Country-of-Origin Effects on Brand Equity: A Contextual Approach

Abstract:

Country-of-Origin (COO) has been widely accepted by researchers and marketers alike as one of the important cues consumers use while making brand choices. While a number of studies have been conducted on the subject, a comprehensive study in Indian context is yet to happen. The purpose of this paper is to review the previous researches conducted on COO effect on Brand Equity. We are interested in knowing the COO effect on brand equity rather than evaluating the accuracy of such evaluation. This paper would (hopefully) provide useful insight to researchers, advertisers and brand managers. The paper closes with research limitations and managerial implications.

Keywords: Country-of-Origin, Customer-based Brand Equity, Country Image

Introduction:

Having the second largest population in the world, India is certainly one of the key economies to be targeted by the marketers. As it was found by Bandyopadhyay et al., 2002, consumers in developing countries choose and evaluate brands differently. As a result, a study on country-of-origin effects on brand equity in Indian context is absolutely imperative. The emotional significance of the brands influences how they are evaluated. Emotions may be social and cultural in addition to being psychological so it is vital to understand the socio-cultural environment of the target market. In developing countries, it is not only the perceived quality but social status that acts as a primary driver to go for foreign made brands. A brand has its own culture (Kapferer, 2000). Major brands are driven by a culture (Marlboro, Mercedes, Toyota, Nike, to name a few). Many countries are perceived for expertise or quality in certain product categories.

COO Research Origin

- ***Development of Brand Equity Theory***

Brands are primarily used to distinguish one's products from that of competitor's (Keller, 1993). Brands exist because of perceived risk. Risk may be physical, financial, emotional or social. Once the risk factor is taken out of the equation, brands tend to disappear. That is the reason why there isn't any significant brand in products like sugar (Kapferer, 2000). Brands exist in the minds of the consumers; therefore, brand management is effectively the management of perceptions. Brand management is still a young and evolving discipline that comes under the purview of functions performed by marketing managers. Lately, companies have realised that the single most important asset that differentiates them from the competition and the one they can sustain for a long period of time.

In late 1980s, companies were acquired for as much as 35 times their earnings. Such pricing is a result of an invisible asset i.e. Brand. Hence the concept of Brand Equity came into the open. Brand Equity is "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers" (Aaker, 1991). It is customers' subjective and intangible assessment of the brand, above and beyond its objectively perceived value (Rust et al., 2000). It influences consumers' willingness to pay premium prices (Keller, 1993)

Brand equity measure is broadly classified into financial-based and consumer-based approaches. While the former deals with the financial impact of marketing activities on the firm whereas, latter focuses on how consumers perceive the brand. It is the consumer-based brand equity that is vital to a brand's success and financial consequences of brand equity will flow from it. It is defined in terms of 'mental brand equity' consisting of awareness, perception and attitude and 'behavioural brand equity' accounting for various aspects of purchase behaviour (Franzen, 1999). Figure 1 illustrates the brand equity approaches further.

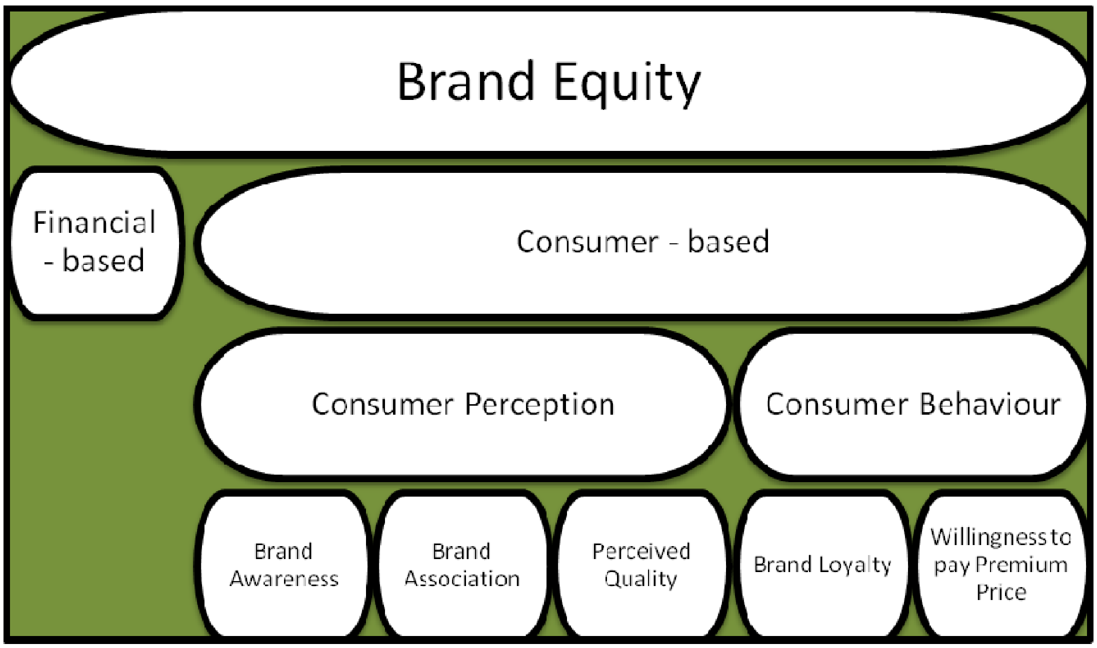

Figure 1: Brand Equity Constructs

Brand Awareness, Brand association, Perceived Quality and Brand Loyalty are the most significant of the Brand Equity dimensions (Aaker, 1991). Brand awareness relates to the consumers' ability to recall prior exposure to the brand (Keller, 1993). It provides a significant competitive advantage. Strong brand awareness also implies a 'presence, commitment and substance for the brand' (Aaker, 1998). It is being subdivided into two forms, namely, brand recognition (ability to recognise a brand at point of purchase enough to facilitate purchase) and brand recall (ability to recall from the memory once the need for the product is recognised).

Brand Associations result from all kind of communications about a brand be it direct (packaging, advertisements, sponsorships, promotions, word-of-mouth, etc.) or indirect (distribution channel used, parent country, country-of-origin). These are complicated and connected to one another, and consist of multiple ideas, episodes, instances, and facts that establish a solid network of brand knowledge (Yoo et al., 2000). COO may also be tied with the brand and create secondary associations. Brand associations need to be positive and unique to build brand attitude.

Brand attitude is at the heart of strong brand equity as it is hard to change. A person may know that a particular brand of car is 'German'. This association becomes a part of brand knowledge or brand perceptions and when brand choice is made it is seen as a benefit and contributes to positive brand attitude. Perceived quality is one of the attitudes consumers hold towards a brand and may be defined as the consumers' perception about superiority of a brand among alternatives.

Brand Loyalty is the consumers' behaviour to indulge in repeat purchases and may even influence them to stay with the brand even when substitutes have superior product features. Loyal consumers are found to be reluctant to switch brands. Brand loyalty is not only the contributor but also a consequence of brand equity (Elliott et al., 2007). Consumers choose brands with strong COO association either to minimise risk (rational behaviour) or to communicate self-image (emotional behaviour) based on the beliefs about products from that country (Keller, 1993).

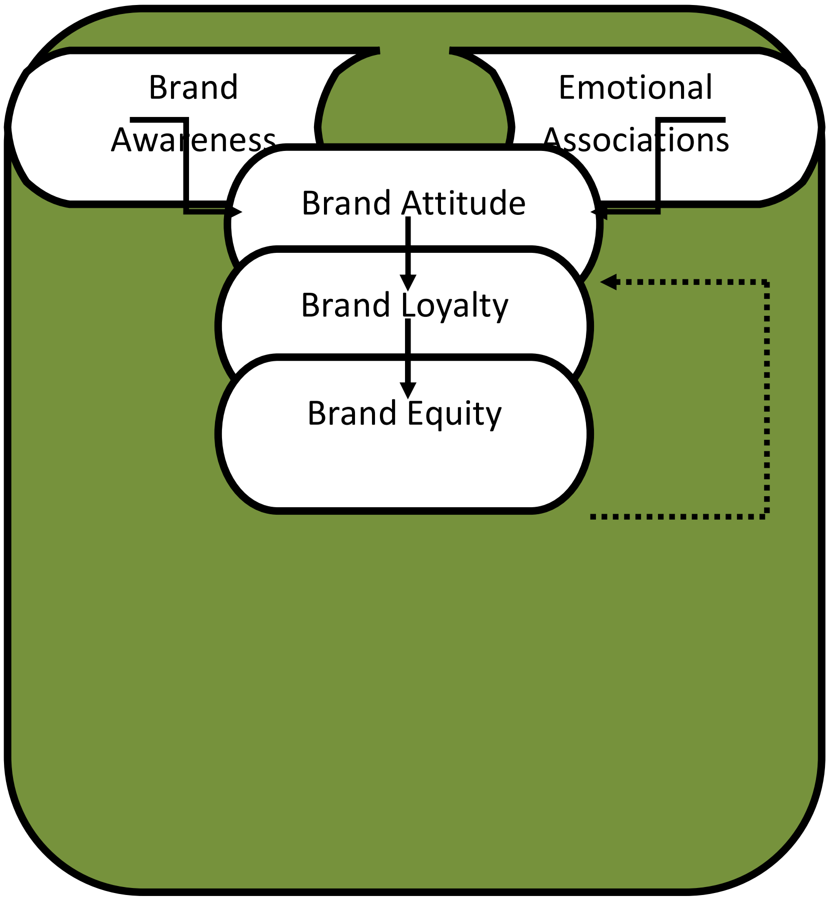

Figure 2: Relationship between Brand Equity Dimensions

Research Fields: Theoretical Frameworks

Selecting a brand is a complex process. Brands have the power to influence perceptions that can even transform the experience of brand usage. Consumers consider various intrinsic and extrinsic cues, consciously or unconsciously. Intrinsic cues comprise of consumers' perception of product attributes, design, performance and features whereas,

extrinsic cues include Brand Image construct. Brand Image is a multi-dimensional concept, (Hseigh et al. 2005). Country-of-Origin being one of its elements.
Table 1 illustrates how various researchers have defined Country-of-Origin.

Table 1: A Review of Literature related to Country-of-Origin

YEAR	AUTHOR	CONCEPTUAL DEFINITION
1970	Nagashima	"The picture, the reputation, or the stereotype that the businessmen and consumers attach to products of a specific country."
1978	Bannister et al.	"generalized images, created by variables such as representative products, economic and political maturity, historical events and relationships, traditions, industrialization and the degree of technological virtuosity"
1981	Narayana	" the aggregate image for any particular country's product refers to the entire connotative field associated with that country's product offerings, as perceived by consumers."
1990	Desborde	"country-of-origin image refers to the overall impression of a country present in a consumer's mind as conveyed by its culture, political system and level of economic and technological development."
1992	Roth et al.	"Consumers' perception of products manufactured in a particular country is based on his/her initial perception of that country's strengths, weaknesses and image in the market place."
1993	Kotler et al.	"the sum of beliefs and impressions people hold about places. Images represent a simplification of a large number of associations and pieces of information connected with a place. They are a product of the mind trying to process and pick out essential information from huge amounts of data about a place."
1993	Martin et al.	[Set of] "all descriptive, inferential & informational beliefs" [one has about a particular country]
1993	Shimp et al.	"Country equity serves to disentangle the equity contained in a brand […] from that contained in the country with which the brand is associated"
1995	Strutton et al.	"composite 'made-in' image consisting of the mental facsimiles, reputations and stereotypes associated with goods originating from each country of interest."
1998	Askegaard et al.	"schema, or a network of interrelated elements that define the country, a knowledge structure that synthesizes what we know of a country, together with its evaluative significance or schema-triggered affect."
1999	Allred et al.	"the perception or impression that organizations and consumers have about a country. This impression or perception of a country is based on the country's economic condition, political structure, culture, conflict with other countries, labor

		conditions, and stand on environmental issues.”
1999	Verlegh et al.	“mental representations of a country’s people, products, culture and national symbols. Product-country images contain widely shared cultural stereotypes.”
2000	Knight et al.	“Country-of-origin image (COI) reflects a consumer’s perceptions about the quality of products made in a particular country and the nature of people from that country.”
2001	Iversen et al.	“Commercial value that a country possess due to positive or negative product related associations and affect in a given target market”
2001	Verlegh	“a mental network of affective and cognitive associations connected to the country.”
2002	Papadopoulos et al.	“The value that may be embedded in perceptions by various target markets about the country, and the ways in which these perceptions may be used to advance its interests and those of its constituents”
2003	Nebenzahl et al.	„Consumers’ perceptions about the attributes of products made-in a certain country; emotions toward the country and resulted perceptions about the social desirability of owning products made-in the country.”
2003	Papadopoulos et al.	“A set of country assets and liabilities linked to a country, its name and symbols, that add to or subtract from the value provided by the country‘s outputs to its various internal and external publics“
2004	Papadopoulos et al.	“The real and/or perceived assets and liabilities that are associated with a place (country) and distinguish it from others”
2007	Pappu et al.	“Brands from the same country share images or associations, which is referred to as country equity”

Country-of-Origin acts as a cultural reservoir for brands. Some brands leverage it (Mitsubishi, Nissan & Toyota) while others don’t (Canon & Technics). Though COO is not the only value factor, it certainly affects the consumer’s perception of the brands. The exported goods are perceived differently in foreign countries and country-of-origin. For example, Levi’s is hardly an upmarket brand USA. Everywhere else, it is. It represents American rebel, sign of youth and charges a premium for it (Kapferer, 2000). COO associations can be leveraged by including country name in the name of the brand itself (like Hershey’s chocolates, American Express), it can be included in its promotional messages (as in case of Marlboro) focusing on the location and lastly by making it prominently visible somewhere at the package or the product itself. Conversely, brands can themselves create country’s image. For example, Nokia has brought about a considerable change with Finland’s image.

There are many factors that contribute to the country image. One of the main factors that influence customers’ perceptions towards a country is the level of the country’s economy. Most of the countries with a positive COO mentioned above are highly industrialized, developed countries. The extent of technological advancement of a country also bears heavily on consumers’ perception of the country. In other words, a country which is economically well developed, is technologically advanced, has a high wealth index, has stringent regulatory mechanisms, follows a market economy, is democratic and has positive historical associations, tend to have a very strong positive country of origin image and thus products of those countries enjoy a positive COO effect

Research Fields: Empirical Findings

One of the first researches conducted on Country-of-Origin (COO) was conducted by Nagashima (1970) bought to surface the significance and impact of COO on brand equity. COO association with a brand may be positive or negative. He pointed out that COO cue may affect the evaluation of particular product attributes. He confirmed that products that originate from different developed countries are evaluated differently. He also indicated national characteristics, traditions, country's representative products, economic and political background tend to affect consumers' attitude towards foreign products. Country branding means much more than adding a "Made In" label to a product. A product's country of origin constitutes an important piece of branding that, in many cases, can be so influential it overtakes the brand's other reputation builders.

People tend to develop stereotypes about a country based on the image the country has developed for a particular national product category (Hampton, 1977). COO effect may vary among different product categories (Papadopoulos, 1993). Products having complex features are more likely to be evaluated on the basis of COO (Zhang 1995).Consumers use COO cue in inferring quality and acceptability though the image that consumers have about a certain country. It influences the overall evaluation of products and can even exaggerate its effect in the absence of other criteria (Bilkey et al., 1982) and tend to diminish in presence of other cues (Papadopoulos, 1993). It is one of the most important cues in perceiving product quality.

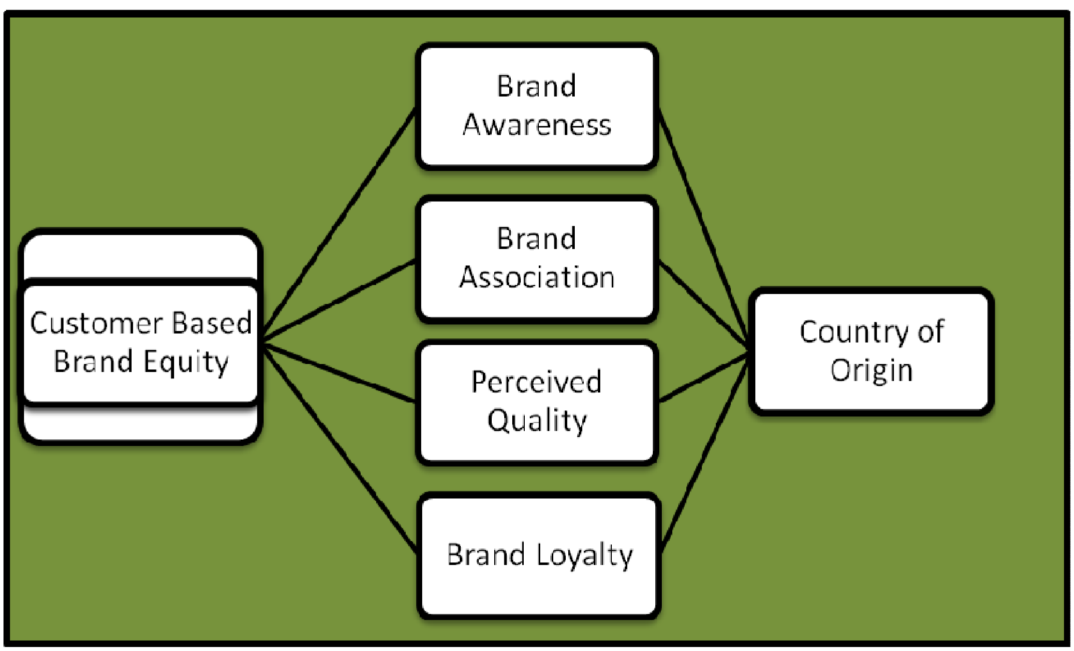

Figure 3: Impact of COO on Brand Equity Elements

A recent study (Pappu et al., 2007) empirically examined the Country-of-Origin effect on Consumer-based Brand Equity. One of the findings of research is that consumer-based equity of a brand made in a country with stronger product category-country associations was significantly higher than that of the same brand made in a country with weaker product category-country associations. The results show that a brand that is made in a country other than its home country has a significantly low consumer-based equity. Though, the perception of quality doesn't differ if products are directly imported from the home country or manufactured domestically (Bandyopadhyay S. et al.).

Quite a few researchers have recognized that country of origin influences perception of quality of products (e.g. Heslop et al., 1987; Kaynak and Cavusgil, 1983). Perceived quality (Zeithaml, 1988) is a key driver of brand equity (Aaker, 1991), believed to enhance the value of the brand by providing consumers with a reason to buy. In case consumers are highly familiar with a product, use of extrinsic cues like COO effects reduce significantly. Zhang (1995) advocated that developing countries rely more on COO cues for product evaluation as they have limited access to information on product attributes. COO has a strong influence on a brand during its birth and childhood. Then, once the image of the country has been embedded into the brand's personality and influencing its consumer's perceptions, it seems to leave its mark on the brand identity. Brands like Jaguar, Toblerone and Land rover don't belong to their country-of-origin anymore but there is barely any sign of loss of brand equity among consumers.

Methodological Issues:

- ***Problems with Measurement of COO***

Measuring brand equity allows a company to establish a baseline and track changes in its brand equity over time. Employing students' sample, though, inevitably places constraints on the generalisation of findings. There are various forces (e.g. prior experience, company image, etc.) other than COO that are simultaneously affecting consumers' perception of the brand and ultimately affect the Consumer-based Brand Equity. Moreover, the findings may differ for diverse product categories. A variety of conceptualisations of COO & Country Brand Equity (CBE) have been proposed by researchers over the years which have limited the scope of comparison of results. Moreover, while administering a questionnaire, respondents may give socially desirable responses as they were asked about their feelings and opinions about other countries. Different people tend to look differently at brands, for some a particular product category is high-involvement, for others it isn't. Thus, the measurement instrument should incorporate tools to tackle this issue. Lastly, as it has been discussed earlier also that CBE is defined in various different ways. Its relation with its dimensions (brand awareness, brand loyalty, perceived quality and brand associations) is far from clear. The confusion adds up as these dimensions are not mutually exclusive and affect each other in more ways than one.

Managerial Implications

The share of the pie only indicates the results of past marketing strategies among many other indications, but it alone can't be used to formulate future strategies. Such decisions can be made only by knowing the underlying reason(s) of Brand Equity construct. Marketing managers operating in the international context have an imperative need to identify the sources of brand equity, and understand the importance of incorporating country of origin into their brand equity measurement.

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