

# Country *of* Origin Effects

on Consumer Behavior



Edited by

**Khalid I. Al-Sulaiti**

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**on Consumer Behavior**



# COUNTRY OF ORIGIN EFFECTS ON CONSUMER BEHAVIOR

**First Edition**

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**Institute of Administrative Development (I.A.D.)**

*To The Memory of My Father...*  
*& To My Mother.*

## ABOUT THE AUTHOR



Dr Khalid Ibrahim Al-Sulaiti is a Qatari national, currently Director General of the Institute of Administrative Development, Doha, Qatar; Associate Professor of Marketing at Qatar University, Department of Management and Marketing.

He holds a BSC in International Business, an MBA in Finance, University of Bridgeport (United States of America) and a Ph.D. in Marketing at Strathclyde University (Scotland, United Kingdom).

Dr. Al-Sulaiti has held several positions in Qatar, including Director of Information and Market Relations at Doha Securities Market; Dean of Students' Affairs; Dean of Admission and Registration; Acting Dean of College of Business and Economics at Qatar University; Director of Academic Affairs at Military College, Qatar. Director General of the Institute of Administrative Development, 2001 – to date.

He has been involved in many management projects and taken part in conducting management and administrative consultations to government and semi-government institutions in his country. He was, for instance, the manager of a team in charge of the evaluation and accreditation of ISO 9001 quality management system; he worked towards setting up a charter for the staff of the Doha stock exchange; he headed the team preparing the general administrative, financial and internal charter for Qatar Foundation for Women and Children Protection, Qatar Main Post Office, General Organization for Standards and Metrology, Security Service, Centre for Family Consultations as well as the staff charter for the Qatar Chamber of Commerce and Industry.

Dr Al-Sulaiti has published several articles in leading Journals related to banking, securities markets & diverse marketing issues, including Marketing Intelligence & Planning; Journal of Transnational Management; Journal of International Selling & Sales Management; Journal of International Marketing & Marketing Research; Journal of Administrative Sciences & Economics; Journal of Documentation & Humanities Research & Advances in Global Business Research.

Dr. Al-Sulaiti served on the Editorial Board of Journal of Business and Economics. He is the founding editor of Scientific Journal of Administrative Development. He serves on the Editorial Board of the Journal for International Business & Entrepreneurship Development. He also serves on the Review Panel of the Marketing Intelligence & Planning; equally a member of the Editorial Advisory Board of Journal of Management Development.

Dr. Al-Sulaiti is currently conducting studies that address COO effects on Service Evaluations. His Article with Professor Michael J Baker on COO effects: A Literature Review, was published in 1998 in Marketing Intelligence & Planning. It has been downloaded from the Emerald Fulltext web site, more often during last years so far, than all but nineteen of the 250 or so published articles in Marketing Intelligence & Planning since monitoring of site traffic began in 2001. It is furthermore in eleventh place in the list of downloaded articles over the whole five-year period. Readers have consulted it 8,705 times so far.





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# FOREWORD

In an era of intensifying global competition the creation and maintenance of a sustainable competitive advantage (SCA) is becoming increasingly difficult to achieve. This book offers important insights into one important possibility of doing so.

Fundamentally, the problem is that producers of goods and services are unable to maintain the JND (just noticeable difference) factor that enables customers to discriminate between the offerings available in the market place. Traditionally, differentiation was based on technology and, to some extent still is today. However, it has been estimated that any new technological development only confers a lead of some 18 months before it will be replicated by competitors. So, if one is unable to protect one's intellectual property rights or IPR, this source of differentiation will be eliminated. What is called for is some unique distinguishing feature that cannot be claimed or replicated by another. COO or Country of Origin is such a factor and is the subject matter of this book.

Originally, the requirement that goods should carry information concerning their country of origin was enacted by the British government in the late nineteenth century as a punitive measure against German imports. At the time relations between the two countries were strained and it was believed that by labeling goods "Made in Germany" British consumers would actively discriminate against them and prefer the home made alternative. While it is still the case that country of origin identification may lead to such negative discrimination, the great majority of interest and research has been into the possible benefits that will arise when goods and services are identified with a particular country of origin.

With the growth of international exchange following the second world war, and the phenomenon of globalisation as a consequence of the revolution in information and communication technologies (ICT), interest in COO, or PCI (product country image) as it is sometimes called, has accelerated. Today, there are well over 1000 documented studies of various aspects of the country of origin effect and this volume provides an excellent overview of our current knowledge of the subject contributed by some of the world's leading authorities on the subject. As such it is both an excellent introduction to the topic as well as an advanced treatment of the current state of play.

The book comprises **Nine** chapters the contents of which may be summarised as follows:

### **Chapter 1 Literature Review: Country of Origin Effects**

The book opens with a wide ranging literature review by Dr. Khalid Al-Sulaiti and myself which is an updated version of one originally published in *Marketing Intelligence and Planning* (1998). Over the years this has been one of the most frequently downloaded articles from Emerald's more than 100 publications testifying both to interest in the subject and the value of comprehensive literature reviews as sources of background and insight into particular areas of knowledge. The Literature Review covers the period from 1965 to early 2007 with the most recent sources covered by Dr. Al-Sulaiti. The review opens with various definitions and is then organised chronologically and thematically. Among the themes covered are:

- The evaluation of products
- Stereotyping
- Demographics and consumer perceptions of imports
- Perceived risk and country of origin effects
- Country of origin effects on service decisions.

All of these themes are the subject of more detailed description and analysis in the contributed chapters.

Originally, COO was meant to designate where a product had been made so that 'made in' was taken to refer to "the country of manufacture or assembly" (Papadopolous et al 1993). Others see it as the country with which a product is inextricably linked or associated like Coke and McDonalds with the USA, and Sony and Toyota with Japan. However, with the advent of globalisation and outsourcing it has become increasingly difficult to identify clearly how products should be classified. Papadopolous (op.cit.) recognised this when he wrote " "Made in" can mean *manufactured* –in but also *assembled*-, *designed*-, or *invented*-, *made by a producer whose domicile is* –in, and, often *wanting to look like it was made* –in."

To cope with the confusion this has led many countries to adopt policies and regulations for the labeling of imported goods. In turn, this has led to customers questioning the quality and authenticity of products that they associate with the nationality of the seller which have been produced in another country. An excellent example of this is provided by the website of Charles Tyrwhitt an English shirt 'manufacturer'. In response to numerous queries about the source of their shirts, traditionally "Made in England", the company posted a number of answers on its website that illustrate well why firms outsource their manufacturing and the kinds of reasons that they offer to overcome possible negative COO effects, viz.:

**"Why have you started to make products in lots of different countries?"**

There are many points that when combined make a good place to manufacture a product: technical ability, quality, price and delivery speed are all key elements to ensure customer satisfaction.

**Where are your products made?**

We make our products to the highest standards in a range of countries: UK, Italy, Romania, Czech Republic, Malta, Egypt, Tunisia, Peru, Phillipines, China, Hong Kong, Indonesia, Sri Lanka, all offering different elements that help to improve the products we sell. We have learnt over the years that it is best for you if we go direct to the market leaders or areas of expertise to manufacture our products. This leads us to various countries where investments have improved services."

The web site ([www.ctshirts.co.uk](http://www.ctshirts.co.uk)) then gives specific reasons for selecting different countries and provides statements guaranteeing quality and value for money.

For a long established and highly regarded firm, trading from Jermyn Street in the heart of London's Mayfair, to feel it important to explain to its customers why it is substituting imported products for domestic ones is strong evidence that the identity of the country of origin is believed to impact on people's perception and evaluation of products. Numerous studies exploring aspects of this phenomenon are reported in the literature review and illustrate how generalised attitudes and beliefs about different countries (stereotypes) influence views on products originating in them.

Having identified and discussed the major themes to be found in the literature, the Editor has then secured contributions from some of the best-known international experts on the subject to highlight the current state of knowledge and research on the issues seen to be of most relevance and importance for researchers and practitioners today.

## **Chapter 2 The Country-of-Origin Phenomenon Within the Context of Globalization: Research Relevance and Managerial Implications**

Based on research outcomes Saeed Samiee identifies seven specific findings that serve as significant global planning constraints for the international marketer. Accordingly, this chapter examines the relevant CO findings reported in the literature to highlight their international market planning constraints.

The notion of an "imported product" has historically conveyed that the item has been wholly or substantially produced in another country. As the world economies have globalized, this meaning has changed. Today's products are often a hybrid of domestic and imported designs, parts, and/or assemblies. Products that are entirely designed and manufactured in a single county are increasingly a rare species. Customer knowledge with respect to the complexity of COs of products are also increasingly sophisticated. Most consumers realize that products that they buy, even if labeled as having been locally manufactured, include parts, components, design and technologies that can span several countries.

An increasing number of CO publications are giving recognition to the importance of brands as means of overcoming unfavorable CO bias while, concurrently, a complementary and parallel line of inquiry has focused on the importance of brand origin (rather than CO). A focus on brand origin is conceptually, methodologically, and managerially valid and avoids the many criticisms aimed at the CO line of research. Even intuitively, one would expect the presence of powerful brands to influence and, thereby, overcome negative CO bias. Sears, Target, JC Penney, Bloomingdale's, and many other retailers are regularly using the acceptance, reach, and/or prestige of their brand names to market a variety of imported products.

The CO literature has enriched our knowledge regarding its antecedents and conditions under which bias might be present. However, the single most important outcome of this line of inquiry has to be its managerial guidance when such bias is present. Concurrently, the literature has offered only limited managerial implications, some of which are impractical within the context of how international and global corporations operate. Johansson (1993) has noted that CO research has not had much managerial impact and suggests that it continues to be poorly regarded by some practitioners and consultants. Managerial guidance emerging from CO research offers two possible levels of action: micro-level information relating to how customers feel about and think of CO and macro-level information involving, for example, country equity Planning for the Global Marketplace

At least three sets of firm-level decisions overlap with CO-related considerations and recommendations outlined in the literature. These include global marketing program standardization considerations, product image and positioning, and plant location and sourcing decisions, all of which are discussed in some detail.

### **Chapter 3 Co-branding in the Global Context**

This chapter by Paul Chao provides an overview of co-branding as described in the literature and discusses the major theoretical underpinnings which can be used to guide research in this area. A model with a set of research propositions is presented and the chapter concludes with suggestions for future research



Companies have been forging brand alliances for years. These alliances are configured in various forms and combinations. They may also be formed to achieve different strategic objectives. Multiple brands used to target different market segments under one corporate ownership structure are known as an umbrella branding strategy. Yum! Restaurants International, the owner of KFC, Pizza Hut, Taco Bell, Long John Silver's, and A&W, each of which maintains its own brand identity and positioning to serve a distinct restaurant segment represents just one such example.

Kmart and Martha Stewart alliance is created through a non-equity structure. Kmart continues to use its own corporate logo independently even though it is hoped that by aligning with Martha Stewart, the good image portrayed through Martha Stewart designed high quality products will become associated with Kmart thereby lifting its own image in the process. Co-branding in this case is achieved through co-promotional materials featuring Martha Stewart merchandises which Kmart carries in its stores. Other shorter term arrangements to promote two or more brands in a promotional campaign are also common. Ford Motor Company promoting the sales of its trucks by offering buyers Home Depot gift cards is just one such example.

In the era of globalization, international brand alliances are also growing in popularity. Daimler's (Germany) acquisition of Chrysler (US) to form the Daimler Chrysler Corporation as a dual corporate brand strategy is originally conceived with greater efficiency and cost savings in mind. Other non-equity global brand alliances have also emerged. Brand alliances in the airline industry are typical as airlines form partnerships to increase passenger loads across the world while cutting costs at the same time. KLM/NWA alliance works to feed transatlantic passengers into each other's flight networks in Europe and North America. China Southern recently joins this alliance to add Asian routes to this network. Similarly, United Airlines forms its own Star Alliance with a number of airlines in Europe, Asia, South America, and elsewhere in order to remain competitive. While open sky agreements, which allow foreign airlines greater flexibility in operating routes in another country's domestic markets languishes in international negotiations among various national

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