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"Country of Origin" as Brand Element

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1. Introduction

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In the social psychology literature, research on national stereotypes can be traced back to the early twentieth century. In the 1960s, findings from this discipline gained the attention of marketing research and the concept of country of origin (CoO) was introduced to the literature. Schooler (1965) is generally credited with being the first researcher to empirically study the CoO effect. He found out that products, identical in every respect except for their CoO, were evaluated differently by consumers. Since then, research on CoO, or the impact that cognitive, affective (*see* Consumer Animosity; Consumer Affinity Construct), and normative (*see* Consumer World-Mindedness) associations with a particular country have on product evaluations and purchase intentions (*see* Attitudes), has resulted in well over 1000 publications with at least 400 articles published in academic (peer-reviewed) journals (Usunier, 2006).

This article first provides some conceptual background for studying CoO effects and follows this by summarizing key findings with a special focus on CoO as brand element. The final section considers recent criticisms on the relevance of CoO research and discusses implications for future study on the topic.

2. Conceptual Background

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From an information theoretic perspective, consumers form their purchase decisions based on an array of information cues that can be either intrinsic or extrinsic. Intrinsic cues refer to physical product characteristics (e.g., taste, color, design) whereas extrinsic cues capture intangible product attributes (e.g., price, brand name). CoO belongs to the latter category.

Historically, the CoO of a product has been the country in which a product is manufactured, as communicated by the phrase "made in." However, due to increasing globalization (*see* Global Consumerism and Consumption), the CoO of a product is not always limited to one single sourcing country. Many products are hybrid products, that is, products with a different country of manufacture (CoM), country of design (CoD), country of brand (CoB), or country of corporate headquarters (CoH). The Korean firm Daewoo, for instance, promotes the Italian design, German engineering, and British safety of its cars. Recent CoO research increasingly defines the CoO as the country with which a product is associated (i.e., the country of association, CoA), because in the absence of an explicit identification of the CoO of a product or brand, consumers will base their attitudes, evaluations, intention, and behaviors on the CoO they *believe* the brand comes from (*see* Product Ethnicity).

The CoO effect is generally understood as any influence or bias resulting from CoO information (*see also* Consumer Animosity; Consumer Affinity Construct). Since the use of extrinsic cues such as CoO is more common when intrinsic cues are missing or when they cannot be assessed, the strength of the CoO effect depends on consumers' product familiarity (*see* Knowledge Accessibility). Han (1989) developed two conceptual models that illustrate how CoO effects vary depending on consumers' product familiarity. Specifically, under low product familiarity, buyers are assumed to use beliefs about a country (i.e., country image (CoI)) as a halo to infer the true characteristics of a product and base their purchase decision on the latter. Thus, the halo model assumes a relationship CoI ⟶ product beliefs ⟶ purchase intentions/preferences. Consumers with high product familiarity, on the other hand, may summarize beliefs about product attributes and abstract this information into the CoI cue. Thus, in the summary model, CoI directly affects consumer behavior based on a relationship product beliefs ⟶ CoI ⟶ purchase intentions/preferences.

The halo and summary models are not the only theoretical explanations of how the CoO cue is cognitively processed. An excellent synthesis of cognitive information processing models of the CoO cue can be found in Bloemer, Brijs, and Kasper (2009).

3. Overview of Key Findings

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It is widely recognized that the name of a country acts in a way similar to the name of a brand and, hence, has the ability to add to or subtract from the perceived value of a product (*see* Global Branding: Three Keys for Global Brand Success). Indeed, the past 40 years of CoO research have shown that a product's national origin acts as a signal of product quality and also affects consumers' perceived risk and value as well as likelihood of purchase. This effect has been observed for products in general, classes of products, specific types of products or brands, consumer and industrial products, as well as for services (for comprehensive reviews of CoO effects, see, for example, Papadopoulos and Heslop, 2003; Verlegh and Steenkamp, 1999).

The relationship between CoO and branding has been of continuous interest in CoO research. Many studies investigate how perceived brand quality is affected by the CoO of a product; how brand image potentially mitigates the effect of CoO; the relative importance of the name of the brand in relation to other external cues such as CoO; and the direct effect of brand and CoO cues on different product quality dimensions. More recently, CoO research has been combined with research on Perception of Brand Equity. For example, Pappu, Quester, and Cooksey (2007) link the CoI construct to consumer-based brand equity and find out that CoI significantly impacts brand equity.

The CoO effect is particularly strong if the beliefs associated with a particular country match with key attributes of products or brands such as Swiss watches, French fashion, or German cars (*see* Product Ethnicity). Hence, in line with the concept of brand equity, it seems that countries whose names evoke particularly positive (or negative) associations with consumers also contain a positive (or negative) equity. Shimp, Samiee and Madden (1993, p. 328) therefore introduce a new construct called *country equity* "to disentangle the equity contained in a brand (the conventional notion of brand equity) from that contained in the country with which the brand is associated."

Country equity can be seen from two different perspectives, namely, from a country and a consumer perspective (see Zeugner-Roth, Diamantopoulos, and Ángeles M Show messages 2008 for an overview). The former perspective defines *country equity* as "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" (Papadopoulos and Heslop, 2003, pp. 427–428). Country equity refers to all types of entities or realities that are associated with the country, that is, products, services, ideas, workforce, investment, knowledge, and technologies (Papadopoulos and Heslop, 2003). An example could be the Anholt-GMI Nation Brands Index that ranks 25 nations with respect to the power and appeal of their brand image with respect to six dimensions, namely, tourism, exports, governance, investment and immigration, culture and heritage, and people.

Studies focusing on the consumer level, on the other hand, are mainly interested in the differential effect of the CoO as a nontangible product attribute on consumers' *perceptions* and response (e.g., in terms of customer perceived value, product perceptions, and preferences). To distinguish this construct from the country equity construct, Zeugner-Roth, Diamantopoulos, and Ángeles Montesinos (2008, p. 583) propose the term country brand equity (*CBE*), which is defined as "the value-added brought forth by the association of a product or brand with a given country name, as perceived by the individual consumer". The latter authors develop and empirically test a measure for CBE and demonstrate its discriminant validity from the well-established CoI construct. A review of alternative conceptualizations and operationalizations of CoI can be found in Roth and Diamantopoulos (2009).

4. Challenges to CoO Research

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Although criticism questioning the relevance of CoO research is not new (Hugstad and Durr, 1986), recently it has gained momentum with some researchers questioning whether a CoO effect even exists.

One major criticism concerns the fact that consumers are often not knowledgeable of the true origin of many (even well-known) brands and that they frequently associate a brand with the wrong CoO. For example, in the USA, Samiee, Shimp, and Sharma (2005) report average correct CoO identification rates of only 49% for a wide range of domestic brands and 22% for foreign brands. They conclude that "consumers either have limited recognition of brand origins, or find such information relatively unimportant and thus unworthy of retention in memory" (Samiee, Shimp, and Sharma, 2005, p. 265). In addition Usunier (2006, p. 60) argues that, in CoO research, "[r]elevance has been sacrificed for the sake of convenience" and points out that (i) the CoO cue is inflated because of the supremacy of single-cue studies, (ii) the true CoO information is not always available and accessible to consumers, (iii) brand image tends to blur CoO, and that (iv) multinational corporations do not promote origin labeling on their products.

While, at first, such criticisms seem to put an end to CoO research, the opposite is more likely to be the case for the following reasons (Josiassen and Harzing, 2008; Zeugner-Roth and Diamantopoulos, 2009).

First, prior research shows that the impact of CoO on product evaluations and purchase intentions varies depending on the Product Category involved, consumers' familiarity with the country and its products (*see* Knowledge Accessibility), Consumer Involvement, and cultural differences. For example, Hugstad and Durr (1986) reported that, overall, 60% of Americans considered it unimportant where their purchases came from, but the same study also found that 74% considered CoO important when purchasing cars. Thus, sweeping comments indicating that CoO does not matter at all have to interpreted with caution.

Second, in the absence of intrinsic specific attributes, consumers have to infer the true attributes of a product based on extrinsic cues such as CoO or brand name. In this context, several studies show that CoI significantly impacts on brand equity (Pappu, Quester, and Cooksey, 2007). Therefore, CoO and brand name (assuming real rather than fictitious brands) should not be treated as independent cues in research since CoO is actually part of the Perception of Brand Equity. Furthermore, recent evidence shows that a positive CoI may compensate for a weak brand, but a strong brand (i.e., a brand with an established image and substantial brand equity) was not found to compensate for a negative CoO. Thus, it is questionable whether brand image might blur the CoO effect.

Third, as pointed out above, CoO is increasingly considered to be the country that consumers typically associate a product with, regardless of where it is manufactured (*see* Product Ethnicity). However, for internationally operating companies (*see* Market Entry and Expansion), concealing the true origin may be important, for example, through the invention or acquisition of a foreign-sounding brand name. Many cosmetics and fashion firms, for instance, use French or Italian-styled brand names to create a connection to these countries. The latter strategy is known as *foreign branding* and is an important element in international marketing (*see* Global Marketing Strategy: Perspectives and Approaches). Thus, while multinational corporations might not always promote the true origin of their products, the latter might be intentionally concealed and does not automatically mean that these companies consider CoO unimportant. In fact, the opposite might be the case.

Fourth, some consumers might know a brand's correct CoO but they may not use this information in making purchase decisions, whereas other consumers might place a lot of importance on the CoO as a diagnostic piece of information but nevertheless associate the brand with an inaccurate origin. While concepts such as accuracy of brand-origin recognition by consumers (Samiee, Shimp, and Sharma, 2005) are useful in highlighting which brands are connected to which origins, they reveal no information on whether consumers actually use the CoO cue or not.

In summary, while several challenges regarding CoO research have been raised, a wholesale dismissal of CoO research as old hat, unimportant, or irrelevant is not justified. CoO is still an important brand element that has to be explicitly considered when designing the Global Marketing Strategy: Perspectives and Approaches.

5. Future Research Directions

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Previous studies found that CoI significantly impacts brand equity and CBE. In all these studies, CoI captures consumers' *cognitive* beliefs about a country that subsequently impact their product evaluations (e.g., quality, design, workmanship). However, "in addition to its role as a quality cue, country of origin has *symbolic* and *emotional* meaning to consumers. [. . .] CoI may associate a product with status, authenticity, and exoticness. [. . .] Moreover, it links a product to a rich product-country imagery, with sensory, affective and ritual connotations" (Verlegh and Steenkamp, 1999, p. 523, added emphasis). However, relatively little effort has been expended so far to discover *symbolic* and *emotional* connotations associated with a particular country. A notable exception is the study of d'Astous and Boujbel (2007), who develop a new construct, country *personality*, which is defined as "the mental representation of a country on dimensions that typically capture an individual's personality" (d'Astous and Boujbel, 2007, p. 233). Country personality should be regarded as a complement to rather than as a substitute of CoI, because it captures a country's symbolic meaning to a consumer. However, so far, no study has empirically investigated how the symbolic value of a country impacts consumer evaluations and product preferences.

Future CoO research should also try to further advance the concept of brand-origin recognition accuracy (Samiee, Shimp, and Sharma, 2005) by explicitly taking into account marketing strategies such as foreign branding. Specifically, more research that identifies the impact of such incorrect (but nevertheless intended) classifications on outcomes such as product evaluations and purchase intentions is needed. Furthermore, to investigate the relevance of CoO from a practitioner's perspective, future research should make an effort to determine whether and how international firms consider CoO in different decision-making areas (*see* International Pricing Objectives and Strategies; International Product Innovation and Development).

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