institutional-based trust', the person's willingness to trust is based on their formal societal structure.

Therefore, ones trust would depend on the connection to an individual or firm's specific, characteristics, features, or attributes. Moreover in 'institutional trust' formal mechanisms are used to gain trust through the subculture, including professional associations, and common accepted procedures within the culture. (Sanner, 1997). Trustworthiness depends on an individual's norms and social structures within their society, which is based on the

social and economic governance mechanisms. Individuals form their opinions to whether they will trust or not based upon the values principles or standards from their culture, class membership, family line, and their individual characteristics. (Sanner, 1997)

d. Trust Threshold

According to (Tan, 2002) individuals only participate in transactions when their level of trust exceeds their 'personal threshold', meaning that individuals will purchase goods or services only when their trust meets their personal standards. Determinants for a person's threshold can include the potential profit, and the risk involved. Furthermore, the personal threshold depends on the type of transaction as well as the parties involved in the transaction. The threshold will be high if the value of the transaction is high, while the threshold will be low if the individual shares a long history of satisfactory trade transactions.

Therefore, whether a consumer will trust a brand enough to buy it depends on if the individuals trust is greater than the benefits that the brand is going to offer, as well as the risk that they are taking. Furthermore, the level of trust consumers must have for a brand in order to buy it (the threshold) will depend on how much potential risk and benefits are involved as well as who is manufacturing the brand. The threshold can increase or decrease according to who and what the consumer is dealing with. If the brand is international or unknown to the consumer, this might increase the threshold while a history of satisfaction with the brand will decrease it. This basically means that consumers need to develop more trust for foreign brands as oppose to domestic brands, due to their familiarity and relationship with that particular brand. When an individual has trusted and has been disappointed, it is their threshold that blocks them from rebuilding that trust. Furthermore, trust is 'self-perpetuating', meaning that the individual will always look to find reasons to support why they should not trust again. This makes it difficult for one to gain back the trust and confidence in something or someone, after they have violated mislead, or misinformed. Moreover, once the individuals trust has been violated to trust again would involve a higher level of risk that many are not willing to

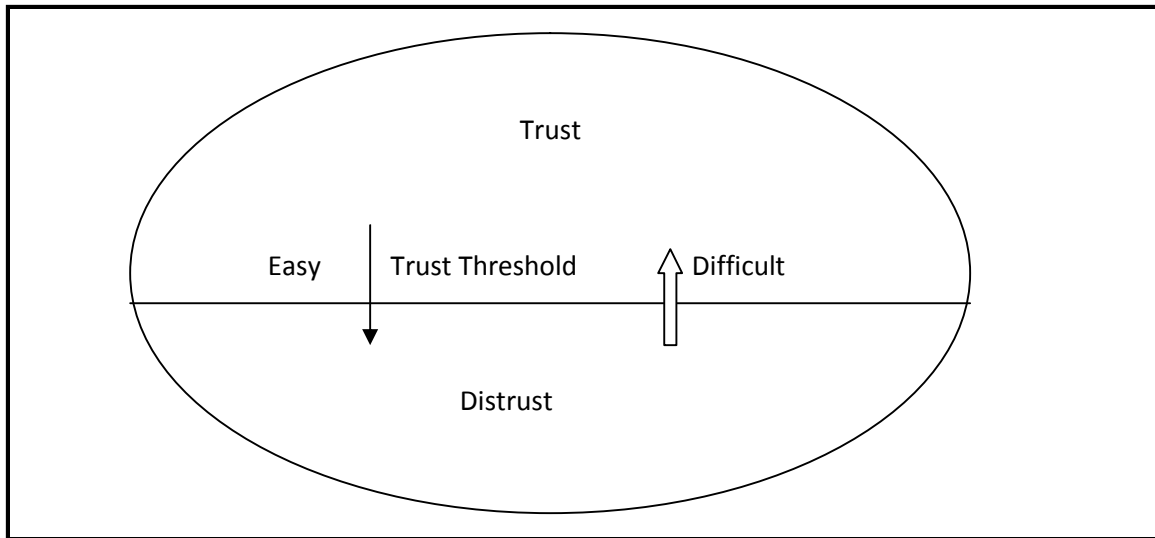
take, but again depends on that individual. There are three factors important in the establishment of a threshold, which includes the *situation*, *those giving their trust*, and *those asking to be trusted*. (Shaw, 1997)

The Situation: Depending on the risk involved for the individual, some situations will require a higher or lower threshold of trust. If the individual considers the situation or circumstances risky, they will have a higher threshold of trust. Conversely, if the individual judges the situation to be of low risk they will have a lower threshold of trust. (Shaw, 1997)

Those Giving Their Trust: Individuals are prone to higher or lower trust thresholds based on their history and individual characteristics. For example, if a consumer has had a bad experience with a brand in the past, this will have a direct impact on their trust. This individual is very likely to associate risk with their brand and therefore will set a high threshold of trust towards the brand, in order to prevent or avoid being dissatisfied. (Shaw, 1997)

Those Asking to be Trusted: An individual will have higher or lower thresholds depending on the perceived credibility of who or what the individual is deciding to trust. For example, if a brand or a company is perceived by the consumer to have a highly credible or trustworthy reputation the individual will have a lower threshold of trust. On the other hand, if the individual does not perceive the brand or the company to be credible, they will have a higher threshold of trust. (Shaw, 1997)

Figure 5: Trust- Difficult to Regain Once Lost

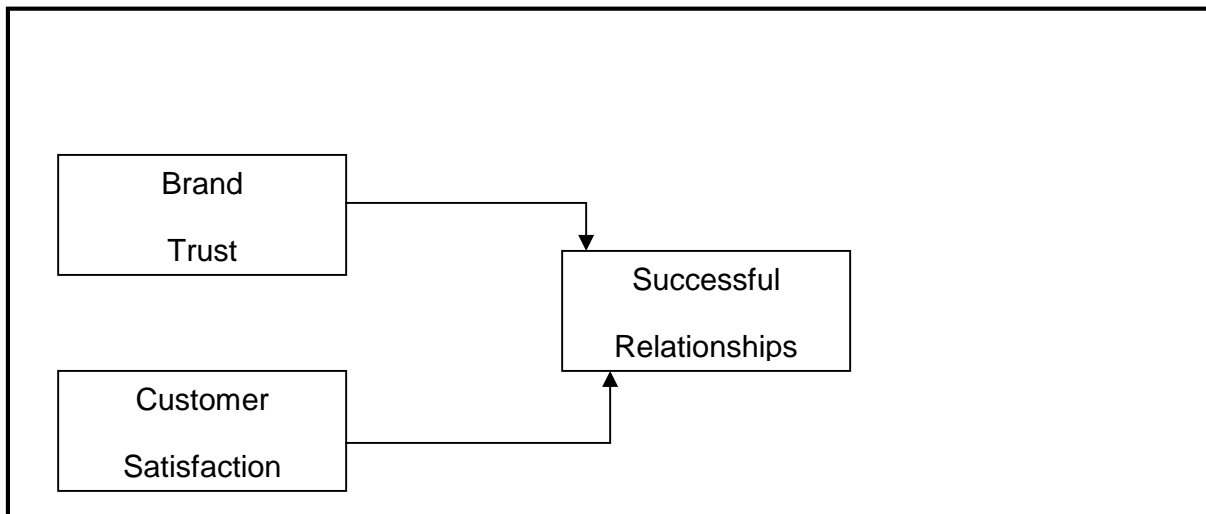


(Source: Shaw, 1997)

e. Trust's Place in Branding

Aaker and Biel (1993) studied the relationship between consumers and corporate brands and found two key components for successful relationships, brand trust and customer satisfaction with the brand.

Figure 6: The Components for Successful Relationships

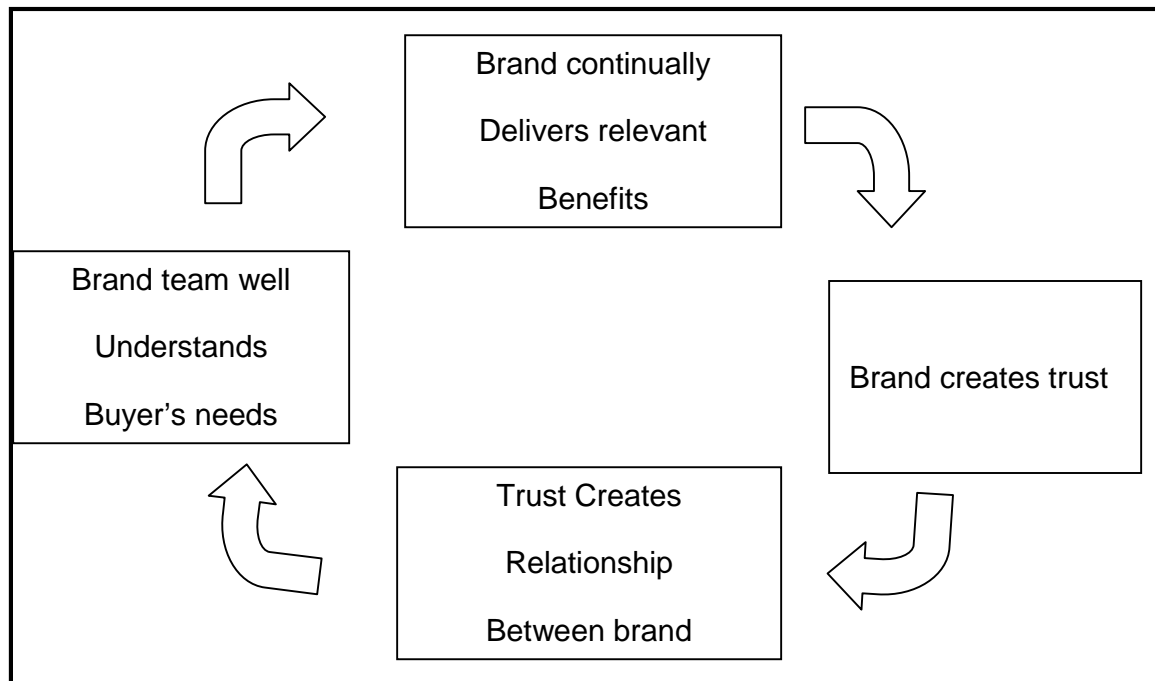


(Source: Aaker and Biel, 1993)

The reasoning is logical, the relationship between the consumer and the brand will be successful if the consumer trust the brand and are satisfied with it. Furthermore,

successful relationships will lead to a better understanding of the consumer's wants and needs and hopefully brand loyalty. Brand loyalty focuses on a company retaining existing customers so that they can decrease the vulnerability of consumers going to their competitors. For any business it is expensive to gain new customer and relatively inexpensive to keep existing ones, especially when the existing customers are satisfied with the brand (Aaker, 1991). Expressed differently, these relationships can all be put into a circular reasoning. This is called the circle of relevance (Upshaw, 1995).

Figure 7: The Circle of Relevance



(Source: Upshaw, 1995)

First the brand has to deliver relevant benefits to the consumer (comparable to customer satisfaction), which will create trust for the brand. Consequently, trust is not seen as one of two components to successful relationships but as following satisfaction. As the relationship continues between the consumer and the brand the marketing team has the ability to understand more about the buyer's needs, which helps them to provide more relevant benefits to their consumers. Trust then creates the relationship that allows brand

managers to better understand the consumer. Trust for brands can also be defined by the following equation:

Figure 8: The Trust Equation

$$\text{TRUST} = (1/\text{RISK}) * \text{CREDIBILITY} * \text{INTIMACY}$$

(Source: Shaw, 1997)

The greater the level of risk that consumers perceive the less they will place their trust in the brand. With higher perceived risk consumers will try to lower the risk by gathering more information, look at products with extended warranties or look for national brands, which can be disadvantageous for international brands (Kotler, 1999). Furthermore, trust in the brand is dependent on credibility, which is the image created through dependability and reliability. Also, trust is dependent on the created intimacy, which has two parts. First, it is important that the brands personality connects to the target consumer and second, the degree of intimacy is a measure of the brand's success in creating a personal and emotional bond with the consumer (Shaw, 1997). This further shows that the brand understands their target market and is responsive to their needs. According to Aaker and Biel (1993) corporations seems to act as if risk and credibility are the only two components in gaining consumers trust. By ignoring intimacy, the link between the brand and the individual consumer, will make it impossible to build trust. Moreover, without a personal link where the consumer feels that he is more than a statistics there will never be any trust, regardless of the credibility. Hence, trust is a very emotional and fragile building block in the marketing process.

f. Remarks on Trust

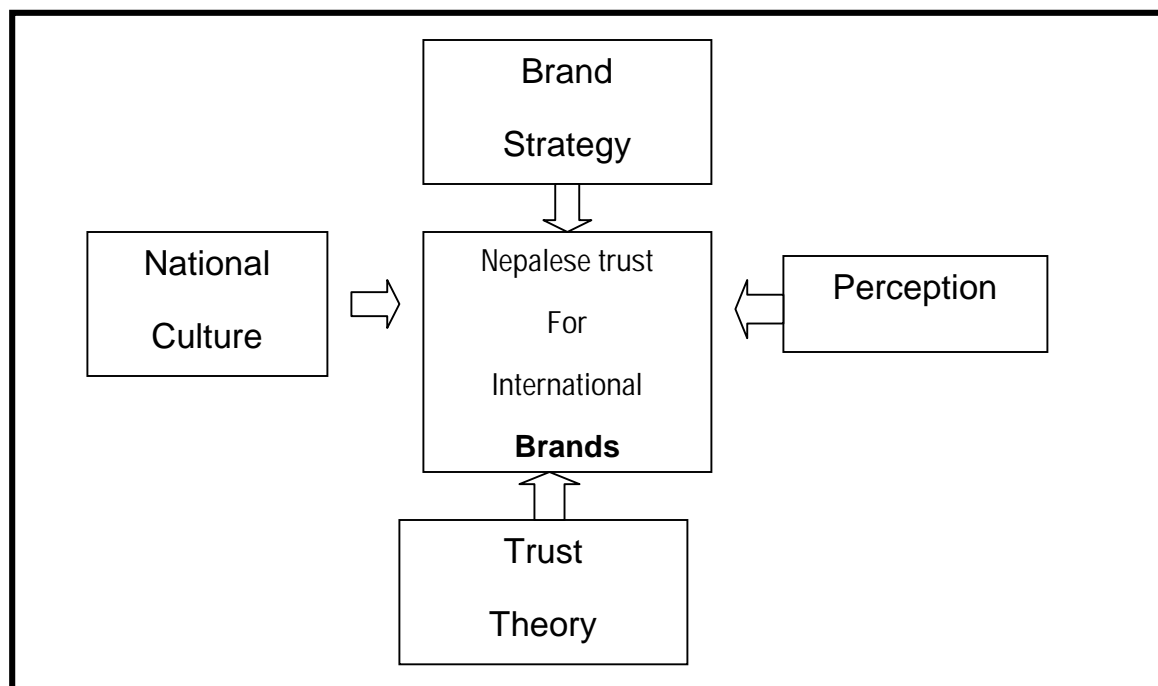
The paradox is that although it is crucial that organizations achieve results, act with integrity, trust, and demonstrate concern, these three factors are based on the actual perception of consumers, and can potentially conflict with the wellbeing of the company. Although the company may perceive that they are behaving in a trustful manner, this does not guarantee that the consumer will perceive it that way. (Shaw, 1997). Furthermore, managing these actions becomes increasingly difficult for companies in today's constantly changing business environment. For example a company may need to cut costs, so they produce their product in a country in which they are ensured on not paying high wages. A consumer of this product may think that the company is not acting with integrity and does not care, since they may find it unethical to make profits on low paid workers. Unfortunately, it is situations like these where consumers loose trust in a company or its brand. If the consumer feels the brand is unethical and the company advertises that their brand cares for their needs, this causes a clash between the brand and the consumer (Shaw, 1997).

2.2. Review of Thesis

2.2.1. Theoretical Model

The trust for international brands in Nepalese will be targeted from four different areas of theory, brand theory, culture theory, trust theory and perception theory. These theories will be used to interpret and explain the findings in the empirical study and support the analysis. The basic concept of brands will be used to explore how trust is integrated into brands. The concept of brands will then be broken down in order to be able to closer explore how the different components affect the trust for international brands in Nepalese, since the components of the brand, such as the personality and image, are intricately linked to the perception of the brand. Moreover, the perception that individuals will have of a brand is influenced by the culture in which he or she is brought up in. Together, these theoretical aspects are forming the basis for the trust of brands, which is the last theoretical aspect.

Figure 9: Theoretical Model



(Theoretical Model, Ryan, Natalie Ann, 2002)

a. Perception

Although it is natural for consumers to look at a brand and perceive different judgments about the products image, price, value, quality and other things, there has been little empirical work in the literature that actually shows how consumers perceive the positioning of international brands in foreign markets (Ghose and Lowengart, 2001). However, many academic researches agree that trust can be established for brands based on that individual's perception. Aaker and Biel, (1993) explain that the perception of the brands image is very important, since consumers analyze the attitude (personality) of a brand, then creates meaning out of the brands message. Furthermore, Upshaw (1995) adds that consumers also perceive brands based on who they are as individuals as well as the environment that they have been exposed to. Therefore, the brands true identity is based strongly on the consumer's perception, which may be entirely different from what marketers have created for the brand. According to Upshaw (1995) brands are packages

of trust and performance which is strongly based on the consumer's perceived value of the brand. On the other hand, in order to perceive quality of the brand consumers often look at price. Usunier (1993) explains that in general consumers want brands that offer them high quality at a reasonable price. Moreover, a company's method of sales promotion can have either a positive or a negative influence on the consumer's perception of the brand's quality, and therefore, have an impact on the brand images. For example, a company that always has price promotions can allow a consumer to perceive that the product is of low quality. Conversely, if consumers see special offers from a brand once in a while, they will feel more rewarded for being a customer. Furthermore, by advertising this way, the company can maintain the consumer's perception of quality that they have for the brand, while also maintaining a positive image of the brand in the consumers mind (Aaker and Biel, 1993).

It is important that a brand's identity matches the consumer's image of the brand because this determines whether a brand will gain the trust of consumers, and whether the brand will be successful or not. However, companies do not put enough time or effort in making sure that their desired consumer perception matches the actual consumer's perception. Unfortunately, this means that there is no harmony between the brand identity and the image and this is an important factor that is necessary for building trust in a relationship between the consumer and the brand (Temporal and Lee, 2001).

b. Experience

Petromilli and Morrison, (2002) explains that customers develop relationships with brands through direct experiences and then base their perception of the brand on this experience and how that brand compares to other brands they have experienced. The personal experience in which a consumer has with a company is the main factor in developing or destroying trust. According to Dolliver (2001) 76 percent of consumers would find it difficult to trust a brand again the first time didn't work, or meet their needs. Since a company's brand is a promise of a certain experience, the trust or distrust of a brand depends upon the experience the consumer has. This is imperative because it is

through the experience customers will decide whether or not the brand is valuable to them and worth trusting (Temporal, Lee, 2001). In general, consumers believe that companies have good intentions and work hard not to repeat mistakes, and believe that most companies will do the right thing when faced with a serious problem with one of their products. Still, the fact remains true that consumers find it more difficult to trust brands after the first time of having a bad experience with the brand (Dolliver, 2001). Customer relationships are longer with a company, when customers gain high levels of cumulated satisfaction for a brand. On the other hand, if a customer has a poor or failed experience with the product, they will be less satisfied and will not seek a long relationship with a particular brand. When a consumer is satisfied with a brand this means that they are content with all aspects of the product which are relevant to their needs and therefore gains trust for the brand (Buttle and Burton 2002).

Customers expect to be recovered in ways that match the failure that they experienced with a product or service; both in the value and the form of recovery. Therefore, if a company rightfully deals with complaint handling they have an opportunity to obtain customer loyalty (not losing trust with consumers). In a report by KPMG, they show that 82 percent of customers whose problems are solved buy again. Furthermore, PA Consulting observed in their study that if solving problems effectively, 80 percent of customers will stay, and by solving problems fast and effectively, 95% will stay and sometimes becoming more loyal (Buttle and Burton, 2002).

c. Meeting Expectations

Now, more than ever, it is important for companies to make sure that their brands deliver its promises to consumers and meet or exceed their expectations. This is because consumers have more availability of knowledge through consumer magazines, television shows, and newspaper articles, which keeps them updated on products and services which fail at keeping their promises (Upshaw, 1995). Therefore, it is necessary for brand managers to define an experience that the customer values, deliver that experience in everything they do, and deliver that experience consistently. Throughout these tasks

customers develop trust for a brand. Since a brand's promise gets tested with each consumer's encounter, if the brand's execution does not meet or exceed its promise, then the consumer will be dissatisfied with the product and not develop trust. (Rush, 2002)

d. Consistency

According to Lindstrom (2001) consistency means that every part of the brand's message (values, design elements, quality, value etc...), should be delivered to its targeted consumers so that the brand is easily recognizable. Furthermore, Elliott and Kritsadarat, (1998) argue that in order for brands to develop trust with consumers, they need to consistently deliver benefits, that coincide with the changing experiences in the target consumer's life over time. They believe that it is through this consistency; consumers will first, develop predictability second, dependability and lastly, trust for the brand. In addition Temporal and Lee, (2001) claim that since branding greatly depends on trust, and people naturally distrust change, it becomes even more important for companies to make sure that their brands are consistent in what they are delivering to the consumer. They also point out that this becomes increasingly difficult in highly innovative markets where technology is linked to constant change. Uttley (2002) argues that in order for brands to get across their desired impact, it is necessary that they are communicated consistently, regardless of where the brand is being marketed. It is important that companies make certain that the values in which they communicate to consumers are consistent with its internal values (Khermouch et al, 2001). Omelia, (1995) claims that although the communication of the brand can differ from market to market in order to be responsive to consumer local needs and wants, it is still essential that advertising in each country expresses a consistent point of view about the product. However, differences between markets can create inconsistency and confusion in particular markets by overlapping media. ***e. Information***

According to Salaun and Flores (2001) there is an increasing lack of trust and consumer loyalty when it comes to brands, due to the explosion of products on the market place. They claim that information is the key factor that trust is based on. Furthermore, they express that consumers are increasingly looking for information about the conditions (ex:

environmental) in which the product was manufactured, because they are concerned for their health and safety. Therefore, they conclude that when consumers receive reliable information they are more likely to trust the brand as well as the company, which results in customer loyalty. Buttle and Burton (2002) agree and argue that biotechnology and food safety, are two industries that have been particularly placing more weight on creating trust with their customers. They believe that increasing transparency of information about how food is produced, by including all contents within the product, can allow consumers to trust the brands in that they consume. Aaker and Biel (1993), discuss 'meaning transfer', which means that it is essential that advertising and other marketing processes used to communicate the brand to consumers, should reflect the brand's actual personality (what the brand stands for) and true value of the brand in order to maintain a positive perception of the brand's image. Temporal and Lee (2001) agree, and further argue, that the brand's advertising must reflect the personality in order for consumers to trust the brand. Therefore, advertisements should represent the target market, by using words that they would use, and models or people that are appropriate to the brand's character. Moreover, Buttle and Burton (2002) claim that the value of brand needs to be communicated in an efficient way. Consumers usually do not admit to being influenced by a company's advertising according to Dolliver (2001). However, from his study, he found that when the quality of the advertising campaign is high, consumers will be more confident in the brand, and will trust products more when they have an attractive or appealing packaging.

f. Balance Emotional and Functional Appeal

A critical issue in branding is that a rational appeal has to be balanced with an emotional appeal. The human brain consists of both the rational (left), and the emotional (right) side which both function differently, but make individuals balanced in their personality. According to Temporal and Lee (2001), a brand's success depends on its appeal to the

rational and the emotional side of a consumer's brain and the two sides must work in harmony and be balanced. Therefore, it makes sense to say that the brand personality should also appeal to the left and the right side of the consumer's brain. By doing so, the brand will stimulate and be appealing to the consumer entirely. As a result, the consumer will trust and find the value of the brand to be even more attractive, since they can emotionally and rationally connect with the brand. For example, Tag Heuer uses rational and emotional appeal to gain trust of consumers. From the rational perspective they project to consumer's versatility, durability, and sturdiness. On the other hand, we can see that from the emotional perspective they project that their brand is fashionable, dynamic, attractiveness, precise, and heroic.

g. Quality

De Chernatony (2001) argues that companies strongly need to focus on building the quality of their products and services. Commercials and advertisements should focus more on showing quality in instead of having a lot of information crammed into the commercial space. According to Fletcher (2002) brands that offer their consumers good quality as well as good value, gain their consumers trust and have a long life cycle. Furthermore, the more trusted the brand the more of a chance it has to compete in an international market composed of different nationalities. Temporal and Lee (2001) argue that generally, consumers connect or link brands with a certain level of performance and quality standards. By consumers experiencing different brands, they can compare quality standards and gain knowledge in the value that they are getting for their money. The consumer then decides which brand they trust to satisfy their expectations. It is very likely that the consumer will trust brands which offer them the highest quality standards. Furthermore, they make clear that it is consumers trust for the brand that a company will have to rely on, especially in the crowded markets brands are competing in today.

h. Culture

Brands trust effectiveness is based on culture responsiveness, since cross-national differences continue to exist. Therefore, it is necessary that advertising content is altered to match cultural attitudes as well as social changes, and should be relevant to what

consumer's value in the brand. Although Coca Cola and Nike have been able to use the same brand image strategies cross nationally, many international brands have failed because they did not adapt their brand image strategies to cultural differences. By international marketers identifying and positioning their brands to their target markets conditions they will be more successful. We can see international companies such as Levis, whose brand image in the United States is social and group oriented, while in Europe the image is positioned as sexual and more individualistic. According to Usunier (1993) every country reinvents the original international brand image that is positioned to them in order for it to coincide with their own local images. Therefore, national culture will continue to strongly influence the implementation of many aspects of marketing strategies, because cultural differences will never disappear. Thus, marketing strategies tailored to national markets is important. Some argue that culture and nationality can be regarded as the same thing, but sometimes nation-states can be multicultural. For example Switzerland is made up of Germans, French, Italians, and Romanics. Furthermore, if international marketers use stereotypes to market products to consumers, they can lose consumers trust since they would be lacking the important cultural aspects on which to base the brands identity with. Consumers can also be offended by stereotypes, and will not identify nor personally bond with the product, since they feel the identity is not relevant within their life. It is evident that consumer's trust is highly dependent upon their culture, and their bonds to consumer goods are based on how well the product is adapted to their cultural norms. (Usunier, 1993)

i. Country Image

Consumers also have stereotypes of which countries they feel are better at producing certain goods. For example, in a study where industrial consumers were asked which countries products have the best quality price and technological capabilities, Germany was perceived to have the best product quality and reliability, and was considered the finest producer of heavy industrial equipment. Furthermore, Italian industrial products were perceived to be of inferior quality when compared to the US, France and Britain.

Many international brands have in fact built credibility with foreign consumers based on their national image. This is because brands that come from a particular country share the same intangible assets that one perceives of the country. Therefore, the perception might be based on country specific intangible factors instead of brand specific factors. For example, when a symbolic label reads 'Made in Nepalese', consumers from Nepalese will perceive the branded product to be trustworthy, reliable and durable and that all ideas of mechanical failure are removed (Usunier, 1993). Furthermore, the consumers experience with brands from that country before can also influence their perception of the international brand. However, if the national aspect of a brand is marketed too heavily, this can lead one not to trust the foreign brand if consumers do not like that national culture. Consequently, brand image in a global market is greatly influenced by country image, since consumers usually rely on references to the country when forming trust for a brand (Kim and Chung, 1997). Presently, we are living in a world where consumers are ethnocentric, meaning that they place high value, and favoritism on their country, nationality, and culture. Country culture has just as much impact on consumer's feelings and beliefs towards a product as the products characteristics and features. In general, consumers from developed countries have a preference for their national products over foreign products. To some this may seem irrational and arrogant to think this way, but Usunier (1993) claims that customers may believe that they are immoral if they buy foreign goods since it could potentially put their national economy at risk and leads to job losses. Furthermore, non-durables (clothing, food or house hold cleaners), appeal more to tastes, habits and customs and therefore, are more culture-bound. A greater trust for domestic brands will therefore be present here. On the other hand, high technology products (computer hardware, machine tools and heavy equipment) are most suitable for global strategies.

j. Longevity and Recognition

The number of brands that originate from foreign countries are increasing more and more, especially when considering the foreign brands that compete with domestic brands in North America (ex: the automobile market) (Kim and Chung, 1997). Brands that have

been consistently available to consumers for a long period of time give a company in the domestic market more of an opportunity to understand consumer's needs. Furthermore, brands that are present in the consumer's life become part of their culture due to the familiarity that the consumer associates with the brand. If consumer did not have brands that they recognized and could trust, shopping for almost anything would be confusing and time consuming. Therefore, a strong brand that is perceived to be trustworthy has more of an advantage when entering new markets or offering new products, when compared to competitors who have not gained the same level of recognition and trust (Khermouch et al, 2001). Geographic proximity in manufacturing can also allow consumers to psychologically perceive that the foreign brand is more familiar and in touch with their needs, and as a result, consumers will have more trust in these brands and prefer to others (Kim and Chung, 1997). Furthermore, the greater the number of committed consumers in the market the more difficult it will be for an international brand to be successful in a new market. The uncommitted consumers of existing brands are namely more probable or likely to try new products and will not commit to any brand. That could leave the international brand with a very small potential market. The majority of new products that fail due to the commitment and trust consumers have to already existing products. Furthermore, it makes no difference to how great the new competing product is; the product is still more likely to fail due to the trust that consumers have with their favorite brands (Dinnie, 2001).

k. Organization

A company that is focused on building their brand on trust needs to understand the values of their employees, and align these values with those that are built within the brand's promise (De Chernatony, 2002). The more that employees within a company understand the image that the brand is suppose to portray to foreign consumers, the more the organization will have the ability in making sure that the brands image is sustained, and that the message is articulated well and transferred to consumers. If the company can not articulate the brands values in an efficient way, unfortunately the consumer's perception will reflect that (Khermouch et al, 2001). Often employees within a company are unsure

of the brand's promise and its role. If employees lack knowledge of the brand promise, it will be difficult for them to deliver the value of the brand on a consistent level (De Chernatony, 2001). Summing up, organizations that do not build trust internally are at a competitive disadvantage, while organizations that have been based on trust will also be shown in their business outcomes. In order for trust to have a positive impact on business outcomes, trust must be integrated as a structural and cultural characteristic of the organization (Shaw, 1997).

1. Corporate Trust

According to Crosby and Johnson (2002) not only do brands have an image, but the company does as well. Therefore, how the company manages their brands will affect the way consumers perceive the brands. According to Temporal and Lee, (2001) today the trend is very much towards corporate branding, (ex: BMW 3, 5 and 7 series) or branding where the corporate name appears with the product brand. Many organizations are trying to gain customers trust through corporate branding, which means that the image of the company is transferred to the brand. This allows consumers to gain trust for the brand when compared to product branding because the brand is directly linked to the corporate brand name. However, product branding does not have the benefit of automatic recognition through the corporate brand name. As a result, the product is left to gain trust in the consumer's eyes without the strength of the company.

Akio Morito from Sony claims that the company's name is the life of their enterprise because it carries the responsibility as well as guarantees the quality of the product. In addition, sometimes when a company develops new product consumers find it difficult to trust something new. Consumers can trust the product more when they previously have had positive associations with the brand, based on past experiences with products under the corporate brand name. Through corporate branding, companies can promise consumers that through the name being consistent, they can also trust the brand to be consistent in its values, even as products and services change to reflect new technology. Although companies such as Proctor and Gamble and Unilever have been successful through product branding; it is more expensive and less likely that other companies can

successfully gain the trust of consumers in this manner. In addition, since a corporate name develops credibility over time, it is easier for consumers to trust a new brand that they bring into the market place (Temporal, Lee, 2001).

m. Opportunism and Ethics

Increasingly companies are realizing the importance of ethical behavior within their company, and the effect that this factor has on consumer's willingness to trust. The more that companies show consumers and the public that they are ethical the stronger the bond will be with consumers (Veit, 2001). De Chernatony (2001) agrees and claims that more and more companies are trying to gain consumers trust through goodwill. If an international company is driven by opportunism, meaning that they are only thinking of ways to make profit and maximize their outcome, while not considering the target consumers interest, will result in a low level of consumer trust (Friman, 2002). As a result of the company only thinking about ways to enhance their proceeds, they can neglect the relevant and important needs of consumers. For example, raising prices while lowering quality, will give consumers no reason to trust the brand, since they will feel taken advantage of. Some consumers may not trust that brands are ethical when they are produced cheaply in third-world sweatshops, or environmentally damaging to society. Others feel that companies are not trustworthy since they use brands to exploit consumer's emotional needs. Since brands are in the public domain, it becomes increasingly more important that they maintain the perception of their brand image. If not, there are always individuals out there that are looking for evidence to prove that companies are unethical. Therefore, companies that own brands need to continuously to work to retain that trust with their consumers, since without trust the brand is not valuable (The Economist, 2001).

n. Integrate Trust in Strategic Plans

The success of a company's marketing strategy is strongly dependent on their ability to build a brand and company that people trust (Crosby and Johnson, 2002). Therefore, managing brand image strategies in international markets is a very significant aspect of a company's marketing program and has a great effect on consumer's perceptions. Since

the purpose of a brand image strategy is to design an image and position it appropriately in order to satisfy the needs of the target market, one can see how this can become extremely difficult for an international company. Cultural, social and economic dimensions of international markets shape and influence consumers needs. With different market environments comes different consumer needs. Based on this fact, international marketers need to look at cultural and socioeconomic characteristics that affect the performance of their brand image strategy (Roth, 1995).

Therefore, if the company wants to create trust for their brands in the marketplace, it is imperative that they make improvements in their strategic decisions: (target market definition, product positioning and specific marketing mix strategies) which will allow customers to trust and be committed to the company brand (Crosby and Johnson, 2002). For example, Samsung Electronics Co, made the strategic decision to move into a more innovative field with higher-margin products. Since their products were being sold at Wal-Mart, which is a mass-market discounter, they seriously began to think about their brand image. Samsung realized that their current positioning strategy was in direct confliction with the premium image in which they wanted to build. How in fact could a company who is trying to sell high margin products in a mass-market discount store, think that consumers would trust that their products can deliver a high level of service? Hence, Samsung made the strategic decision to pull their product for Wal-Mart in order to protect their brand image and trust for their products (Khermouch et al, 2001).

2.3. Review of Related Studies

2.3.1. Reflections on Brand Trust in International Markets

In this section the concept of trust in relation to international brands will be discussed based on what was found in the literary review. Furthermore, what is written in this segment is primarily based on logical and rational assumptions drawn from the arguments

of brand trust from researchers in the literary review, since the international aspect is rarely included in the literature.

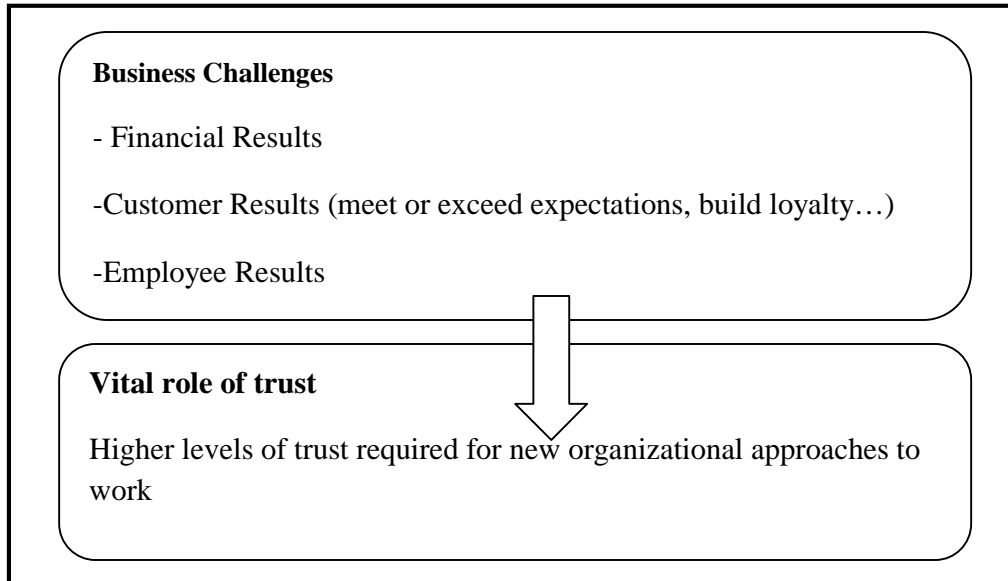
Based on the literary review one can say that “A brand without trust is like a bird with no wings”. We see branding as a valuable corporate asset that can be used to increasingly gain the trust and commitment of consumers. Moreover, the importance of consumers trust for brands is imperative if international companies want to create lasting relationships between consumers and brands. People are inclined to look at trust in ‘black and white’ with no gray area; either they trust you or they don’t. This ideology can be transferred to brands as well, which means that international brands will either be trusted in foreign markets or not, especially in homogenous countries like Nepalese. Although in the literature, trust for brands has uncommonly been linked to international markets, I have come to believe that trust especially becomes more significant in foreign markets. Since consumers have less knowledge of international brands when compared to their domestic brands, and are more inclined to establish relationships with local brands that are connected to the cultural norms within their society, it becomes a struggle for international brands to gain the trust of foreign consumers. However, there may be exceptions if consumers have been raised using a particular international brand, or it has been in their market for a substantial period of time.

This abstract concept of trust is one that I have come to see as a natural function that every human systematically looks for as a way of survival in life. This means that as humans we are always looking for something we can trust and depend on, whether it is in relationships, jobs or the legal system because it simply makes life easier. Who wants to go through life always confused and not knowing what to trust? When consumers can trust brands it makes their life easier when they go shopping, they know exactly what will satisfy their needs without having to search through the clutter in the marketplace. Every thing that one does has a certain level of trust attached to it, however, it is clear that the things that one trusts in life are usually the things you know, have been raised with, and taught are good by your family, or society. Therefore, since international brands are not

as familiar to consumers in domestic markets, if international companies sincerely want to gain the trust of their target consumers, it becomes necessary to establish and maintain a trustful perception of their brands image. This is done by first knowing exactly who your customers are. Without international companies actually knowing and understanding their consumers, trust will not take place because today consumers are more informed about the brands that they are using. If they believe that the brand will not correspond with their needs, they will have no need to trust it.

Furthermore, it is important for international companies to keep the brands promise. No one likes being lied to or likes to feel that they have been deceived or cheated, so it's more important for international companies to create good experiences.

Figure 10: New Business Challenges Demanding Higher Levels of Trust



(Source: Adapted from Shaw, 1997)

Furthermore, since there are so many brands that are undifferentiated in their functional characteristics, it becomes harder for consumers to have a preference for the brands that they want. Consumers are being bombarded by advertisements wherever they go, on TV,

in the streets, in sports arenas, and systematically consumers begin to tune out the clutter. Massive advertising does not build trust; instead building a brand reputation that consumers can trust and have faith in is more beneficial. All these concerns contribute to the fact that in this day and age, it is essential that international companies focus on building trust for their brands. It is through trust and trust alone that international brands will have the possibility to stand out from the others in the market place. Consistently focus on building and maintaining trustful relationships with their customers can be more effective than always trying to gain new customers for an international company. The more uncertain foreign consumers are about the particular brand, the harder it will be for them to trust the brand.

Therefore, international companies need to create an emotional attachment between the brand and the consumer, through its personality that reflects an image that consumers can relate to, so that the customer develops an even stronger bond and connection to the brand throughout the relationship. As time may change so may the values of foreign consumers, so it is important that the company continuously researches their target market, and position brands to reflect this fact. More and more foreign consumers will trust brands due to the great experiences and delightfulness that they receive from the brand, as a result of the company continuously keeping the brand fresh and alive.

Today what people are noticing about brands are more their image than their functional aspects, since many brands are so similar when it comes to their functional aspects. One can imagine the difference in the way that international marketers and consumers perceive the world, especially since perception is such an individualistic characteristic that we all possess as human beings. For example, marketers are concerned with the changes and trends in the market place, competition, as well as their business objectives, while consumers are more interested in how the brand is going to relate to their personal lives. If the brands image is not communicated in a way that consumers perceive it relevant, then the brand will not gain consumers trust. Culture is the main barrier that can cause the brands image to be misinterpreted. Since culture is blind and most times

consumers are not even aware of the things they are culturally influenced by, the difficulty increases for international marketers to maintain a positive perception of the brand image in foreign consumer's minds. Therefore, it is imperative for international marketers to continuously research their consumers, keep up with the things that are going on within their country that can also influence their trust for the brand.

Also, it is imperative that international marketers are aware of their own personal stereotypes of the culture they are marketing to, by learning and understanding the target consumer's relevant cultural aspects. However, generalizations are acceptable as long as they are based on educated assumptions. This will create a trusting brand image in the minds of target consumers. Moreover, by consistently offering consumers what they need the international company will be able to build a relationship, where they have the ability of learning more and more about the customer and gaining credibility, which will allow them to better compete on the market with local brands. Not only is a foreign consumer's trust for brands important but their trust for the company is essential as well. International companies can easily build trust for their brands, which however, can be destroyed just as easily. If international companies do not realize that if the consumer's perception of the company's behavior is not positive, this same attitude will be transferred to the brand. Therefore, it is important that international companies establish trust internally and externally.

Although trust alone can not guarantee that a business is successful, it is imperative that it is included in business practices, since new business challenges are demanding a higher level of trust. Most importantly, the way that international companies handle failure will also impact the trust that they have with consumers. Ideally it is best for international companies to admit when they are wrong, and do everything in their ability to satisfy consumers when they have been disappointed. This will help to maintain a positive and trustworthy reputation and perception in the eyes of consumers, even when mistakes do occur.

CHAPTER THREE

RESEARCH METHODOLOGY

We will explain the approach that was chosen for this thesis in order for me to illustrate the applied research method in this section. Furthermore, it will give the reader a precise understanding of how the empirical work and data collection has been conducted, as well as how the findings have been analyzed. Also, this part will discuss research validity, reliability, in order to assess the integrity of the thesis.

3.1. Research Design

The aim of this study is to examine the phenomena of brand trust. The descriptive approach was chosen for the study as it is appropriate when the focus of the study is to describe and explain phenomena (Merriam, 1994). As customary, according to Merriam (1994), the descriptive study is of an inductive nature. The variables that should be

examined are hard to establish through theory. Therefore, they come rather from practical experience rather than theory. These studies follow the method of more descriptive and less analytical.

3.2. Sample Selection and Target Group

In this study, sample is taken to the national and international customers which helps to take the response (data) of the trust for the international brands and the study is focused on the customer in Nepal who are searching for the international brands rather than national brands.

In the early stages of this study, it became clear that the study would be of a qualitative nature. This was due to the complexity of the subject and the difficulty by which trust is quantified. Therefore, it would be extremely important to understand the concept of trust before trying to quantify it and its underlying factors. Trust is part of a social system and it would be difficult to gain an understanding of it through a quantitative study before the social system in which trust is embedded is examined. A quantitative study could therefore be an imaginable follow-up. The main difference between the quantitative and qualitative method is that the quantitative method is more formalized and structured. The possibility to statistically analyze the results is the foundation of quantitative research, which however distances the researcher from the research object. When studying an issue like brand trust it is important to have a close connection to the respondents in order to gain their trust and for them to reveal their true feelings. The closeness to the research object that the qualitative research method offers also leaves the researcher with more space for interpretation and understanding.

Since the research problem focuses on the concept of trust, it is natural that the study takes a qualitative approach, which further allows one to analyze the unique and diverting responses, as oppose to the minimum of what statistics offers in quantitative methods. Yin (1999) gives an example: if you would ask “how” or “why” Bill Clinton was elected

a survey (quantitative) would show that Ross Perot drew votes from Bush. A case study on the other hand could show how Clinton was able to manipulate the public opinion in his favor and how the weak U.S. economy pulled support away from Bush. It is clear that the qualitative case study in this case can give more useful information. Thus, a deeper and more real picture can be painted with the qualitative method.

3.3. Method of Data Analysis

There has been little academic work done in the areas of linking the data to propositions and interpreting the findings of case studies. However, the analysis will include a descriptive account as well as establishing themes that are found through pattern matching where pieces from the case are matched with theoretical propositions. By using multiple sources it is possible to triangulate the data to obtain valid results. The qualitative approach of this study will allow speculation about the linkages between what is presently known about the phenomena, theory and what has been discovered in the study.

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object that the qualitative research method offers also leaves the researcher with more space for interpretation and understanding.

Analysis forms the main body of any research work. This study consists of two types of analysis descriptive and empirical. Each and every variable are analyzed for their provisioning in the law and their practice in the field. The excerpt of interview taken from basically this study is based on published sources of information as well primary sources of information. Primary data are collected through structures and open-ended questionnaire from various respondents. Questionnaires are personally presented by hand to all the respondents. Likewise, the secondary data will be collected from the various sources as mentioned above.

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3.4. Data Collection and Sample Procedure

Data can be collected through two types of sources, primary and secondary. Primary data is gathered with the particular study in focus, and thus gathered for the first time. Secondary sources do not have this connection to the study, and the data is collected

previous to the study, often by others. An advantage of the case-study is that the whole range of evidence is available to the researcher to use (Yin, 1999).

Secondary Data

This study will start with looking at secondary sources, primarily books and articles. Databases, such as ABI/Inform and General Business files, have been important means to find interesting articles. A comprehensive and systematic literary review is the backbone of this study and its primary purpose was to establish a base on what has been done previously on the subject, and to identify factors that are important for the trust of brands that may have international implications.

Primary Data

Primary sources will be utilized in order to gain a deeper understanding of these factors and their impact on trust. In depth focus groups were conducted for this purpose. This is the best way to collect evidence that can not be observed (Merriam, 1994). Focus group interviews are one of the most important sources for case studies. The interviews are based on open-ended questions where the respondents can be asked both about facts and their opinions. At the focus groups an interview manual was used. The manual is however not a standardized questionnaire that should be followed but rather an aid to secure that the areas of interest are covered. It is important that the respondents are allowed to freely give their views and experiences and the use of the manual makes it possible to discuss certain areas deeper than a questionnaire would since the manual is open-ended. It is extremely hard and mentally exhaustive to conduct qualitative interviews. The researcher has to be a good listener as well as being able to ask good questions. This requires many years of training to master, which might be a slight shortcoming in this study. Also, flexibility, an unbiased mind and a firm grasp of the issues discussed are desired skills. As much as possible has been done to conduct the data collection in a satisfactory way. Among other things, exhaustive research on the subject

was made prior to the primary collections in order to get the most out of the interviews. Admittedly, the interviews were not flawless but conducted to the best of my ability and therefore, the result must be considered satisfactory. For the selection of participants in the focus group study, the convenience sampling method was used. This is a non-statistical sampling method, where respondents are chosen on the basis of availability (Kinnear & Taylor, 1996).

The sample was chosen from the area surrounding my apartment, so that the respondents would experience minimum inconvenience. In addition, only people that genuinely wanted to participate in the study were used, which will give the best results. The only reward for participating was coffee and some snacks. However, it is important to note that it has been somewhat difficult to recruit people to participate in the study. When approached, people were hesitant to the amount of time they would have to spend. Also, the fact that the interviews had to take place in English was a deterrent, which might also have had an effect on the results. Unfortunately, convenience samples might be biased, in this case since the neighborhood probably doesn't fully represent Nepalese. However, due to time limitation, budget restrictions and the length of the interviews, this was the only option. In total 150 individuals participated in the study of which *103 were Nepalese* and *47 non-Nepalese* mostly from within the world. Men and women from the ages between 20 and 47 were used, and represented different educational and career backgrounds. The internationals were used as a control group to determine whether the Nepalese responses were characteristics of Nepalese or general of all consumers.

In the chapter four, data gathered from primary and secondary sources are presented in a meaningful manner. Then after, analysis the data and simple have shown in percentage and ratio analysis as far as possible.

CHAPTER FOUR

NEPALESE CULTURE

Where one is presently situated in their life is generally a result of the things that have happened within their past, and allows others to have a better understanding and awareness of ones behavior. Therefore, this section will give a general overview of Nepalese background from their past to where they are presently today. Also, this shall allow one to be conscious of where the accepted norms and behaviors within Nepalese culture has originated. This especially is more essential for non-Nepalese readers who are not as knowledgeable of Nepalese heritage as Nepalese are.

4.1. General background Information on Nepal

Nepal, which is located in southern, Asia and siteated between two big countries India and China. The capital of Neapl is Kathmandu. Nepal has seen many rulers and ruling dynasties. The earliest rulers were the Kirantis who ruled from 9th century B.C. to 1st century A.D. Legends and chronicles mention that the Indian Emperor Ashoka had come to Nepal and visited Lumbini, the place where the Buddha was born, and where he erected a huge stone pillar to commemorate his visit to that spot.

The Kirants were replaced by Licchavis who, according to the earliest evidences in inscriptions of the 5th century A.D. found in the courtyard of Changunarayan temple which is about 15 km north east of Kathmandu, ruled this country from 1st century to 9th century A.D. This period is noted for the many temples and fine sculptures built around the Kathmandu valley.

The Licchavis were followed by the Thakuris, then came the Malla dynasty. The Mallas ruled focusing mainly on the Kathmandu Valley which has been the residence for most Nepalese rulers from time immemorial. No other part of Nepal is as rich in cultural heritage as Kathmandu. Thanks to the exceptionally talented crafts-men, who dedicated themselves to construct the many temples and statues, we have seven world heritage sites in the Kathmandu Valley itself.

In the 14th century A.D. King Jayasthiti Malla established a rigid social order. His grandson tried in every way to protect his country from suspected enemy states. Unfortunately, all his efforts were fruitless, everything went beyond his control and the country eventually divided up into 50 small feudal states including the three major ones in the valley. Then came the Shah dynasty. King Prithvi Narayan Shah who annexed small principalities including three states in the Kathmandu Valley and unified Nepal in a single kingdom. Recognizing the threat of the British Raj in India, he dismissed European missionaries from the country and for more than a century, Nepal remained in isolation. During the mid-19th century Jung Bahadur Rana became Nepal's first prime minister to wield absolute power. The Ranas were overthrown in a democracy movement of the early 1950s.

Nepal was declared a Federal Democratic Republic state on May 28, 2008, during the first meeting of the Constituent Assembly. It was previously a multiparty democracy since 1990.

4.2. The Generic Model Applied to Nepalese Cultural Environment

Some academics have done a cultural analysis by breaking down the sociocultural environment into detailed elements (Mercado and Prescott, 2001). However, I have chosen to analyze Nepalese by using a generic framework, which allows me to have a closer assessment of the main elements of Nepalese's culture that can have an impact on

brand trust. Furthermore, the information in this section will be used to make an in-depth analysis Nepalese culture within Hofstede's cultural model.

a. Language

Nepalese is the official language of Nepal, with over 30 other languages spoken as mother-tongues in different parts of the country, and as well there are many regional dialects. Nepalese is of the Indo-Aryan family of languages brought from central Asia by the Aryans about 1500 BC. The original Old Indo-Aryan language gave rise to Sanskrit from which Nepalese derives. In common with Hindi, Nepalese uses the Devanagari script (the script of the city of the gods, sometimes known as Nagari) which derived from the Brahmi script of ancient India. English is spoken, with much of the schooling in the cities in the English medium. As well many in the travel and tourism industry speak German, Spanish, Japanese, French and Italian.

In Kathmandu at the Bishwa Bhasha Campus (at Bhrikutimandap) of Tribhuvan University foreign students can study Nepalese (spoken and Devanagari script), Newari, Sanskrit and Tibetan languages. At Tribhuvan University in Kirtipur there is the Department of Nepalese Studies, where BA and MA studies in Nepalese language can be pursued. Sanskrit is also taught in the medical colleges, as many of the texts for natural medicines (ayurvedic and homoeopathic) are written in Sanskrit.

b. Political Government

Nepal has seen rapid political changes during the last two decades. Until 1990, Nepal was an absolute monarchy running under the executive control of the king. Faced with a people's movement against the absolute monarchy, King Birendra, in 1990, agreed to large-scale political reforms by creating a parliamentary monarchy with the king as the head of state and a prime minister as the head of the government.

Nepal's legislature was bicameral, consisting of a House of Representatives called the Pratinidhi Sabha and a National Council called the Rastriya Sabha. The House of Representatives consisted of 205 members directly elected by the people. The National Council had sixty members: ten nominated by the king, thirty-five elected by the House

of Representatives and the remaining fifteen elected by an electoral college made up of chairs of villages and towns. The legislature had a five-year term, but was dissolvable by the king before its term could end. All Nepalese citizens 18 years and older became eligible to vote.

The executive comprised the King and the Council of Ministers (the Cabinet). The leader of the coalition or party securing the maximum seats in an election was appointed as the Prime Minister. The Cabinet was appointed by the king on the recommendation of the Prime Minister. Governments in Nepal tended to be highly unstable, falling either through internal collapse or parliamentary dissolution by the monarch, on the recommendation of prime minister, according to the constitution; no government has survived for more than two years since 1991.

The movement in April, 2006, brought about a change in the nation's governance: an interim constitution was promulgated, with the King giving up power, and an interim House of Representatives was formed with Maoist members after the new government held peace talks with the Maoist rebels. The number of parliamentary seats was also increased to 330. In April, 2007, the Communist Party of Nepal (Maoist) joined the interim government of Nepal.

On 28 December 2007, the interim parliament passed a bill that would make Nepal a federal republic, with the Prime Minister becoming head of state. The bill was passed by the Constituent Assembly on May 28, 2008.

On 10 April 2008, there was the first election in Nepal for the constitution assembly. The Maoist party led the poll results, but failed to gain a simple majority in the parliament.

On 28 May 2008, lawmakers in Nepal legally abolished the monarchy and declared the country a republic, ending 239 years of royal rule in the Himalayan nation. The newly elected assembly, led by the former communist rebels, adopted the resolution at its first meeting by an overwhelming majority. King Gyanendra was given 15 days to leave

former Royal Palace in central Kathmandu by the Nepalese Constituent Assembly. He left former Royal Palace on June 11.

On 26 June 2008, Prime Minister Girija Prasad Koirala tendered his resignation to the Nepalese Constituent Assembly, which is also functioning as Nepalese Parliament, however a new Prime Minister has yet to be elected by the Nepalese Constituent Assembly.

On 19 July 2008, the first round of voting for the election of the country's president and vice president took place in the Constituent Assembly. Parmanand Jha became the first vice president of Nepal. However, the two presidential frontrunners, Dr. Ram Baran Yadav of Nepalese Congress and the Maoist-backed candidate Ram Raja Prasad Singh, both failed to gain the minimum 298 votes needed to be elected, with Yadav receiving 283 votes and Singh receiving 270. 578 out of 594 CA members registered in the voter list had cast their votes, of which 24 were invalid.

c. Economy

Nepal's gross domestic product (GDP) for the year 2005 was estimated at just over US\$39 billion (adjusted to Purchasing Power Parity), making it the 83rd-largest economy in the world. Agriculture accounts for about 40% of Nepal's GDP, services comprise 41% and industry 22%. Agriculture employs 76% of the workforce, services 18% and manufacturing/craft-based industry 6%. Agricultural produce—mostly grown in the Terai region bordering India—includes tea, rice, corn, wheat, sugarcane, root crops, milk, and water buffalo meat. Industry mainly involves the processing of agricultural produce, including jute, sugarcane, tobacco, and grain. Its workforce of about 10 million suffers from a severe shortage of skilled labour. The spectacular landscape and diverse, exotic cultures of Nepal represent considerable potential for tourism, but growth in this hospitality industry has been stifled by recent political events.

The rate of unemployment and underemployment approaches half of the working-age population. Thus many Nepalese citizens move to India in search of work; the Gulf

countries and Malaysia being new sources of work. Nepal receives US\$50 million a year through the Gurkha soldiers who serve in the Indian and British armies and are highly esteemed for their skill and bravery. The total remittance value is worth around 1 billion USD, including money sent from Persian Gulf and Malaysia, who combined employ around 700,000 Nepalese citizens. A long-standing economic agreement underpins a close relationship with India. The country receives foreign aid from India, Japan, the United Kingdom, the United States, the European Union, China, Switzerland, and Scandinavian countries. Poverty is acute; per-capita income is less than US\$ 470.[42] The distribution of wealth among the Nepalese is consistent with that in many developed and developing countries: the highest 10% of households control 39.1% of the national wealth and the lowest 10% control only 2.6%. The government's budget is about US\$1.153 billion, with expenditures of \$1.789bn (FY05/06).

The Nepalese rupee has been tied to the Indian Rupee at an exchange rate of 1.6 for many years. Since the loosening of exchange rate controls in the early 1990s, the black market for foreign exchange has all but disappeared. The inflation rate has dropped to 2.9% after a period of higher inflation during the 1990s. Nepal's exports of mainly carpets, clothing, leather goods, jute goods and grain total \$822 million. Import commodities of mainly gold, machinery and equipment, petroleum products and fertilizer total US\$2 bn. India (53.7%), the US (17.4%), and Germany (7.1%) are its main export partners. Nepal's import partners include India (47.5%), the United Arab Emirates (11.2%), China (10.7%), Saudi Arabia (4.9%), and Singapore (4%).

d. Material Culture

When it comes to material culture there are differences between cultural subgroups but since Nepal is homogeneous we can characterize the country on a whole. The standards of living are low when compared to other countries, one must keep in mind that the gap between the rich and the poor is narrow. This can indicate that material wealth is not as

important in this culture when compared to other countries whose economic system does not offer the same benefits.

e. Education

Nepal has a ten year compulsory school for students aged 5-15, which is known as high school, which by law all must attend. The majority has literacy (reading and writing) in Nepalese as well as in English. English is taught to student's grades four to ten as part of their compulsory learning and then in high school (which is optional), where Nepalese further continue studies in English. After ten years of compulsory learning, almost all students continue to upper secondary education (equivalent to US high school).

Modern education in Nepal began with the establishment of the first school in 1853. However, this school was only for the members of the ruling families and their courtiers. Schooling for the general people began only after 1951 when a popular movement ended the autocratic Rana family regime and initiated a democratic system. In the past fifty years, there has been a dramatic expansion of educational facilities in the country. As a result, adult literacy (15+) of the country was reported to be 48.2% (female: 34.6%, male: 62.2%) in the Population Census, 2001, up from about 5% in 1952/54. Beginning from about 300 schools and two colleges with about ten thousand students in 1951, there now are 26 thousand schools (including higher secondary), 415 colleges, five universities and two academies of higher studies. Altogether 5.5 million students are enrolled in those schools and colleges who are served by more than 150 thousand teachers.

Despite such examples of success, there are problems and challenges. Educational management, quality, relevance, access are some of the critical issues of education in Nepal. Societal disparities based on gender, ethnicity, location, economic class, etc. are yet to be eliminated. Resource crunch has always been a problem in education. These problems have made the goal of education for all a challenge for the country.

f. Religion

In Nepal, Hinduism and Buddhism are the two main religions. The two have co-existed down the ages and many Hindu temples share the same complex as, Buddhist shrines. Hindu and Buddhist worshippers may regard the same god with different names while performing religious rites. Nepal has been declared as a secular country by the Parliament on May 18, 2006. Religions like Hinduism, Buddhism, Islam, Christianity, and Bon are practiced here. Some of the earliest inhabitants like the Kirats practice their own kind of religion based on ancestor worship and the Tharus practice animism. Over the years, Hinduism and Buddhism have been influenced by these practices which have been modified to form a synthesis of newer beliefs. For centuries the Nepal remained divided into many principalities. Kirats ruled in the east, the Newars in the Kathmandu Valley, while Gurungs and Magars occupied the mid-west. The Kirats ruled from 300 BC and during their reign, emperor Ashoka arrived from India to build a pillar at Lumbini in memory of Lord Buddha. The Kirats were followed by the Lichchavis whose descendants today are believed to be the Newars of the Kathmandu Valley.

CHAPTER FIVE

PRESENTATION AND ANALYSIS OF DATA

There has been little academic work done in the areas of linking the data to propositions and interpreting the findings of case studies. However, the analysis will include a descriptive account as well as establishing themes that are found through pattern matching where pieces from the case are matched with theoretical propositions. By using multiple sources it is possible to triangulate the data to obtain valid results. The qualitative approach of this study will allow speculation about the linkages between what is presently known about the phenomena, theory and what has been discovered in the study.

5.1. Evaluation of the Study

Validity

Validity is a measurement of how well the research result corresponds to reality. Qualitative studies often suffer from problems with validity. In this case it is meaningful to discuss the internal validity as well as the external validity.

The *internal validity* is concerned with how well the empirical results are related to reality, do they capture reality or not? Usually, internal validity measures whether the researcher investigated what was intended to be investigated. In this case it is rather the investigator's ability to observe and put interpretations in the right context that should be measured. Lack of experience is probably affecting this ability the most but is reasonably compensated by solid preparation and research. Another factor that affects the internal validity is that it is impossible to know if what the respondents say is how they truly act

and feel, and how much they are actually aware of when it comes to brands, since these are issues that the respondent have not been reflecting over. However, in this case, we believe that due the extensive research conducted before the focus groups study, the time spent in the interviews in a relaxed and comfortable environment, and the high level of openness that participants expressed to me, I believe that there is a satisfactory level of internal validity. Also, the design of the question in the focus group interview manual strengthens the validity since they approach the problem from different aspects, which will reveal if what they are saying is actually what they really mean. In addition, the internal validity is reinforced since the questions from the manual were discussed with non-Nepalese, which allowed me to separate typical Nepalese answers from general answers. Also, Nepalese and non-Nepalese were included in the same focus group, which further allowed Nepalese answers to be distinguished. However, the non-Nepalese participation in the study had the strict purpose for only being used as a control instrument, and not with the intention to perform a comparison study.

External validity answers the question whether the findings can be generalized or not. Unfortunately, case studies can not be generalized like a statistical study could be, because the case is not trying to represent a larger population. The case is rather a separate topic and any generalization has to be done with caution. However, the purpose is to describe and understand how consumers in the Nepalese market perceive brands based on their cultural uniqueness and not to draw general conclusions about other countries. The concept of culture makes it difficult to distinguish what could be a general finding and what depends on culture and therefore, the external validity is rather low between countries. However, external validity is reinforced since this study can be reasonably generalized to this area within Europe. Furthermore, the external validity increases since this study can be generalized to different product categories within Nepalese, because their culture remains the same regardless of what is being sold. Moreover, this thesis provides a foundation for future studies, for example a statistical

one, and can be compared to studies of other countries which further validates the purpose of this study.

Reliability

Would an investigator reach the same conclusions if the same procedures were followed? If so, the study is said to be reliable. A large part of this study is based on interviews, which are subject to a great deal of subjectivity. Firstly, the respondents answer the questions from their subjective reality. Secondly, when the researcher interprets the answers, there might also be some subjectivity involved, which could lead to an erroneous interpretation of the data. There has also been some language barriers, where the questions or the answers could have been misunderstood and therefore lead to a faulty interpretation. However, since the interviews were recorded on tape and then transcribed into writing, this allowed more time and opportunity for interpretation of the data, which increases the reliability. Also, the convenience sample might suffer from being biased to some degree, which however is counteracted by the homogeneity in Nepalese society. Most Nepalese have the same cultural background and the social system also maintains a great deal of equality, which increases the reliability of this study. Furthermore, the collection of secondary data was very selective, and academic journals were used in conjunction with books written by well renowned authors. The bibliographies from these journals and books have then been examined to find reliable sources. In this aspect the reliability is reasonably high, which increases the probability of drawing the right conclusions.

5.2. Presentation and Analysis

This part will describe the results of the focus group interviews and will give a clear overview of the major findings. The information discussed in this chapter will be further discussed in the analysis and will be linked to theory. In addition, the viewpoints of the non-Nepalese participants are also described as it contrasts or corresponds to what the

Nepalese have said. Therefore, it is feasible to check if Nepalese responses are typical Nepalese or more general. Moreover, in this chapter the term ‘majority’ means that 90 or more out of the 103 Nepalese or 43 or more out of the 47 non- Nepalese thought in a similar way. ‘Most’ means that more than half of the Nepalese or non- Nepalese had the same views and a ‘few’ means that at the most five Nepalese or three non- Nepalese had common perspectives.

1. When we asked *Nepalese* and non- *Nepalese* to define what trust meant to them they all had the same way of thinking. *Nepalese* and non- *Nepalese* stated that when you have to trust something you are giving a lot of your self, therefore you need to be able to rely, depend and feel confident in something or someone. Furthermore, they associated trust with ‘knowing what you get’. This means that in general they believed that it was hard for them to trust something or someone if they did not know what to expect. In addition, they all claimed when they put their trust in something or someone they need to be treated well. Also, they articulated if there is a problem, the person they were trusting would be there for them to help them get through the situation. However, if the person who they trusted was the cause of that problem, then they would expect that person to make it up to them in some way.

2. When we asked *Nepalese* if they were risk takers or risk adverse, the majority of Nepalese said that they were risk adverse. Furthermore, most of them were very assertive in their response to being risk adverse, while the few that claimed that they were risk takers were more hesitant in giving their answer. Non- *Nepalese* were risk-takers to higher extent, which shows that *Nepalese* are really not risk takers.

Table 1: Risk Takers and Risk Adverse

People	Sample Taken	Risk Takers	Risk Adverse
Nepalese People	103	3%	97%
Non-Nepalese	47	70%	30%

(Sample Collection, 2009)

3. When we asked Nepalese what was their most trusted brand in the world, the majority named brands they thought Japanese. One person pointed out that Nokia was their most trusted brand because “Nokia is equal to connect wherever you are”. The Nepalese, who stated that their most trusted brands are international, mentioned brand names such as, Dell, Philips, BMW, and Mercedes. They claimed that these brands were dependable and had good advertising. They also claimed that the value was good for their money, and that they generally had good experiences with these brands, and therefore were highly satisfied.

4. When we specifically asked Nepalese and non-Nepalese to tell me their most trusted international brand the majority of the Nepalese stated Coca-Cola, McDonalds and Sony. For example, one person expressed “my most trusted international brand is Coca-Cola because it always tastes the same wherever I go in the world, I know what I am getting, the quality is very good and it’s cheap. Another Nepalese stated, “I can go to India, and I can trust that McDonalds will still taste good. In addition, those who said that Sony was their most trusted brand exclaimed, that “Sony makes good products, they have a strong market position, it’s well known, stands for quality, and what ever product you get (TV, DVD, CD etc...), you know that it will last”. However, non- Nepalese expressed that their most trusted international brands were the ones that they have never had problems with such as Philips and Sony. One non-Nepalese explained that her most trusted international brand was The Body Shop, because they do not test their makeup on flowers, which shows her trust was connected more to emotions and beliefs. One can see that the Nepalese and non- Nepalese answers differed, where it is more characteristic of Nepalese to link quality to their most trusted international brands.

5. When we asked Nepalese and non-Nepalese to describe experiences that they have encountered with international brands and the way that their experiences have impacted

their trust for the brand, Toyota and Nokia were two experiences that stood out the most. Two Nepalese described their experiences with Toyota. The first Nepalese claimed “I have owned my Toyota for ten years, and it has never needed any service. Also, I believe that this car is better than any other Branded car. Therefore, when I do decide to buy another car it will definitely be a Toyota.” However, the other Swede claimed that he had a bad experience with Toyota, since after they bought the car it did not work very well. Therefore, this Nepalese expressed, “since this bad experience, I don’t trust other brands like Nissan or any other brands from East Asia, because I believe that these brands have bad quality. Even if someone gave me ten thousand dollars, I would never buy another Toyota”. Furthermore, another Swede claimed that she had a Nokia cell phone that the company had to fix four times. After the fourth time the company gave her a brand new phone of a different model. She expressed that after this experience, “I would never buy another Nokia phone again, or recommend that anyone else buys a Nokia, even though the new phone that they gave me is working well, because I do not trust the brand and believe Nokia is unreliable. A Dutch girl described her experience with a Compact computer. She claimed, “after I bought a brand new computer from Compact, it broke down only after two weeks, but the guarantee was really great, and they gave me a new computer, and my trust has not gone down for the brand or the company.”

6. When we asked Nepalese and non-Nepalese if they believe that international brands fit into their culture, the majority of Nepalese stated that international brands did fit. They exclaimed that since there are so many international brands in Nepal, you get used to these brands and they “automatically begin to fit into Nepalese culture when people start using them.” Also, they claimed that after the brands have been in Nepal for a while, they begin to adapt the brand to their life, so it fits into Nepalese culture. Furthermore, one Nepalese expressed “since the world is so global now, and countries are getting more similar to each other, international brands fit into Nepalese culture more. However, some Nepalese affirmed that international brands seems synthetic and unnatural and therefore do not fit into Nepalese culture. For example, one Nepalese articulated, “In America they

sell mayonnaise that says on the label real mayonnaise, but their mayonnaise is white, and real mayonnaise is yellow, like the brands that are Nepalese. Of the non-Nepalese, people from smaller countries tended to express that international brands fit well into their culture, while non-Nepalese from the larger countries Germany and England were more suspicious to international brands.

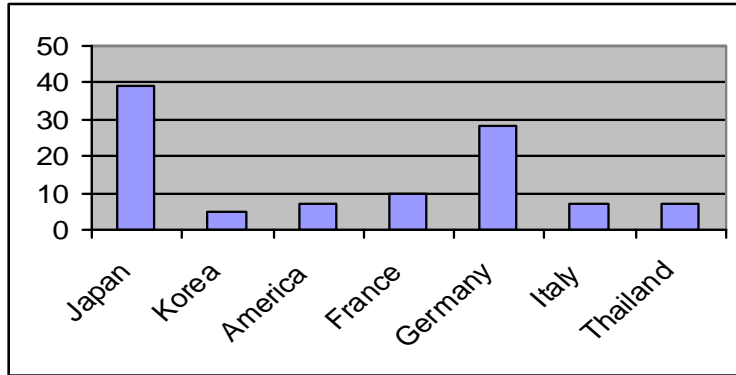
7. When we asked Nepalese and non-Nepalese what were their most trusted brands from the following countries, America, France, Germany, Italy, Sweden, Japan and Korea Nepalese showed to first trust Japanese brands. The majority of Nepalese claimed that they trust Korean brands because they are good in price and quality, and trust German brands because their country has a good reputation for high quality. Furthermore, the majority of Nepalese expressed that they did not trust Korean brands because they make “crap that nobody else makes”, and rated Italy with a low level of trust because they believe that in general, they are not a high quality country. Other Nepalese pointed out that that they didn’t trust Indian cars, and their designs were not attractive.

Table 3: Nepalese Most Trusted Countries

<i>Country</i>	<i>Number of People</i>
Japan	39
Korea	5
America	7
France	10
Germany	28
Italy	7
Thailand	7
Total	103

(Sample Collection, 2009)

Figure 11: Nepalese Most Trusted Countries



(Sample Collection, 2009)

8. When we asked Nepalese and non-Nepalese if they believe that when the price of international brands are higher than Nepalese brands, would they also believe that the quality is better, the majority of the Nepalese expressed that they would not believe that the international brand necessarily had better quality. They claimed that most times you are paying for the design of the brand or the added costs for the company to compete in the market, (ex: transport expenses and taxes). One Nepalese claimed, “sometimes the international company manufacturers the brand in China, and then they put a designer label on it and then charge 15000 to 22000 Rupees (200 to 300 USD).

9. When we asked Nepalese and non-Nepalese if they stick to the same brands or switch brands regularly, the majority of the Nepalese claim that they usually stick to the same brands. They expressed that they normally go through different experiences with products, and when they find the brand that satisfies them the most, they stick to that brand. Moreover, they stated that they switch brands when they no longer are getting what they expect. For example, one Nepalese pointed out “in general brands have been decreasing in their quality; therefore, I believe it is safe for me to stick to the brands that I know that will definitely satisfy my needs.” However, few Nepalese exclaimed that they change brands when they want to try something with new technology or something exciting and different that has come into the market. Furthermore, they claimed that if they had more money they would probably switch brands more regularly. Most of the

non-Nepalese agreed that they stick to the same brands and don't switch regularly. One English guy articulated, "if it's not broke then don't fix it." However, it seems as though it is more characteristic of Nepalese to stick to the brands they know.

10. When we asked Nepalese and non-Nepalese the things that influenced them to trust international brands, the majority of the Nepalese exclaimed that they were highly influenced by experiences and recommendations from friends and family more than commercials. One Nepalese expressed, "It is better that a commercial for an international brand promise less, so I don't get disappointed when I purchase the brand." However, a few Nepalese claimed that commercials did play an important role in the trust that they had for international brands. For example, one Nepalese pointed out "if the brand lives up to the expectations that they portrayed in the commercial, and I am not disappointed with the brand after I have purchased it, then my trust will be very strong for the international brand". However, the majority of the non-Nepalese claimed that they were influenced by commercials in gaining trust for international brand although; few claimed that they had influence from friends and family. One can see that it is more typically Nepalese for one to trust and rely more on family and friends, as oppose to commercials based on the non-Nepalese responses.

11. When we asked Nepalese and non-Nepalese their impression of international advertisements compared to domestic and if they trust international ads more than domestic ads, the majority of the Nepalese stated that they had bad impressions of international ads and they did not trust local ads, more, for various reasons. Moreover, other Nepalese claimed that international ads were cheaply made and dubbed in order to save money from making an entirely new commercial for the Nepalese market. Therefore, Nepalese stated that this also made them have a bad impression and loose trust for the international brands. Furthermore, Nepalese claimed that they thought international companies think that they are stupid and will buy anything. For example, one Nepalese guy pointed out, "TV Shop advertises brands that I don't believe will work,

and Nepalese would never falsely advertise this way.” However, one Nepalese girl exclaimed, “I think that international ads are more fun to watch and their print ads are more colorful. I also think their slogans are catchier, so I trust international ads more than Nepalese ads because they are more appealing”. However, few non-Nepalese had bad impressions of international ads and only few showed to trust their domestic ads more. One German guy states, I do not like Benetton ads since they advertise on issues (mainly social) that have nothing to do with the brands, I prefer the advertisements to stick to what the brand is about. On the other hand, a Belgian girl stated that she loved the brand The Body Shop and their advertisements, because they do not test their products on animals, which shows that the company doesn’t do it for the money but actually care about the customers (she is a vegetarian).

12. When we asked Nepalese and non-Nepalese if international or domestic brands were more consistent in their marketing (ex: message, quality, value and advertising), the majority of Nepalese claimed that international brands were more consistent than Nepalese brands in portraying the brands overall message. For example, they stated that Coca-Cola, Microsoft and Duracell were international brands that are consistent in the message. Nepalese stated that Nepalese companies are more likely to change their marketing strategy more frequently, to adapt to the Nepalese market. Furthermore, they expressed that international companies were more consistent since they do mass marketing in order to save money and achieve economies of scale. One Nepalese exclaimed, “I like the fact that Nepalese are less consistent and adapt to the needs of Nepalese, because then I would get bored having the same thing all the time.” However, they claimed that Nepalese were more consistent regarding the quality and value of the brand. One Nepalese expressed, “with Nepalese brand you always know what the value represents”. Furthermore, the majority of non-Nepalese made clear that it is hard to tell who is being more consistent.

13. When we asked Nepalese and non-Nepalese if they believed that international or domestic brands gave a more credible impression, the majority of Nepalese claimed that International brands were more credible. Nepalese exclaimed that International brands were more credible because they had access to more information about the history of the brand, how the brand was produced and the company.

14. When we asked Nepalese and non-Nepalese in total the percent of international and Nepalese brand that they use, the majority said that they used international brands more than Nepalese brands. On average Nepalese used 99 % international brands and 2% Nepalese brands. Although Nepalese use more international brands than Nepalese brands this does not necessarily mean that they trust them to that extent. International brands are more available. However, when I asked non-Nepalese to give me the percent of international and domestic brands that they used they stated that they used 75 % international brands and 25% domestic brands, which shows that they use more international brands than domestic brands.

Table 3: Trust of National and International Brands

<i>People</i>	<i>International Brand</i>	<i>National Brand</i>	<i>Total</i>
Nepalese	98%	2%	100%
Non- Nepalese	75%	25%	100%

(Sample Collection, 2009)

5.3. Trust

Based on the way that Nepalese defined trust I can logically assume three factors that international brands need to obtain in order for Nepalese to trust them. First, it is important that the brand is reliable and dependable so that they can feel confident in the brand. According to the trust equation (Aaker and Biel, 1993) this will lower the perceived risk that Nepalese will connect to the brand, and therefore they will find it easier to trust the brand. Second, the brand should always live up to Nepalese

expectations. Based on the trust equation (Aaker and Biel, 1993), Nepalese will find the brand more credible and therefore more trustworthy, if the brands offerings coincide with what they assume. Third, if Nepalese are experiencing difficulties with the brand, Nepalese generally expect that the company of the brand will attend to their needs and fix the problem in some way. This is the intimacy aspect of the trust equation (Aaker and Biel, 1993), which explains that if Nepalese believes that they are unimportant customers and believe that the company does not care about their problems, they will find it hard to trust their brands.

5.4. Most Trusted Countries and Brands

Nepalese showed to trust International brands first followed by Germany and Japan, among America, France, Germany, Italy, Sweden, Japan and Korea. The majority of Nepalese claimed that they don't trust Nepalese brands because they are local. When looking at Kapferer's (2002) factors favoring local brands one can assume that Nepalese will not trust local brands because they identify with international brands. In addition, Nepalese trust International brands because they are well known and they have been using these brands since they were young or have seen their parents using them. These are all 'structural factors'.

Therefore, Nepalese brands provide them with trust confidence and loyalty. Also, Nepalese trust local brands more because they develop strong emotional connections to local brand and generally have a positive perception of the brands image. Therefore, when Nepalese see international brands, they have the drive to develop bonds or trust to these brands, especially when there is nothing wrong with the brands that they are using, which correlates with 'brand equity factors'. In addition, once this bond is developed Nepalese is likely to stick to that brand, since in the focus group study; Nepalese claim that they do not switch brands regularly. One can assume that the gap between Nepalese companies and Nepal is larger when compared to international companies, and therefore,

they have a better opportunity to respond to local needs faster than international companies. Moreover, since International companies have the advantage of more easily delivering the relevant benefits to Nepalese consumers they are more satisfied with Nepalese brands. Therefore, Nepalese trust and develop bonds with International brands more, especially since the brand is showing they understand Nepalese needs. This coincides with Kapferer's (2002) 'competitive factors' as well as Upshaw's (1995) theory 'the circle of relevance'. The better access to the Nepalese market that International companies have allow them to have a greater advantage in understanding Nepalese consumers needs and delivering continuous appropriate benefits, which according to 'the circle of relevance' would be needed in order to gain Nepalese trusts. Furthermore, International companies have an advantage when coming up with the brands personality and positioning the brand more than the local company because they are closer to the market and are able to respond to Nepalese needs quicker than local companies. This also coincides with Temporal and Lee's (2001) theory that claims that companies need to 'achieve harmony between the brand identity and the brand image'. When asked what brand they trust the most in world, a lot of Nepalese chose international brands initially but the majority picked, as mentioned, International brands. However, they were all asked to pick the international brand that they trust the most and it is interesting that they all picked brands that are all managed by major international companies and are backed by high marketing pressure. With the exception for Dell, these brands have been in the Nepalese market for a long time and enjoy great brand recognition, which is further extended by corporate branding. These brands are trusted based either on exceptional quality (BMW, Mercedes), reliability (Dell, Phillips and Sony) or consistency (McDonalds and Coca Cola).

Nepalese people have also been shown to be receptive to the marketing of these brands. Quality, like in the German made cars, is highly valued by Nepalese and the influence that American television shows and movies can not be underestimated when it comes to receptiveness. These are all aspects that are counteracting Kapferer's factors favoring

International brands, since they reduce the local advantages of buying International brands. It was also declared in the focus groups that international brands automatically fit into the Nepalese culture since they are being used and adapted into their lives. However, Nepalese still form closer bonds to International brands according to their responses in the focus group study. It is remarkable however, that local brand with little cultural adaptation was chosen as Nepalese people most trusted international brands. This is strange because typically Nepalese show in other questions that they mostly trust international brands, which implies that they would trust international brands that are more adapted to International than local brands. This can be viewed in the light of what Sanner (1997) calls process-based trust. Process-based trust builds on previous experience and companies invest heavily in making sure they keep a good reputation. This is accomplished by constantly making sure that the customers have positive experiences and making sure that negative experiences are rectified. If this is done, a brand can build a solid ground for trust. Good experiences also tend to lower consumers 'trust threshold', which puts the company in a competitive advantage. Nepalese also stated that commercials can be a base for trust as long as their expectations are being met.

From the focus group study, it is evident that the brands commercial should not make promises it can not deliver, which is worse than not making any promises at all. For example, one Nepalese expressed, "it is better that a commercial for an international brand promise more." However, it was still shown in the focus group study, that Nepalese trust a brand based on recommendations from friends and family as oppose to commercials, which emphasizes the importance of international companies to deliver ads that live up to Nepalese expectations, since they have a high trust for commercials.

5.5. Advertising and Pricing

When I asked Nepalese their impression of international advertisements the majority had a good impression of international ads, and believed that International ads were better and more trustworthy. However, based on 'selective distortion' (Kotler, 1999), Nepalese view

of international advertisements and trust for international brands, may be the reality. 'Selective distortion' is the tendency for individuals to adapt information to personal meanings and means that Nepalese had a better impression of International ads and trusted them more because they interpreted the ads to fit in the preconception that International brands are more trustworthy. Furthermore, 'selective retention' or the tendency of retaining only part of the information that one is exposed to, which supports personal attitudes or beliefs also helps in explaining the fact that international ads are perceived in a positive manner and more trustworthy. One can assume that International brands have more longevity and connection to Nepalese personal attitudes and beliefs and therefore, they trust these brands more than local brands.

The majority of Nepalese claimed that when the prices of international brands are higher than Local brands, they would believe that the quality of the international brand was higher than the Nepalese brand. They expressed that most times they are paying extra costs that the company ads on to not lose profit. Based on this one can assume that Nepalese do not necessarily link price to quality, but they still make clear in other questions that their most trust brands are the ones that are directly linked to quality. It is interesting that Nepalese rated the value of Nepalese brands relatively very low, which further shows that quality is their primary motivation for trusting brands in general. However, almost all non-Nepalese claimed that if the international brand were higher than their domestic brand then they would also believe the quality was higher. Furthermore, since quality is connected to trust, one could say that non-Nepalese can develop a higher level of trust for international brands based on their perception when compared to Nepalese consumers.

5.6. (Low) Power Distance and Trust for International Brands

According to Roth (1995) countries with low power distance will respond to functional brand images. These are brands that are directed towards the fulfillment of consumer's practical needs, and therefore the brand solves realistic problems and prevent them from

further taking place. For example, toothpaste would be marketed based on cavity, tartar and decay prevention. Nepalese people fits well into the description of a low power distance country and the behaviours of Nepalese correspond well to that categorization. This indicates in general that there is a high level of trust in their society. This is based on the fact that Nepalese are willing to put their trust in institutions since they are used to not being abused by people in power. Therefore, in general Nepalese people will not have much difficulty to put their trust in international brands. However, once the trust is gained it is crucial that the international company does not violate the trust by being misleading in anyway. In addition, it is important that the international company uses the power of their position legitimately. This means that the ethics and morals of the company should be consistent in other existing markets, since how the company behaves strongly reflects on the image of the brand. The fact that education is widely available to all Nepalese and they have a high consumption of newspapers, allows them to stay informed of company affairs. Furthermore, since Nepalese were raised as children to be inquisitive, and not just take things for granted, they will scrutinize international brands to make sure that they are living up to their expectations. Nepal is very equal and status is not of great importance since moderation is more accepted. In high power distance countries it is important to conform to your social class.

The focus group study revealed that there is a need for conformity, not to a certain social class but rather to Nepalese society, which shows the prevalence of social equality. This is further illustrated by the statement “everyone drives a Volvo, even if they can afford a more expensive car”. Nepalese stated in the focus group study that in order to be trusted brands have to connect to quality and function. Status or prestige was however, not mentioned in any form. Philips-Martinsson (1991) supports this point and states that if you wish to do business in Nepal. you should highlight the technical aspects of your product. This is reflected in Nepalese factual and scientific relationship with religion.

Evidently, Nepalese expect high quality if they are going to establish trust for international brands. Therefore, international companies need to focus on the product

attributes like quality rather than arguments of social acceptability such as status. The focus group study revealed that German brands are perceived to have the highest quality and Nepalese brands the second highest. This pattern occurred among the international group as well, which means that Nepalese probably ranked Nepalese high in quality based on actual quality and not based solely on nationalistic feelings. This highlights the need for international brands to stress quality if they want to gain Nepalese trust since they have to compete against both the high quality as well as nationalistic augmentation of Nepalese brands. Furthermore, since consumers have stereotypes of which countries they feel are better at producing certain goods, (Kim and Chung, 1997) and this perception transfers onto the brand, this may have impacted the rates of quality and value that Nepalese assigned to other countries. Therefore, it is important that international companies are aware of the perception of their countries image when marketing their brands to Nepalese people.

There is a high level of expectancy in Nepalese, and quality is strongly emphasized in their society. The taxes are high so they expect good quality and high standards in public goods. Since Nepal has a homogenous and equal society, if some Nepalese has had a bad experience with the international brands, it is fair to say that many will think the brand is untrustworthy. Moreover, Nepalese has a high level of security in the society they live in since the government provides many social benefits. Based on this one can conclude that this will raise the expectations for the international brands that they purchase.

5.7. (Low/High) Uncertainty Avoidance and trust for Intl. Brands

Nepal is theoretically characterized as a low uncertainty avoidance country, but has strong traits of high uncertainty avoidance as well. The Nepalese also distinctly claimed to be risk averse in general, and mostly stated that they stick with the brands that they use. Therefore, any changes are probably more a result of dissatisfaction rather than curiosity. Other common themes were the inherent organization in Nepalese society and

the many rules that should and also are being followed. It is apparent from the focus group study that Nepalese care more about rules than non-Nepalese.

In the analysis of Nepalese culture, we pointed out that certainty avoidance is higher than Hofstede's (1991) original estimation and the focus group study support this claim. However, Nepal can still be characterized as a low certainty avoidance society based on the definition but the behaviour differs from what theory implies. It seems like a big part of the trust Nepalese put in brands is based on risk reduction. For example, safety is a reoccurring theme in their answers and they make clear that if international brands want to be trusted, they have to stress safe qualities. Trusting international brands for Nepalese can be considered less risky than trusting Nepalese brands since Nepalese stated that they find international brands to be more credible than local brands. When considering the trust equation (Aaker, Biel, 1993), one can see that the more risk involved and the less credible that Nepalese perceive the brand to be, the less they will trust a particular brand. Furthermore, when looking at the 'trust threshold' theory (Shaw, 1997), one can assume that Nepalese threshold for trusting international brands is very high when compared to Nepalese brands.

Nepalese trust more science and factual evidence, which means that international brands should concentrate more on the rational and logical aspects of the brand rather than the emotional. Moreover, since Nepalese are objective, literal, and very precise, they weigh words very carefully. Therefore, when international companies are marketing brands to Nepalese people, they should not over exaggerate the brands functional characteristics if they want to gain the trust of Nepalese consumers. This is further supported by what Nepalese people say in the focus group study as well as Philips-Martinsson (1991) who expresses that in Nepalese giving false impressions is considered dishonest and untrustworthy. It is therefore strongly supported that it is characteristic for Nepal not to trust brands that are embellished.

Furthermore, the focus groups study revealed that the majority of Nepalese considers it imperative that they have information about the brand and its history if they are going to develop trust. This can explain why Nepalese had a better impression of International advertisements and trusted International ads more. Consequently, it is just as important that when international companies are advertising their brands in Nepal, they make sure that they focus on the relevant factual features of the brand. One Nepalese declared.

5.8. Individualism and Trust for International Brands

According to Roth (1995) countries with high individualism will respond to sensory brand images. These are brands that are directed towards the fulfillment of consumer's individual needs and pleasures, and offers originality and stimulation. On the other hand, in collectivist societies, social brand images are more appealing since it reinforces group membership, which is unattractive to individualistic societies.

In the cultural analysis, Nepal was found to be an individualistic country based on the family organization, the low level of independence and the security they receive from the welfare system. However, this shows the difficulty of generalizing Hofstede's (1991) theories, since countries with very different social structures, like America, are considered individualistic. Roth (1995) claims that individualistic societies tend to seek variety and hedonistic experiences, whereas collective countries correlate more with conformity. Also, individualistic countries tend not to follow social norms. Clearly, according to the focus group study, Nepalese seems more moderate than hedonistic and give conformity great importance. They further stated that they need quality, good functionality and moderation in order to trust a brand, which corresponds more to the collectivistic society.

Although Nepalese theoretically can be categorized as individualistic, their behavior follows more collectivistic patterns, which makes this aspect of cultural theory hard to interpret. On one hand Nepalese have the freedom and independence of individualistic

countries but do not behave accordingly. Hofstede (1991) makes the general conclusion that individualistic countries tend to be rich and collectivistic countries poor. The fact that the distribution of wealth in Nepalese is more equal can possibly be a factor that alters their behavior when compared to other rich countries. Hard work is the norm in individualistic societies and in this aspect Nepalese is individualistic.

5.9. Major Findings

1. Most of Nepalese and n-n-Nepalese stated that International brand is more reliable and dependable so that they can feel confident in the brand;
2. Most of the non- Nepalese are risk takers, where Nepalese are not risk takers.
3. Most of the Nepalese claimed that the value of the international brands was good for their money, and that they generally had good experiences with these brands, and therefore were highly satisfied.
4. Non- Nepalese shows his/her trust was connected more to emotions and beliefs where as Nepalese shows trust to link quality to their international brands.
5. Most of Nepalese and Non-Nepalese were expressed that international brands fit into their culture.
6. The Nepalese's most trusted countries are Japan, Korea, America, France Germany, Italy, and Sweden where Japan is the far most trusted country in the world.
7. Most of the Nepalese and Non-Nepalese believed quality though the price of the international brand are higher then their domestic brands.
8. Most of the Nepalese and Non-Nepalese they regularly stick to the same brands where few of them change their brands regularly.

9. Most of the Nepalese exclaimed that they were highly influenced to the international brands by experiences and recommendations from friends and family more than commercials.
10. Most of the Nepal was impressed of the international advertisements compared to domestic brands where few were impressed by local ads.
11. Most of the Nepalese believed that International Brand were more creditable and believable then local brands.
12. Most of the Nepalese and Non Nepalese were used International brands more then National brands.
13. Most of the Nepalese and non-Nepalese expressed that International Brand is more value for the money.
14. Most of the Nepalese and non-Nepalese stated that International Brand is more qualitative and trust worthy.

CHAPTER SIX

SUMMARY, RECOMMENDATION & CONCLUSION

This section will conclude what was found in the Data collection and Analysis. The most central aspects of brand trust pertaining to the Nepalese market will be discussed as Summary Recommendation and Conclusion in the perspective of global versus local adaptation. Moreover, appropriate areas for future research will be considered.

6.1. Summary

In this age of globalization, marketers can exploit their strategies to the fullest potential and gain high profit margins with the goal of winning over the world. If one looks at globalization from an international point of view, Usunier (1993) argues that globalization is just a myth, and wishful thinking of marketers, who just do not want to invest the time, money and energy of researching in depth their foreign consumers. It could however, be argued that there is no reality to culture and that it is just an excuse when something can not be explained. As a result he claims that consumer's cultural differences are being ignored so that companies can respond to competition and create entry barriers in the market. There exists little empirical evidence that shows that consumer's tastes and preferences around the world would be homogenizing. Although products may be global the reality is that consumers are not. However, today, culture is still a force that plays a strong role in influencing the thoughts, behaviors and actions of those within their society. In fact, this study gives support to the fact that culture and emotions toward ones country influences the trust for domestic and international brands. Furthermore, depending on the product some countries will prefer reliability as oppose to another country that is looking at the price. It is clear to me that globalization cannot take all these concerns in mind and therefore, we believe that global brands will have

difficulty being trusted in particular markets. However, it was shown in the focus group study that certain product categories are trusted when they are marketed globally, due to the consistency that follows with mass-production. Based on these arguments and the study done on Nepal, we strongly believe that consumer's simply trust brands that correspond to their needs and the needs that one may have in their culture. Therefore, we believe that the role that global standardization should play in marketing brands definitely should be limited, allowing more room for local adaptation and tailoring brands to the needs of consumers.

6.2. Recommendation

In Nepal, the trust for a brand is clearly favored by a connection to Nepal. It was shown in the focus group study that there is little or no consensus regarding what constitutes a domestic or Nepalese brand. It is however obvious that when a brand is perceived to have a strong link to Nepal, this has a positive effect on the trust for the brand compared to the trust for brands that does not have this link. But it is not always favorable to adapt all brands locally. Coca-Cola has shown that it is possible to build a high trust brand around the world with very little local adaptation and seem to enjoy a high level of trust in Nepal as well.

A. Cultural Analysis is Essential:

By studying the Nepalese culture and interviewing Nepalese as well as non- Nepalese a logical conclusion can be made about Nepalese and their relationship to domestic and international brands. Nepalese have a great deal of trust for their country and they transfer this trust onto the brands that they feel are connected to the values that are strong in Nepal. The international brand can even build stronger trust for its brand based on these counteracting factors.

For example, if the brand is competing in a high quality segment, a link to Nepal could have a positive effect and give natural trust for the brand. However, another brand could

counteract the trust for the Nepalese brand by a link to a country also known for their high quality and maybe also with higher perceived value. In general, longevity is a key factor that Nepalese need in order to trust an international brand. If a brand can obtain longevity, this can to a high degree counteract the domestic advantage. Unfortunately, it can take a long time to achieve longevity in a market. A common statement was that '*you trust what you have grown up with*', which basically means that you have to start building trust with the target generations parents.

B. Successive Strategies should be carried out:

It seems as if there are two successful strategies for an international company that wants to obtain a trusted brand in Nepal.

- First, it is possible to introduce an international brand in Nepal and gain trust for it with long-term thinking, well-managed marketing pressure and certain flexibility to Nepalese needs. The brand does not have to be totally adapted to the culture but flexible to cultural norms of what is acceptable and not.
- Secondly, a company can obtain an existing brand in Nepal without affecting the perception or trust for the brand noticeably. The brand equity in the form of trust can be substantially higher with this strategy than if the company tried to introduce a global brand in the Nepalese market. The alternative that is appropriate is dependent on the industry that the brand is in.

6.3. Conclusion

There is great need to investigate trust and the relation to brands in order to develop a consistent body of knowledge in the area. A major study on the relationship between consumers' trust and brand performance should be carried out as a first step. Second, how trust is affected in international markets must be studied more in depth. This thesis can be considered as a valid pre-study for an extensive study in these areas. Thereafter, the logical next step would be to examine specific implications in international markets for

the trust of brands. When it comes to the Nepalese market there are some interesting implications to examine. In the last couple of years several brands strongly connected to Nepal has been sold to foreign companies. In this study it is initially found that the actual knowledge among consumers about the ownership of brands and companies is very low. In addition, brands that used to be domestically owned but are known to be owned by international companies today, can still be considered Nepal under certain conditions. Where the ownership, operative leadership and production facilities are located are some of the factors that affect the perception of whether a company is domestic or not. It would be of great interest to statistically study whether the trust for brands is independent of these factors or not. Another approach would be to follow a company before, during and after it's sold and measure the effects the sale has on the trust for its brands. It could be hypothesized that the trust would go down initially when the news is first released to media but that the trust for the brands will eventually normalize.

It would be most interesting to study how the internal organization in a company actually affects the trust for a company's brands. Many researchers claim that this is a key factor to the trust that a brand receives. For a large international company it must be harder to achieve consistency in the behavior within the organization. It should be examined if the size of a firm and the extent to which a brand is international can be connected to trust. Also, there is a need for normative studies in order to spread the implementation of trust strategies. For example, how can international companies maintain its brand image in different markets?

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Questionnaire

1. What does trust mean to you?
2. Would you say that you are a risk taker or risk averse and explain why?
3. What are some words that you would use to describe your culture and explain why?
4. What are the characteristics that stand out in your culture the most, that you think brands need to connect to if you are going trust that particular brand and explain why?
5. What is your most trusted brand in the world and explain why?
6. What international brand do you trust and explain why?
7. Would it be more difficult for you to trust and international or a domestic brand and explain why?
8. Describe experiences with international brands and explain how these experiences have impacted your trust for the brand?
9. Do you think that international brands fit into your culture and explain why?
10. Are your domestic brands more or less trustworthy than international brands and explain why?
11. Would you prefer domestic or international brands when given the choice and explain why?
12. What is the quality and the value (what you are getting for your money) of the following brands, America, France, Germany, Italy, Chinese, Japan, Korea from a scale of 1-5 (1 being the lowest 5 being the highest) and explain why?

13. From the most trusted to the least trusted, tell me the order of the brands in which you trust from the following countries, America, France, Germany, Italy, Nepalese, Japan, Korea, and explain why?
14. 14. Would you trust your domestic or an international brand more when it comes to the following products and explain why? Cars, Mobile, Perfume, Soft Drink
15. If the international brand has a higher price than your domestic brand, do you believe that the brand has better quality and explain why?
16. Do you usually stick to one brand or do switch brands regularly and explain why?
17. What are the things that influence you to trust international brands and explain why?
18. If you find out that a brand is not domestic and that it is international does that change your perception of the brand and explain why?
19. What is your impression of international advertisements compared to your domestic brands and do you trust international ads more than Nepalese, explain why?
20. Are international brands more or less consistent in their marketing than your domestic brands and explain why? (*Ex quality, value, advertising etc...*)
21. Do you think that international companies exploit worker from third world countries more that domestic companies and explain why?
22. Do you get a more credible impression from international brands or your domestic brands and explain why?
23. In total what is the percent of international and domestic brands that you use?

Appendix:

Date:-.....

Dear respondent,

Please find enclosed here with the questionnaire for facilitating the research to be conducted for the partial fulfillment of the requirement of the MBS degree. You are cordially requested to go through the questionnaire, put your view and hand over the same to the undersigned after duly completed.

The view collected from you will be used for the purpose of this study and will be contributing a lot for the complete success of the study.

Your co-operation in this regard will be highly appreciated.

Binod Adhikari
(Researcher)
Balkumari collage
Narayangarh