Country of Origin Effects on Consumer Behavior

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Abstract:
This piece of research paper deals with country of origin effects on consumer behavior. It is a review of all the researches that has taken place over so many years in this area. It provides an answer that country of origin do effect consumer beliefs, attitudes and perceptions. Country image effect and tendency of consumer to be ethnocentric leads to certain biases for certain products of certain countries which neutralizes as consumer become more familiar with the product and involved in his purchase. Difference in demographic profile of consumer also leads to varying degree of country of origin effects. This study is an important piece of information for marketers who often are in dilemma about the choice of strategy to be adopted because world even though globalized is still running carrying boundaries of its cultural, political and economic environment.

Keywords: Consumer ethnocentrism, Country image, Country of origin, Product knowledge and consumer involvement

1. Introduction
In simple terms country of origin refers to country in which the product has been developed or we can say the country to which product belongs to and identifies with. It is called motherland of a product. Country of origin is generally indicated by “made in ...” labels the use of these labels can be traced back to ancient Greece, where it was common to stamp product with logos or marks and other indicators of origination. In ancient Egypt, brick makers used to mark their bricks, farmers used to mark their animals with place of origin. The purpose was identification and differentiation of products. The origin was specified not only for identification, but also to signal quality because since ancient times countries has been famous for their products such as India for its spices, French for its wines and perfumes, china for its herbs, textiles industry in Egypt, pearls of Australia etc.

The main turning point came into country of origin use (as labels) was after the end of world war one, in 1914. The countries that lost the war (Germany) were obliged to mark their products with made in labels (made in Germany) so that people can identify and avoid the products from war defeated countries. Country of origin was more of “Beware Sign” rather than a label or a brand. But the stigma which it carried did not work any bad for the defeated countries because made in labels emerged as strong tool of marketing in the hand of marketers. Made in Germany became a sign of high quality well known for its workmanship and Germany is carrying its legacy in this field even today (cai, 2002). Than began the era of research into the field of country of origin labels and their possible effects on consumer behavior.

1.1 Consumer buying behavior and country of origin effects
Consumer behavior is the study of how individuals, groups and organization select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants. Consumer buying
behavior is a detailed process which starts with stimuli and ends with a response. It starts with certain inputs which are processed and then output comes up.

Marketing and environment stimuli enter the consumer consciousness and a set of psychological process combine with certain consumer characteristics to result in decision processes and purchase decisions. Marketers’ task is to understand what happens in consumer consciousness between the arrival of the outside marketing stimuli and ultimate purchase decisions. (kotler) Thus, consumer buying behavior model is a stimulus response model. In marketing, consumer receives stimulus from their internal (need, tension, anxiety etc.) environment or their external environment (advertising, family, friends etc.) consumer evaluate these stimulus on the basis of his cultural, social and economic backgrounds. Consumer psychology plays an important role in evaluation of various alternatives. Four key psychological processes-motivation, perception, learning, and memory-fundamentally influence consumer response.

Our main concentration in this research paper is on **consumer evaluation** which constitutes a part of **consumer pre purchase behavior**. Consumer evaluation process constitutes all those steps starting from consumer coming into contact with a stimulus, processing information so obtained and ultimately deriving conclusions about product quality, durability, credibility etc on the basis of all possible cues available. Before buying a product consumer evaluates a product on various dimensions such as quality, durability, convenience, disposal etc.

Evaluation process at all arises because of the presence of choice i.e. when there are number of alternatives available to the consumer. Larger the number of alternatives more complex the evaluation process becomes. In all economic theories we assume that consumer is a rational entity. Before buying a product, a consumer evaluate each and every alternative, involve himself in a cost-benefit analysis, analyze various constraints and try to come out with a decision which is best for him.

According to early economic theories, a consumers’ choice was based upon assumption that he knew what he was buying. This was probably true for an era where the limited number of alternatives were available to consumers. With increasing technology, emergence of marketing concept, increasing competition there is a flood of products and brands available to consumers, hence thereby making evaluation process complex. But for an average consumer it has literally become impossible to evaluate various alternatives in the midst of so many constraints (time, money, effort).

Cox (1962) was one of the first investigators to develop a model on consumer evaluation process. He suggested that a product could be viewed as “Array of Cues”. Consumer makes judgment about a product through these cues. Johansson et. al. (1989). Consumer utilizes various cues to make inferences about a product’s quality. It is necessary to make inferences because process of trial and error is generally not available in real life situations. Olson (1972) stated that consumer perceives, distinguishes and makes judgments of cues which he believes are related to product quality. Since it is difficult for consumer to carry out objective product quality testing procedure, consumer judges product quality on the basis of factors which he believes are related to product quality. (Johansson et. al. 1989)

When we talk about cues in consumer evaluation process, it is necessary to distinguish between extrinsic and intrinsic cues. In this system, a cue to product quality is considered in terms of the degree to which it is intrinsically or extrinsically a part of physical product. A cue is called intrinsic to the extent that, if changed the resultant change would take place in physical product itself. **Extrinsic cues** are not related to physical product at all rather they are hypothetically
created to be part of physical product. **Extrinsic cues** include price, brand name etc. as we are very well aware about price quality relationship, that “higher the price higher will be the quality.”

**Now the question which arises is that whether Country of origin, is an extrinsic cue or intrinsic cue?**

The answer to which is that—Country of origin constitute as part of labels. They are not at all related to physical performance of a product. Consumer can only analyze about the conditions under which the product would have been produced and nothing more than that about the physicality of a product can be derived from it. So country of origin is an extrinsic cue. As an extrinsic cue it gives rise to country of origin effect. Country of origin effects refers to how country of origin as an extrinsic cue is used by the customer in evaluation and shapes their perception, attitudes and intentions toward buying a product.

There are various dimensions of country of origin effect which effects consumer perception at one level, consumer attitude and beliefs on the other. In subsequent section we will study about these effects in detail.

### 1.2 Relevance of studying country of origin effects

The concept of country of origin has emerged years or we can say decades ago. We have already studied that it was used as an identification mark and also for signaling quality. During 16th century, whiskey distillers started to use actual brand names and throughout 18th century, brand concept evolved. During 19th century, producers tried to enhance the perceived value of their products through consumer associations with brand names. During second half of 20th century, internationalization expanded rapidly. Closed economies such as India and China opened up their economies. With concept of new trade theory (1970’s) companies from all over the world joined each other in the race to achieve economies of scale. With a view to gain competitive advantage, companies started locating the production to their optimal locations (John dunning-LOCATION SPECIFIC ADVANTAGES). Optimal location refers to those locations where cost of production is minimal and has an ease to accessibility of raw material, skills required for production. (Hill & Jain)

With all this, country of origin labels found to be irrelevant. Levitt (1983) gave the concept of global brands. He said that with globalization, a global class of consumer is emerging having similar tastes and preferences (Global youth segment). Therefore there is a need for standardization rather than differentiation, Global corporations rather than Multinational corporations and hence global brands rather than multinational brands. Therefore with this theory of Levitt, country of origin labels and study into their effects found to be irrelevant.

The concept given by Levitt is true only for certain category of products and applies only to certain category of consumers. Even with the globalization, this concept seems far away from reality. This is because still there is class of consumers, who have this strong desire of belongingness to the place they identify with. This however becomes difficult to satisfy in globalizing world. This is what we call as “Paradox of Internationalization”. Belk explains this concept through Newton’s principle “that for every action there is equal and opposite reaction”. The opposite reaction in this case is, consumer perceives internationalization as direct threat to their identity and there by end up in loving their region more. This attachment encourages them to buy locally produced goods as reassurance to their identity.

Secondly, standardization and lower costs have resulted in an urge to buy something different in customer. They want variety but unique distinctiveness in product. In this case regional products
can be offered to them as alternative to the standard global brands. Two unique characteristics of regional products are:
1) They provide a unique selling point in comparison to global brands.
2) They are rare and constitute a status symbol and specialty good because special effort has to be made for their purchase.

Thus, it is relevant to study COO effects on consumer purchase evaluation. Our next section deals with various works that has taken place realizing the importance of this area and its possible implications on marketer.

2. Literature Review
2.1. Country of origin as a tool in marketing is being studied now since more than 40 years. First study in the area of country of origin was conducted by Schooler (1965). He concluded that countries of origin do affect consumers’ opinions regarding the product. According to Dubin (1978) a theory must contain six elements ‘what’, ‘how’, ‘why’, and ‘who’, ‘where’ and’ when’ in consumer context. But the study conducted by Schooler (1965) failed to explain the ‘how’ element of the theory. This limitation opened gateway to heavy research in the area of country of origin effects. In a recent study conducted by Veale et.al., (2006) analyzed the effect of country of origin as an extrinsic cue. This study proposed that consumer do take all information about country into account while deriving conclusions about quality of the product. In that case country of origin emerges as an important extrinsic cue. The way in which consumer utilize this cue in product evaluation process depends upon his level of involvement and degree of his knowledge with respect to product. Due to globalization, as there are so many options available to consumers but with limited ability to process each and every alternative. Consumer generally tends to rely on extrinsic cues to formulate quality judgments when his prior knowledge with product is very less and he wants to escape detailed information processing. But how country of origin leads to quality judgments? Research overtime has provided an answer to this question as follows.

2.1 Country of origin effects and country image
In marketing we are very well aware about price quality relationship, that “higher the price higher will be the quality”. Similarly consumer formulates quality judgments on the basis of image of country a product belongs to. Nagashima (1970) in an academic paper defines country image- “it refers to economic, social, technological and political part of each country.” With Globalization, Emergence of Multinationals, various options are available to consumers but with a very limited knowledge to evaluate each option. In this case consumers are likely to rely on their previous experiences with country and product for decision making. When studying about country of origin effects distinction has to be made between beliefs based on information about products from a particular country and beliefs about country itself. Former refers to product knowledge whereas latter refers to country image. We will study product knowledge later on.

Verlegh (2001) defined two components of country image- geographic component and human component. Geography includes climate and landscape of a country whereas Human component refers to skill, competence and creativity level of people of country of origin of product. Both of the components if positively evaluated with respect to a country create a favorable evaluation of product. For example geographic component like right sunshine, temperature leads to positive evaluation of food products. Similarly landscape of a country makes it a good tourist destination. Human component make country ahead in technology and manufacturing. Thus Country image have direct effect on perception about product quality.

Han (1989) stated that when goods are not well known to people, country image creates a “Halo Effect”. Halo effect has been used to describe situations in which evaluation of a single object or a
person on multitude of dimensions is based on evaluation of a single object (Kotler). This effect formulates consumer beliefs about a product. For example if consumer knows that German cars are known for their durability and Audi is a German car, in that case image of Germany will act as a halo and consumer will evaluate that Audi is durable. Country image effects as a halo construct will depend upon product category being evaluated. Roth and Romeo (1992) stated that country of origin will have favorable impact on product evaluations when a Product country match occurs i.e. the dimensions on which the country is being evaluated, perfectly defines the strengths consumer is looking for in a product. For example- consumer may evaluate German automobiles favorably because of its long established image on workmanship but when it comes to German beers consumer may not evaluate it favorably because in this case product country match do not occurs. Country image also creates perceptual distortions in the form of national stereotypes. Stereotyping refers to human tendency of over generalization. National stereotypes exist when consumer evaluate a product on the basis of degree of development of a country. Lascu and Manrai (1998) found that product evaluations were most favorable for highly developed countries and least favorable for developing countries with newly industrialized countries falling in between. Kerbouche et al., (2012) found that Chinese products are considered as cheap, old fashioned and poor in quality by consumers in rest of the world because of its status as developing country. Batra et al. (2000) conducted a study on consumers of developing country. He also found tendency of national stereotypes amongst them. He found that consumers in developing economies have generalized status preference for non-local brands basically from developed countries. Venkatesh & Swammy (1994, p.207) argued that consumers in developing countries today wants to be able to participate in the global consumer community, leading to an aspirator yearning for many foreign made brands. Nagashima two studies allowed him to draw an important suggestion that origin images can change overtime. So country image can be improved by continuous effort and high involvement in innovation and quality consciousness. As country image has direct effect on consumer beliefs and affect consumer perception, improving upon this area of product dimension may enable marketer to gain competitive advantage.

2.2. Country of origin effects and Consumer Ethnocentrism

Besides country image country of origin directly affects attitudes on the basis of consumer tendency of being Ethnocentric. Shimp and Sharma (1987) coined the term consumer ethnocentrism. According to Shimp and Sharma (1987, p.280) "From the perspective of ethnocentric consumers, purchasing imported products is wrong because, in their minds, it hurts domestic economy and causes loss of jobs...“(Dinnie, 2003).

Rezvani et al., (2012) in their research paper mentioned consumer ethnocentrism as part of a broader term named patriotism. Huag et.al., (2009) conducted a study in which they stated that tendency of consumer of being ethnocentric arises affective components of consumer psychology such as Allocentrism and consumer Animosity. Animosity refers to an emotional feeling where due to political, economic and military disturbances between the countries, foreign country takes enemy character in the mind of consumers. Example, American consumer resistance to buy ‘Made in Pakistan’ products after 9/11 attacks, people republic of china have animosity with Japan, New Zealand and American consumers boycott French products due to France’s nuclear tests in south pacific. The other aspect of consumer psychology which has been studied is allocentrism which is associated with collectivism. Collectivism is giving priority to group goals over individual goals. Research over time has shown that consumer high on collectivism tend to maintain their in-group identity and hence are high on ethnocentrism, if their group (one they belong to) is ethnocentric. Findings of the present study show that there is high correlation between consumer ethnocentrism and animosity and consumer ethnocentrism and allocentrism. That means consumer tendency to be ethnocentric increases with out-group animosity and in-group identity. The only difference is
consumer ethnocentrism due to in-group identity directly affects consumer attitudes and they become reluctant to buy foreign products but animosity only reinforces this tendency. Animosity is a kind of backward push taken by consumer due to out-group threats. Findings further showed that consumer product quality evaluations moderate the effect of consumer animosity on negative product evaluations. Thus marketers have ‘Quality’ as a tool in their hand to enter consumer domain of preferences. But contrasting result is consumer ethnocentrism effect is not moderated by product quality evaluations. In this case marketer can change their symbols to national symbols and may emphasize the fact that the products are not harmful for their economy.

Verlegh (2001) in their study used the term home country bias which refers to positive distortion in the perception and evaluation of a domestic product in comparison to a foreign product. They presented two perspective on home country bias – one being economic perspective called consumer ethnocentrism which they defined as a belief among people of a nation that it is inappropriate or even immoral to buy foreign products because of their strong desire to protect domestic economy and employment. Secondly they give a socio-psychological perspective which includes social identity theory (Tajfel, 1982). This theory defines that each individual associate himself with a group. They have a desire to maintain a positive self image as well as a desire to have a positive social identity which creates positive in-group bias in them. They evaluate the group they belong to positively in terms of quality and superiority. Different nations can be seen as different groups divided on the basis of nationality and citizenship. Just like a positive in-group bias towards a small group within a nation, there is sense of national identification among people which create positive willingness to buy domestic product among individuals. The findings of the study suggest that although national identification and consumer ethnocentrism have different motivations but they have positive effect on consumer willingness to buy domestic product and a negative willingness to buy foreign products. Research also suggested a strong association between consumer ethnocentrism and national identification suggesting that more strongly a consumer identify himself with a Nation more he’ll be Ethnocentric. Further Watson & Wright (1999) in their study analyzed the concept of consumer ethnocentrism in case where consumer is forced to choose amongst foreign products. Their findings showed that in case domestic options are not available Consumers high on ethnocentrism are more likely to buy products from culturally similar countries.

Thus, these two variables country image and tendency of consumer is what constitutes country of origin effects. Country image where causes perceptual distortions such as halo effect and national stereotypes on one hand, consumer ethnocentrism leads to biases towards domestic product on the other. For a consumer to make rational decision, it is very necessary that he should be free from biases and distortions. Researchers has shown that there are certain moderating variables which neutralize the effects of such biases on consumer behavior.

2.3. Country of origin effects and Product Knowledge

Brucks (1985) defined product knowledge as memories and knowledge’s that are in people’s minds related to a product. Product knowledge can be classified as:

1) Subjective knowledge
2) Objective knowledge.

Subjective knowledge is based upon the set of experiences and the degree of familiarity a consumer has with the product. Objective knowledge on the other hand is what a consumer knows about product’s quality, feature and performance level through various advertisements, public and opinion leaders in the society. Studies show that subjective knowledge has greater effect on product evaluation. Consumers having less of subjective knowledge go more for objective knowledge. As consumer’s objective knowledge with regard to product increases, his tendency to
utilize country of origin information to formulate quality judgments will decrease and there will be lesser scope of personal biases entering the consumer evaluation process. Moon(2004) studied the effects of consumer ethnocentrism and product knowledge on consumers’ utilization of country-of-origin information for their product evaluation. The findings of study showed low level knowledge consumers due to their little ability to process intrinsic cues were heavily dependent upon their stereotypical information regarding COO. But as their knowledge with respect to product increases, their tendency to rely on heuristics goes down.

2.4 Country of origin effects and Consumer Involvement
Consumer involvement refers to the degree to which consumer engage himself in information search, information processing and to the extent he can go for to seek variety, quality and specialty. Product knowledge plays an important role in information search behavior which in turn is an important indicator of consumer buying behavior. Josiassen, Lukas & White Well, (2008) presented a model that PIWCE-product involvement weakens the COO effect. Gurhan, Canli and Maheswaran (2000) also pointed out that country of origin effects weakens under high involvement.

Consumer involvement and product knowledge are interrelated. This is because first of all they both work as moderating variables in country of origin effects. Secondly, product knowledge works as moderator via consumer involvement. When a consumer is highly involved, his objective knowledge with respect to product increases and hence his biases with respect to product decrease.

Consumer level of involvement and knowledge varies with demographic factors such as age, gender, level of income etc. In further section we’ll be analyzing these variables.

2.5 Country of origin effects and Demographic Variables
Demographic factors refer to age, gender, income, education level etc. of a consumer. These factors play an important role in consumer evaluation process. Josiassen (2009) on his study on young consumers showed that they are more involved in buying process then old consumers. Secondly, Young consumers have tendency to achieve congruency between their actual and ideal selves. Thus they do not have biases associated with country of origin but they utilize country of origin information as factor to maintain congruency between their ideal and actual selves. High perceived congruency between place of origin and place specificity higher will be the reliability of country of origin as source of information. Study conducted by Schaefer (1997) analyzed the effect of demographic variables such as age, sex and socio-economic groups and found that demography do effect consumer evaluation based on country of origin but to a very small extent. He also stated that out of all the demographic factors, age has maximum moderating effect after that socio economic groups and gender has neutral effect. Hence with all these studies we can conclude our analysis as follows.

3. Conclusions
Above study opens up various pages of research history in the field of country of origin effects. Country of origin is a complex area because it is studied in the context of consumer behavior. Behaviors are uncertain to predict and analyze. Behaviors change from place to place and over a period of time. This is what underlies the reason of such a vast and inconsistent research in this area. The above study has tried to untangle various interlinked threads. It has tried to bring various concepts together to present a systematic view.

Country of origin refers to place where the product has originated or manufactured or place which is associated by consumers with the product. It is an extrinsic cue, which is used by consumer to
make quality judgments about a product. Consumer formulates these judgments on the basis of country image. Country image refers to a mental picture of a country created in the mind of consumers on the basis of information about a country political, legal and cultural environment or on the basis of degree of its economic development or on the basis of set of personal experiences they have with country. Country image helps in formulating consumer perceptions. These perceptions with regard to product may be positive or negative depending upon consumer perceptions about country. These perceptions will vary across product categories. A product will be favorably evaluated if there would be congruence between the category of product which is being evaluated and specialty of country. If there would be mismatch consumer will look for other extrinsic cues such as brand name and price. But a consumer may not always be cognitive. With so many alternatives available he may rely upon mental shortcuts which may lead to perceptual distortions such as halo effect, stereotypes etc.

Country of origin has direct effect on consumer attitudes towards product based on consumer tendency of being ethnocentric or allocentric or consumer feeling of animosity or sympathy for that country. These tendencies create biases in favor of domestic products. Based on such tendencies Countries initiates ‘buy national campaigns’ to create barrier to international trade. For example-“In USA companies try to capitalize on this concern by emphasizing that their product is “made in the U.S.A.” According to the made in the USA Foundation (2001), buying national “[instills] a pride in US citizens about our economy and our manufacturing process” (Verlegh, 2001).

These biases and perceptual distortions tell marketer what implications country of origin labels may have on product. In this case it is important to know that there are variables which moderate the effects on these biases and perceptual distortions. The research has shown that as consumer becomes more involved in purchase process he search for information and process it rationally. Similarly more consumers will have objective knowledge with respect to product his tendency to go for shortcuts will be reduced. Knowledge and involvement aspects vary from consumer to consumer on the basis of their demographics. It has been noticed that young consumers are more involved and knowledgeable compared to old age consumers similarly females go for more impulse and irrational buying in comparison to males.

Thus, based on above factors we can give following suggestions to marketer with respect to country of origin labels:-

1. As country of origin effects is mainly a part of globalization process. So first and foremost suggestion to marketer is thorough analysis of global markets. Cross cultural analysis is very necessary. Cross cultural analysis refers to determining the extent to which consumers’ of two different nations are different in their culture. Cultural background of a person decides maximum part of a consumer psychology. Thus marketer should understand culture of a country on following dimensions as stated by Hofstede-collectivism vs. individualism, uncertainty avoidance, power distance, masculinity vs., feminity. If he feels that consumers are collectivist and are high on ethnocentrism, he may go for national symbols, brand names and should emphasize that product is by no means harmful to their domestic, legal and physical environment. Whereas if he feels that consumers go for foreign products because of their desire for higher status, they can emphasize aspiration country brand names.

2. Marketer should analyze the demographic profile of consumers. For example- If the data suggest that majority population consists of young, educated and high income consumers like in India, he may go for creation of world brands. World brands are for products that are manufactured, designed, packaged and positions in same way regardless of the country they are sold to.
3. Thirdly marketer should analyze image of a country in the minds of targeted consumers. When country image is favorable, marketer should emphasize and highlight ‘made in labels’. When country image is unfavorable marketer may not attach country name with product, he may go for foreign branding. Foreign branding is a technique of giving foreign brand names to products where although product may belong to one country but its name associates it with some other country. This is done to increase the perceived value and desirability of product when country image is not good.

4. As country of origin is linked with quality, countries have designed comprehensive rules of origin to protect their consumers from harmful imports. This is called product homologation where marketer can’t help but have to emphasize country of origin labels due to legal requirements; in that case marketer may go for global branding. A global brand refers to worldwide use of a name, symbol, term, and design etc. to distinguish a product from competitor. Powerful global brands include Coca-Cola, Kodak, Sony, McDonalds etc. Perceived ‘Globalness’ help in increasing sales and tend to play down the country of origin effects.

5. It should be remembered that country of origin can create a preference not a conviction for purchase. A positive country image may help in reaching evoked set of consumer but country of origin labels is not a source of competitive advantage. In order to reach choice set marketer can only fight through real differentiation. Conviction for purchase comes only through real factors. So marketer should overtime improve upon real factors like design, quality, innovativeness and creativity in the product.

References


