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COUNTRY OF ORIGIN EFFECTS ON BRAND IMAGE AND SOCIAL STATUS IN AN EMERGING MARKET

Amit Gautam*

Abstract

Research suggests that country of origin (COO) information serves as a cue from which consumers make inferences about product and product attributes. The COO cue triggers a global evaluation of quality, performance or specific product attributes. Consumers infer attributes to the product based on country stereotype and experiences with products from that country. As consumer demand for products in developed countries is reaching the saturation point, companies are looking for new consumers with a strong purchasing power elsewhere. Clearly, through undertaking consumers' differences, companies can better position their product in the marketplace. Hence this research will look at COO effects with respect to price, quality, brand effect and social status to determine elite consumers buying behavior in an emerging market and will provide better understanding and insights into the emerging segments of elite consumers in India.

INTRODUCTION

Country-of-origin (COO) in business term means the original country of products or companies. This is identifying through its image toward their customers in different culture-environment. It could lead on possible effects towards international business success and future expansion. Research into COO has focused on various issues linking COO with other marketing variables such as consumer nationalism, demographics, hybrid products, brand effects, product quality, price, consumer perceptions, technology sophistication, product features, advertising images and country images to measure consumer perceptions and purchasing behavior (Ahmed, 2007). Earlier research has pointed out that these

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factors influence consumers' attitudes, preferences and purchasing decisions. Hence COO cue has become an important information cue for consumers who are exposed to far more internationalized selection of products and multinational marketing than ever before. The following sections report in the research objectives, methodologies and findings.

LITERATURE REVIEW

Research linking COO with elite consumers remains scarce, particularly with regard to Indian consumers. This research therefore, will investigate the COO effect on consumers purchasing decision in the emerging market of India. The literature has shown that COO information is, in fact, integrated with other information cues in forming attitudes towards the product and in expressing purchase intent. This study will assess the combined effect of extrinsic cues on consumers' perceptions, as a single cue study unlikely to represent adequately the information environment with which product evaluations take place. It has been stressed (Jaffe, 2007) that future studies should examine the interaction of COO and other extrinsic cues. Consumer' social status has been merely investigated in COO studies. Although the literature indicates that there is also a great need to investigate consumers' demographics as it has a great impact on consumers' preferences and purchasing decisions, this will be further investigated in a study subsequent to this. The focus of this study is to measure a product's COO effect on consumer purchasing decisions with regard to price, brand name, product quality and social status.

The limitations of single cue studies have been demonstrated in research involving price cues. While early single cue studies have shown a significant impact on perceived quality. Later studies reveal that, when included with other image variables, the price effect is markedly reduced. Similarly, the origin effect may be overstated in single cue studies. Since such cues as price may be correlated with the product's origin, therefore, multi attribute studies are needed to assess the unique effects of related cues. A comparison of single cue treatments (COO information only) and multi cue treatments (inclusion of price and brand information with the COO cue) have been focus of debate in recent research (Balabanis, 2006). A stronger origin effect on product quality ratings of the products is shown when the COO cue was presented without price and brand information. It has been found that COO effects may be more powerful as product complexity and

risk increase and as purchase frequency of that product decreases. With diminished ability to form judgments, consumers appeared to rely more heavily on extrinsic cues such as brand name and COO (Kucukemiroglu, 2006).

In this context, research shows that the impact of such characteristics as price, COO, brand and style affect consumer evaluations of product quality and has a significant effect on consumers purchase preferences. For instance, consumers negatively evaluated the importance of COO relative to brand name, when the product was produced in a less developed country. Negative evaluation of products made in less developed countries was not overcome by a well known brand name (Owens, 2006). The research determined that the sourcing country also has a more powerful effect than brand name on consumer evaluation of bi-national products. It has also found that integrated COO with other extrinsic cues has shown that the negative effect of production locations may require different promotion and marketing strategies (Dwight, 2006).

It has been suggested (Neenah, 2007) that the brand name cue evokes not only beliefs about the brand itself but also triggers recall of the country associated with it as its COO. For example, regardless of where Philips products are produced (MC), consumers may also associate them with the Netherlands COO, thus triggering the relative overall image of the country (COI) and its image as a source for the specified product line. As is the case for the made in country, the associated country (COO) affects the brand image of the product line and moderates the effect of the brand image alone (Baker, 2008).

The image of a particular make and model of a product completed the brand and country information processing. When a product's 'made in country' is known to consumers prior to exposure to the product's attributes, then the image of the country as a producer of the product line affect product's image through the image of the branded product line. If a products made in a country is made known when the product's attributes are evaluated, the image of the country as a producer of the product line directly affects the product image. In this case, the made in country functions as an attribute of the product (Wyer, 2009). In addition, perception of product quality is influenced by other exogenous cues such as price, social influence, consumer gender, income, education and professional background. All these factors influence consumer's purchasing decision. So, purchasing decisions are also influenced by other extrinsic cues,

such information cues affect the image of each alternative product and product choice.

As described earlier a country image changes over time. Country image may also dynamically change as consumers gain experience with products made in certain countries. Moreover, there may be a two way influence between a product's brand image (BI) made in country image and the perceived *COO* of the brand. For example, a well known global branded product when sourced in a weak image country may improve the country image of the manufacturing country, but will damage the brand image. Given their experience with purchased products, consumers evaluate the relative satisfaction from these and other purchases. The evaluation made by an individual customer is not limited to his or her own purchases. By way of word of mouth and mass media communications the individual is exposed to the experience of others as well. Thus the evaluation is a learning process that integrates experience information from varied sources.

Consumer buying behavior is influenced by many uncontrollable factors such as social influence. Social class and reference groups are important factors that affect consumers' buying behavior. It has been pointed out (Bareham, 2005) that social class can be defined as relatively permanent grouping of people who are similar in their values and behavior based on their economic position in society. Furthermore, a consumer buying power is determined by income or wealth, occupation or housing is related to their social class. Further discussion (Solomon, 2008) indicates that social class appears to be better predictor of purchases that have symbolic aspects. Social class and income data together are better predictors of both expensive and symbolic products.

Humans are inherently social animals and individuals greatly influence each other. Customers seek brand related knowledge from experience of other reference groups for instance friends, neighbours, relatives or work associates in order to gain reliable information. The greatest impact and influence on individual behaviour is exerted from a primary group. It includes family, neighbours, friends and social club. Primary groups are more important to the consumers in the developing of product beliefs, tastes and preferences and have a more direct influence on purchasing behaviour. The individual uses them as a standard of reference for his or her general or specific thoughts, feelings and actions. Reference groups provide models for an individual's motivations, perceptions, learning,

attitude formation and decision making. For necessary or inexpensive goods the influence of the reference group on product choice is relatively small. However, the reference groups' influence on brand choice or luxury goods may be relatively great.

Indeed, Western and Asian consumers exhibit different buying behaviour (Schette, 2008). Western consumers tend to be more individualistic and impulsive when making purchasing decisions and tend to be more influenced by personal factors. On the other hand, Asian consumers are less individualistic in buying behaviour and personal preferences are determined by input from various sources such as family, friends and peers. The family unit is the basis for virtually all known societies. Many family purchases are inherently emotional and affect the relationship between the family members. Families have a lifelong impact on all of us both genetically and through our early socialization, no matter what culture we come from. Family, whether nuclear or extended, is still a major social group for most people and has strong influence on the behaviour adopted by individuals within it, including consumer preferences. Moreover, due to the strong collectivist orientation of Asian cultures, the family is regarded as the most fundamental group in life that influences people's behavior.

METHODOLOGY

Aim of the Study

The study aims to investigate further COO effects among elite Indian consumers, when purchasing both symbolic and functional products. The objectives of the study are:-

- To determine the importance of COO information amongst elite consumers in an emerging market.
- To identify COO effects on Indian consumers' perception of a product with respect to price, quality, brand and social status and to determine the importance of COO information when making purchase decisions.

Hypothesis

Informed by the literature review and by focus group findings, four key areas of research were chosen for detailed analysis. These four areas investigated the nature, direction and influence of COO effects on consumer perceptions of:

- Product price
- Product quality
- Brand effects
- The social status of products and brands.

Nine hypotheses were used in the study as shown below. For these hypotheses, the relationship between variables and not the differences between groups is examined.

- (1) A product's price is not more important than its COO as an indicator of product quality.
- (2) COO is no more important than brand name when buying a product.
- (3) To seek for COO information for inexpensive products is not as important as it is for expensive products.
- (4) When buying a durable product its COO does not serve as an indicator of quality.
- (5) COO information, which confirms social status and meets with the approval of family and friends, is not more important than COO information which confirms the manufacturing excellence of a product.
- (6) A positive COO image is not as important as an indicator of product quality as it is in gaining approval amongst the family and friends.
- (7) Relying only on COO information as an indicator of product quality is not seen by consumers to be justified.
- (8) COO information does not allow consumers to make more informed purchasing decisions when buying a product or brand for the first time.
- (9) Consumers are not willing to pay a higher price for a product without knowing its COO.

The Questionnaire

A previously used scale (Zain, 2007) was modified and extended to address the concerns of this research. This new scale contains twenty eight items. The scale matches the research's main aim, objectives and hypotheses. An English

version of the questionnaire was used in this study and contained the twenty eight COO Likert type items, using a five point scale (5= strongly agree, 4= agree, 3= neither agree nor disagree, 2- disagree, 1- strongly disagree). The questionnaire was administered to elite consumers representing both professionals and business managers. A second part of the questionnaire was used to obtain demographic information about the respondents: gender, age, education and profession.

Respondents' Profile

The overall sample represents an elite segment in an emerging market. The sample was drawn from working professionals such as engineers, doctors, managers and students that were from Banaras Hindu University, School of Management Sciences and RSMT, UP College undertaking either Bachelors (BBA) or Masters Degree in Business Administration (MBA) in Varanasi. The mean age of 250 respondents was 33 years; the age range was 18-62. Of the 250 respondents 164 were male (66 percent) and 86 were female (34 percent). The 109 (43 percent) respondents were doctors, 10 (4 percent) engineers, 67 (27 percent) managers, 24 (10 percent) businessman and 40 (16 percent) students undertaking either bachelors or masters degrees in Business administration. This reflects the high level of educational background amongst the respondents.

RESULTS

Eight out of nine null hypotheses were supported as there were no or weak significant correlations found between the variables (see table 1). Even those few results showing significant correlations could be rejected as the actual correlations were low (less than 0.40) and represented weak psychological linkages. (Item numbers 9, 14, 15, 16, 23, 24 were not incorporated in the analysis as the response generated was inadequate for the purpose of analysis.)

DISCUSSION

Perhaps the most important finding resulting from the present research is the relatively limited significance that COO effects have on product perceptions and on the buying behaviour of an elite, affluent group of consumers. This research demonstrates that COO effects, while important, do not often dominate the process of consumer preference formation or the decision to buy. This finding stands in marked contrast to some earlier research which has reported that COO effects were highly influential in the marketplace. This is also somewhat counter-

Table 1: Showing Correlations

Hypothesis	Comparison Items		Spearman's correlation coefficient	Significance (2 tailed) NS=non significant	Hypothesis Acceptance/ Rejection
1	11	18	0.007	NS	Accepted
	11	25	-0.045	NS	
	17	18	0.168	0.008	
	17	25	-0.035	NS	
2	03	01	-0.001	NS	Accepted
	03	05	0.079	NS	
	06	01	-0.022	NS	
	06	05	0.084	NS	
3	10	07	-0.108	NS	Accepted
	10	19	0.007	NS	
	27	07	-0.138	0.029	
	27	19	-0.068	NS	
4	04	12	0.217	0.001	Rejected
5	20	08	0.042	NS	Accepted
	21	08	0.087	NS	
6	20	13	0.033	NS	Accepted
	21	13	0.074	NS	
7	28	18	0.075	NS	Accepted
8	26	03	0.016	NS	Accepted
9	22	02	-0.008	NS	Accepted

intuitive. It is often noted that 'affluent elites' certainly have the disposable income to indulge in conspicuous spending (whether for quality or 'status') and are often believed to be greatly influenced by highly, high-status products imports from countries which themselves enjoy a quality 'reputation' for the goods and services they produce.

The present research reveals that *COO* effects are particularly important under certain conditions- for example, when consumers are deciding on the purchase of expensive products and are buying presents and gifts for family and friends. However, there are many other buying situations in which *COO* effects are no more important, and are sometimes less important, than other influences on product perception and on customer preference formation. It is therefore interesting to speculate as to why this should be so. Why does *COO* effect seem to exert a more limited influence among elite, affluent buyers? First, the higher educational qualifications, coupled with the more cosmopolitan lifestyles of managerial and professional elites, mean that such consumers are better informed and have more detailed information available to them when making decisions to

buy any given product or service. This 'extra' information means that they are less influenced by national stereotypes (whether true or false), and so COO effect may be a part of any product evaluation exercise but will not dominate the final decision to buy. Second, the wider and deeper knowledge of markets and of the structure and operations of multinational companies in particular, and of global manufacturing and marketing strategies in general, means that such elite consumer group have a greater understanding of how modern, globally structured businesses operate. In particular they are aware that product and services promoted under a given 'made in' label may well disguise the fact that parts manufacture and assembly may be carried out in an entirely different country or group of countries. This increasing 'globalization' of manufacture, assembly and marketing will inevitably dilute the importance and impact of any 'made in' information available to the potential buyer.

The acceptance of the hypothesis does indicate that a lower level of importance may be attached to *COO* effect than has previously been suggested. Although, the present study of *COO* effects on consumer behaviour was conducted in only one country namely, India, similar consumer attitudes and patterns of behaviour may be well be found to exist elsewhere. However the specific cultural, economic and social conditions found in India means that it is not valid to immediately draw conclusions about *COO* effects with respect to other countries on the basis of the Indian findings alone. The study has clearly identified the effects of *COO* information on an affluent, elite consumer group within India. However, the effects of demography on *COO* effects may well play a part. This research should be replicated in other countries to determine the nuances in those target markets and the effects of demographic variables.

Managerial contribution

Marketing and business managers seldom target entire populations of consumers in attempting to sell the products there manufacture-rather; they segment their markets and target one or more specific groups of consumers. In contrast, studies into *COO* effects have tended to be based on cross sectional research across whole population and have provided both academics and business practioners with aggregated, rather than disaggregated, data with respect to the role and importance of *COO* effects. This has given marketing managers an 'overview' of such consumers' behaviour, but has not offered any specific, more

detailed information on targeted consumer group which are of real importance to the firm. In short there has been a lack of focused data which is of considerably greater value to companies that segment their markets and which target very specific group of consumers within any given economy. A major contribution of the present study is that it has isolated and researched one specific group of consumers, whose buying power and economic importance is particularly significant in the context of developing economies. The research focused on the group of relatively affluent managerial and professional elites, who have the financial resources to indulge in high levels of spending and consumption. This research has converged on such a group of consumers in India, and has demonstrated the value to business managers of a more disaggregated approach to studies into *COO* effects.

CONCLUSION

The present study has explored the relationship between *COO* information and consumer behaviour with reference to an elite managerial and professional consumer group in India. In order to generalize the findings, the study needs to be replicated in other countries with a view to either confirming or refuting the Indian findings. This research provides an insight into the demand characteristic of an elite consumer segment, and this allows marketers to design appropriate marketing mix strategies which will help them to target existing and future customers and to position their products in the Indian market in particular. It helps companies to understand the opportunities and the limitations of using *COO* 'made in' campaigns in promoting product sales.

The marketing function and strategy of the manufacturing organization can be viewed as a system. Here, the market has been segmented into elite and non elite consumers. The elite consumers have been gathered together as they have common social and purchasing needs. However this segment can be further segregated according to the types of products desired. Perceptions concerning brand, *COO* and quality will clearly be different for functional and luxury products. Independent regional marketing centers close to the target, not only geographically but also culturally and psychologically, are likely to be best placed to understand local market needs. These regional centers thus become the interface to understand between marketing system of the organization and the market itself. However when planning to move into the new market, regional centers will be the best

place to conduct detailed research into their own products and the potential target market, to investigate cues such as the brand image and COO effect. Elite consumer markets will require a different focus than mass markets. Business managers seeking to promote products to the elite market will need to take note of the equal importance of specific cue information, price, quality, social status of items and brand effect with COO information.

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