

Country of origin effects commerce essay



**ASSIGN
BUSTER**

HASSAN and SAMLI (1994, page 99.) define the effect of country of origin as the influence that the manufacturer country has on the positive or negative consumer judgment. One of the most famous books of this topic is JAFFE'S and NEBENZAHL's work (2001). It opens the introductory chapter with the following provocative question: " Please, fill out the following sentence: A luxury car made in Greece is

The question shows the essence of country of origin effect very well.

According to ROTH and ROMEO (1992) the COO effect is how consumers consider a product coming from a given a country.

Empirical studies have shown that when a customer becomes aware of the country of origin of a product his/her image about the product is influenced either positively or negatively according to his perceptions.

Consumers tend to have a stereotype about product and countries that have been formed by experience, hearsay, myth. These stereotypes are generally broad and vague according to which they judge a specific country or a specific product to be the best : French Perfumes, Italian Leather, Chinese Silk and Japanese Technology are all examples of such stereotypes.

Therefore the country, the type of product, and the image of the company all its brand play a crucial rule in deciding whether the country of origin will engender a positive or a negative reaction.

Country Image : Precursors to Country of Origin Effects

Country image can be defined as " the sum of information in the consumers' mind about a nation/country". In this regard, SULLIVAN MORT and HAN

(2000) said, the less information we have about a given country the more dangers the sales of its products will encounter.

It has been a long known fact that “ Made In” label is just as powerful and just as valuable as a “ Made By” label. German engineering, Japanese miniaturization, Italian flair, Swedish design, British class, Swiss precision – those are brand values which rub off onto all the products that come from those countries

Country Image is the reason why, in the early 1990s, Americans bought Toyota Corollas (which were quite expensive) rather than Geo Prizms (which were quite cheap), even though they were exactly the same car, made in the same factory. This is because the American consumers believed that Japanese cars offered greater value than American cars.

Countries thus try hard to maintain their images and hence generate a positive reputation for their products in international market. Country image (as suggested in Henry Stewart Publications 1744-0696 (2005) Vol. 1, 2, 164-172 Place Branding) is propagated through channels that can be described in a Hexagonal Pattern of communication :

Each of these components has a huge impact on the image that country projects :

- The loudest branding effort comes from country’s tourism promotion, and people’s experience of visiting the country as tourists or business travelers.

- The country's exports with a clearly marked "Made in" label are powerful ambassadors of the country's image internationally.
- The policy decisions made of the country's government. Policy makers are nowadays much closer to the international media than they ever used to be.
- From the way company attract the investment, foreign talent and foreign companies to work with it.
- The country's cultural activities and cultural exports: a world tour by a national opera company, the works of a famous author, the national sports team.
- The people of the country themselves: the hospitality they provide to the visitors coming from abroad and the way they behave when abroad.

In this regard an under the realms of an experiment asked young people to freely associate the five words they think (adjectives, product categories, food products, values, etc.) are the most consistent with the countries under analysis (this part were inspired by the contributions of Kayanak, Kucukemiroglu 1992; Usunier 1993; Usunier, Lee 2005). The results show that the consumers clearly classified each country with a few product types, this is the stereotype (or the consumer perception) that contributes to country of origin effects while evaluating the available product. The salient result as observed is tabulated below :

Countr y	Associati on	Count ry	Association

Italy	Art History culture	China	Plagiarism
	design fashion		Cheap
	Food and Wine(pasta , Pizza, Vino		Communism
	Elegance Style		Economic and population growth
	Quality		Food and Rice
France	Fashion Luxury	Japan	Innovation New Tech
	Elegance		Precision Quality
	Quality		Food(Sushi)
	Culture		Population

	Food and Wine(Cheese, Baguette, Champagne)		Tokyo
Germany	Cars	USA	Innovation
	Beer		Freedom
	Industry Technology		Leader over superiority arrogance
	Engineering		Food (Fast Food)
	Discipline Organization		Multiculturalism
	Strengths solidity		

Associated Concepts to Country of Origin

From a conceptual point of view it is particularly important to underline that the notion of

“Country of origin” is by no means plain and univocal.

Initially, the concept of Country of Origin (COO) was considered as the “Made in” Country (see the review by Nebenzahl et al., 1997), or the Country of Manufacture (COM) (see the review by Samiee 1994). This was the country which appeared on the ‘made in’ label, which would generally be the country where final assembly of the good took place.

For example designer labels from Gucci, Versace lose their sheen when they include “Made in China” label because part of the manufacturing took place there.

In contemporary world though other concepts have progressively emerged in the COO literature, such as Country of Design (COD) in the review by Nebenzahl et al., 1997; Jaffé, Nebenzahl 2001), referring to the country where the product was designed and developed.

For example the latest “Audi TT” luxury car model was designed in Germany but is being manufactured from Hungary, but with Germany’s known reputation in engineering field the model is promoted by the name of country it is designed at.

Moreover, global companies nowadays are manipulating brand names to suggest particular origins (country of brand (COB) effects). Thus COO is

increasingly considered as that country which consumers typically associate with a product or brand, irrespective of where it is actually manufactured.

For example, even though Nike Apparels are manufactured in low cost destinations like India, China etc. the brand recognition of Nike overcomes the country of manufacturing effect and the products are considered to be American.

Manifestations of Country Of Origin Effect

The country of origin effect can be realized in various different forms among the consumers. The major manifestations are :

- Individualist / Collectivists

Where Individualist favor country of origin bases to ascertain the superior attributes of the product, the collectivists favor home country of origin products over the foreign ones.

- On Basis of Industrialization

Countries are categorized on the levels of industrialization they have achieved. Consumers in such cases are lesser product specific. They believe the products from industrialized nations are superior in quality and thus the products from developing nations suffer bias.

- Ethnocentrism

Under the feeling of national pride, consumers like to purchase the products of home country. For example, the “ buy American effect”, Honda recognized it and specifically mentioned how many component were manufacture in America when launching its models there.

One might generalize that for more technical product, there is a less positive perception towards product of developing nations. Similarly, less developed nations have a tendency to favor products from developed nations.

1. Strategies for Usage of COO Effect in International Marketing

In contemporary world, companies have come to realize the importance of country of origin effect and have started to give it due importance while strategizing their international marketing plans.

Nowadays, a company's marketing strategy is dependent not only on the strength of its brand image but the country image as well. According to Jaffe and Nebenzahl (2001), four possible strategies can be used. First scenario considers companies having both, a strong country and brand image. Second scenario considers companies with a weak country image but a strong brand image. Third Scenario looks at companies with a weak brand image, but a strong country image, and fourth scenario looks at companies having both a weak country and a weak brand image.

2. 1. Strong Country - Strong Brand Image

This is the best position for a company when both the product and the country have strong brand images. In this case, strategically, both the brand and the "made in" country should be emphasized, especially if it is a global one. Some major examples of this are: Buick (made in US), Sony (made in Japan) and Zeiss (made in Germany).

3. 2. Weak Country - Strong Brand Image

The scenario of a weak country image but a strong brand image generally refers to products whose production or assembly has been outsourced to developing/emerging economies. In this condition, the emphasis should be <https://assignbuster.com/country-of-origin-effects-commerce-essay/>

placed on the brand name, while the country of origin needs to be de-emphasizing as much as possible.

BT provides an excellent case of neutralizing the country of origin. A few years ago British Telecom researched the aptness of their brand in overseas markets. The results showed that they had problems with the company's name in Japan where "British" was synonymous "of the past", "colonial" and not for innovation or moving forward. That is when they decided to become "BT"

4. 3. Strong Country - Weak Brand Image

This category contains products which are perceived to be of lower quality vis à vis the competitors from same country. Strategically, these brands should try to piggyback on strong country image by emphasizing their "made in" attribute. This strategy works very well for brands/products with bad image or without any image.

Some examples include Japanese brands like Suzuki or Miranda Cameras and/or Daihatsu automobiles.

5. 4. Weak Country - Weak Brand Image

This category contains products that have weak country image as well as a weak brand image. In this case one potential strategy is strategic piggybacking on some strong local brand. For example, Samsung, the South Korean products manufacturer, gained entry into the US in microwave ovens segment distributing them through General Electric under the "GE" label. Similar strategy was followed by Mitsubishi in its entry into the United States using the Chrysler distribution network.

Country or Origin Effect : Critical Results

When the influence of country of origin effect and brand perception was studied for convenience, shopping and specialty goods, empirical results (from the paper “ Luxury brand and country of origin effect: results of an international empirical study”, Prof. Gaetano Aiello, Dr. Raffaele Donvito, Prof. Bruno Godey and Prof. Daniele Pederzoli) revealed :

6. Brand Perception and Country of origin have medium and medium high impact on perceptual evaluation of shopping goods and a medium high and high impact on luxury goods.
7. Brand and Country of origin decrease their impact on purchasing decisions; The Country of origin has a medium influence only in the purchasing decisions of luxury goods, while the brand maintains its influence also on shopping goods.
8. Country of origin do not affect evaluation and purchase of convenience goods.
9. Brand affects evaluation and purchase decisions much more than Country of origin in shopping and specialty goods

The study also reveals the top most criteria in evaluation and purchase of convenience goods is Price, and Design for specialty goods. Brand Perceptions ranks second in this hierarchy Country of origin is instead around the last of within the items considered.

References

Astous A., Ahmed S. A., (1999), “ The importance of country images in the formation of consumer product perceptions” International marketing review, vol. 16, n. 2.

Bilkey W. J., Nes E., (1982), " Country of origin effects on product evaluations", Journal of International Business Studies, 13, pp. 89-99.

Nebenzahl I. D., Jaffe´ E. D., Lampert S. I., (1997), " Towards a theory of country image effect on product evaluation", Management International Review, 37, pp. 27-49.

Roth M. S., Romeo G. B. (1992), " Matching product categoriey and Country Image Perceptions: A framework for managing Country of Origin Effects", Journal of International Studies, Winter.

Jagdish Agrawal, Wagner A. kamakura, " Country of origin: A competitive advantage" International Journal of Research in Marketing Vol. 16, No. 4 December (1999) P. 255 267

" International Marketing", Thirteenth Edition, Philip R Cateora, John L Graham and Prashant Salwan

SULLIVAN MORT, Gillian Maree - HAN, C. Min 2000: Multifaceted country image impact on purchase intensions for goods: a study in the asia pacific economic conference region. (www. digital. re. kr/hanlab/private/discussant. PDF)

A Chapter taken from the book ' Brand America: The mother of All Brands' by Simon Anholt and Jememy Hildreth, published by Cyan Books, 2004.