

The Effect And Influence Of Country-Of-Origin On Consumers' Perception Of Product Quality And Purchasing Intentions

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ABSTRACT

This study evaluated the effect of country-of-origin on consumers' perception of product quality in developed and emerging economies. The author reviewed several empirical studies conducted over several years and found that when consumers were aware of certain country characteristics, they were more inclined to use country-of-origin as an external cue in evaluating product quality and guiding their purchasing decision process. Consumers conferred a higher evaluation of product quality on products produced in developed countries, owing to the technological advances and competitive nature of the markets in these countries. Further, the study revealed that in certain countries, consumers prefer products manufactured locally, owing to ethnocentrism and patriotism. It further identified the challenges faced by multinational corporations as they explore the possibilities of outsourcing the manufacturing of their products to international countries in an effort to reduce cost and maintain price competitiveness. However, given the continuous globalization of markets, it is possible to neutralize the effect of country-of-origin on the evaluation of product quality and the influence on purchasing decisions. Evidence from the literature revealed that if other forms of product quality attributes were highlighted during the product's promotion and marketing campaigns, country-of-origin would have low effect on consumers' perception of product quality.

Keywords: Country-of-Origin; Made In; Consumer Perception; Ethnocentric; Globalization

INTRODUCTION

A few decades ago, most domestic markets were considered self-contained and did not have to worry about foreign competitors. However, the growing globalization of markets is bringing new foreign competitors to the forefront, exposing consumers to a wider range of foreign products and broadening their choices. Consequently, products' country-of-origin was added as a new variable for determining the quality of products. Research findings will enable businesses with outsourcing ambitions and plans to better forecast market demand for certain brands of products (Amine, Arnold, & Chao, 2005). Consumers' awareness and perception of country-of-origin have increased since country-of-origin labeling was legally mandated; consumers are paying attention to the origin of certain brands of products as part of their evaluation and purchasing decision process (Bandyopadhyay & Banerjee, 2002; Bhuiyan, 1997; Cordell, 1991; Ettenson & Klien, 1998; Katsanis & Thakor, 1997).

OPERATIONAL DEFINITION

The Country-of-Origin of products is operationalized in this study and communicated through the phrase, "Made in" as an external cue of product quality to consumers (Amine, Arnold, & Chao, 2005), while other studies have used the terms "Country of assembly" and "Country of manufacture" (Chattalas, Kramer, & Takada, 2008; Insch, 2003).

According to the literature, Country-of-Origin directly influences consumers' perception of product quality, attitudes, behaviors, and purchase intention (Agarwal & Teas, 2000; Baker & Ballington, 2002). Additionally,

certain country specific factors, such as quality of raw material, experience gained through hundreds of years of manufacturing, and the level of internal competition, have significant influence on consumer perception of product quality (Katsanis & Thakor, 1997).

An experiment conducted by Agarwal and Teas (2000) involving wrist watches, revealed a significant positive correlation between Country-of-Origin and perceived quality when countries with product manufacturing expertise were used. They found negative relationships when countries without expertise in the manufacturing of watches were used. Their results indicate that the effect of Country-of-Origin on perceived quality might be restricted to a certain product type. Therefore, such studies assume that the perception of quality is specific to certain countries rather than the entire world (Brouthers, 2001). Consequently, for many products, marketing managers are promoting the Country-of-Origin as a means of enhancing the consumers' quality perception of their product offering and as a strategic positioning variable for gaining competitive advantage in the marketplace (Ettenson & Klien, 1998).

According to Darley and Lim (1994) and Katsanis and Thakor (1997), country-of-origin is often seen as a product attribute by consumers, thereby influencing their perception of quality. This finding is supported by Cordell (1991), who concluded that many consumers use country-of-origin as an attribute when deciding between alternative and competitive products. Country-of-origin is a salient attribute that has a significant effect on consumers' perception when they are informed that the product was manufactured in a country known for high-quality products (Leclere & Schmitt, 1994; Samiee, 1994).

HISTORICAL PERSPECTIVE

Before 1960, customers used price and brands extensively as extrinsic cues to evaluate product quality. According to Sohail (2005), introductory studies on country-of-origin, as a source used by consumers in evaluating product quality, started to gain attention in academic literature during the early 1960s. Ahmed, Benlian, Woolbridge, and Zbib, (2010), highlighted the growing interest in this area in 1965 in Finland and Guatemala, claiming that country-of-origin has an effect on consumer perceptions of product quality.

Researchers in consumer behavior and retail marketing fields began paying attention to this newly explored dimension as a possible guide to the promotion of brand name products and positioning strategy in the retail sector. In the 1960s and 1970s, country-of-origin started gaining traction as a consumer product evaluation attribute and was added to the list of external cues (Chen, 2004; Pharr, 2005; Lavack & Thakor, 2003). During the 1980s, with the continued growth of international trade and globalization, the interest of importers and retailers increased in wanting to know the effect country-of-origin information had on consumers' purchasing intentions and decisions. During the past forty years, over one hundred studies were conducted on country-of-origin information and its effect on consumers' attitudes toward product quality (Gao & Knight, 2007; Goodstein, Grewal, & Miyazaki, 2005; Hsich, 2004; Kim, 2008).

ECONOMIC DEVELOPMENT OF COUNTRY-OF-ORIGIN

Katsanis and Thakor (1997) and Biswas and Chowdhury (2011) compared products in Germany with similar products from South Korea and found that consumers rated products manufactured in economically developed and politically free countries very high in quality. However, Chao (1993) and Cordell (1991) argued that when country-of-origin serves as an external cue, consumer perception is not influenced for all products manufactured in that country, but only for specific products, such as shoes made in Italy or perfume made in France. If a country is perceived as having specific attributes or capabilities, then the country-of-origin becomes a factor in the quality measurement of specific products (O'Shaughnessy & O'Shaughnessy, 2002). However, Liefeld and Wall (1991) found that women were more concerned about the country-of-origin of clothing and shoe products than men.

Many researchers believed that the effect of country-of-origin on consumers' perception of product quality is closely associated with their knowledge of the particular country and, in certain cases, the level of the country's economic development (Romeo & Roth, 1992). Accordingly, Brouthers (2000) found that not all companies within the same industry from the same country-of-origin are perceived equally by consumers as producing quality products. Companies still have to aggressively compete to earn consumers' trust and confidence.

Liefeld and Wall (1991) found that information on country-of-origin was of greater importance to consumers than price or brand when assessing and comparing the quality of products from certain developed countries. According to Parvin, Rahman, and Uddin (2013), consumers from less developed countries, such as Bangladesh, rated high involvement consumer durable products from developed countries higher in quality than products from emerging economies. On the other hand, there are certain underdeveloped countries that have a history of producing certain products that are recognized as world class and of the highest quality. For example, Afghanistan is seen as an underdeveloped country, but their rugs are considered to be of the best quality in the world (Phau & Suntornnond, 2006). However, Ahmed and D’Astous (1996) argued that as globalization continues, country-of-origin would have less influence on consumers’ perception than brand and price.

This opinion seems to be supported by Baker and Ballington (2002) who stated that powerful domestic and global brands would diminish the effect of country-of-origin on consumer perceptions of product quality. In justifying country-of-origin as an influential variable in consumers’ perception of quality, Darling and Wood (1990) compiled ten years of research on Finnish consumers that revealed the growing confidence in Japanese products and declining confidence in American-made products. They concluded that country-of-origin has a significant effect on consumer perceptions of product quality.

In an interview survey conducted in South Korea on the apparel and wearable market, Chun (1992) quoted several consumers as saying that the quality of foreign-produced apparel and wearable products are by far superior to similarly locally-produced products. This is a clear indication that country-of-origin has an effect on consumers’ perception of quality, purchase intention, and measurement of value. Similar studies were conducted in South Africa after it opened its market to global competition and in Japan, specifically, on consumer electronics (Baker & Ballington, 2002).

According to the results, many consumers preferred products from developed countries, such as Europe and the United States, because of the belief that these products are of higher quality. Consumers in South Africa believed that Americans and Europeans were very concerned with beauty and image and therefore apparel and other wearable goods would be manufactured to the standards required by these consumers (De Wet, De Wet, & Pothas, 2001). The belief that developed countries manufacture better quality products was based on the country’s image in the minds of consumers. Products from industrialized nations were favored based on the belief that these countries have a long history in manufacturing and that they have to constantly improve their quality to be competitive (Garma, Polonsky, & Wong, 2008; Hsieh, 2004).

Cordell (1991) and Liefeld and Wall (1991) stated that products manufactured in less developed countries lack the quality of material, design, and workmanship found in products from developed countries and can thus be high risk products. Given this belief, companies considering moving their manufacturing facilities overseas to capitalize on low labor costs as a means to improve profit margins and meet price points set by exporters from emerging economies have to be very careful. Consumers’ perception of quality based on country-of-origin is an important consideration when choosing an offshore location (Katsanis & Thakor, 1997). Country image is associated with product appearance, design, style, variety, status, reputation of brand name, reliability, durability, workmanship, and manufacturing technology (Hamzaoui & Merunka, 2006).

Bozell-Gallup, a research organization, has described country-of-origin as a “nation’s equity.” It believes that country-of-origin (nation’s equity), as an indicator of product quality, will continue to increase in importance as the quality differences between brands become narrow and the globalization of markets increases (Brown, 1995). Although, there are mixed findings regarding customers’ opinions on product quality, there is significant empirical evidence supporting the fact that many countries are very skillful in producing certain high quality products (Chao, 1993; Darley & Lim, 1994; Hsieh, 2004). Brand association with country implies that the brand is of higher quality because the country has a reputation of producing the best within its product class (Amine, Chao, & Arnold, 2005).

ETHNOCENTRIC EFFECT

Consumers with ethnocentric views are most likely to select locally made products or those manufactured in countries that have cultural, political, and economic similarities to their home country. These consumers will

probably rate their country's products more favorably than those made in foreign countries (Baker & Ballington, 2002). However, many researchers accept that the biases are fading as globalization, outsourcing, alliances, technological and economic advancement, and country-specific factors expand and change the image and product quality of many countries (Ahmed & D'Astous, 1996; Bhuian, 1997). In the apparel industry, customers are recognizing the skill, resources, and ability to produce superior quality products in many countries. For example, Italy is respected for its leather products and the Asian continent for fabric material (Leclere & Schmitt, 1994).

The images of manufacturing countries can affect consumers' purchasing decisions directly and independently of product characteristics (Ettenson & Klien, 1998; Akram, Akram, & Merunka, 2011). Although many consumers may recognize the greater value in terms of price and quality of products made in certain countries, they may refuse to purchase such products because of animosity tied to past negative experiences.

Examples include the refusal of Jewish customers to purchase German products, that of certain Muslims to purchase American products, and that of the Chinese to purchase products made in Japan (Ettenson & Klien, 1998). Demographics and patriotism were important determinants of ethnocentrism and the success of locally-made products (Kim, Miller, Vida, & Reardon, 2005). According to Bhuian (1997), although many firms are moving their manufacturing facilities overseas to seek lower labor cost, they are finding that consumers are more interested in quality than price. The true driver and influence of purchase decision in the apparel industry is no longer price reduction but quality and value expectation. The pertinent variables of importance to consumers during the pre-purchase evaluation of product quality in the apparel and wearable industry are brands, price, store name/store image, advertisement, appearances, and Country-of-Origin.

CONCLUSION

Understanding the guidelines that consumers use when evaluating the quality of products and making purchasing decisions is imperative to manufacturers of consumer products and marketers in the retail industry and should be studied carefully before deciding on country-of-product origin. As shown in this study, country-of-origin does matter for status and image-oriented products, to consumers with ethnocentric belief systems, and to the growing middle class consumer group in emerging economies. This study concluded that although country-of-origin is used as an external cue by consumers when evaluating product quality, other factors are equally important and can influence consumers' purchasing decisions. Given the growth of competition, increasing products' availability in the marketplace, and the power of consumerism, product sourcing should not be taken lightly. Consumers ultimately decide whose product they will purchase and which brands and companies will fail or succeed.

AUTHOR INFORMATION

Dr. Harrychand Kalicharan has spent over twenty five years in management and market development in several countries including the United States, working for several medium and large organizations. He received the "Who's Who Among America's Teachers" award thrice and is currently an Adjunct Instructor at Nova Southeastern University in Davie, Florida, teaching marketing, management, and international business courses. E-mail: dhkal@att.net

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