

# ***Effect of Country of Origin on Brand Perception of Indian Consumer : A Study on Selected Electronics Products***

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## **Abstract**

*In recent years, all the international and global companies from all over the world with any origin try to capture market share in other countries. Marketers have to consider the impact of country of origin in society to which they try to apply their marketing strategies to get the market share because each country have its own people and its own culture, as result they have their own purchasing behaviour and purchasing decision making in facing the foreign and domestic products. In this research paper, it has been tried to examine generally the impact of country of origin on consumers purchasing behaviour in electronics (Devices) industry. People have become quality and price conscious and prefer to buy products though imported which have better quality and pricing than the products available in the domestic market. Also this paper helps to understand how multinationals can use this information to design their strategies to place their products in foreign market.*

**Keywords :** *Country of Origin, Brand Image, Ethnocentrism, Consumer.*

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## **1. INTRODUCTION**

Globalization presents considerable challenges and opportunities for international marketers. The relaxation of trade policies has provided consumers with more foreign product choices than ever before. The escalating demands of international brands are a common characteristic of most countries. The nation's consumer spending is expected to continue in its upward trend in the coming years thus giving a very encouraging outlook to the consumer and industrial market as a whole. People's general lifestyle is also changing and progressing to fit in with the growing affluence and education standards. Mass media have had their hand in influencing this consumer buying patterns. Consequently, their attitudes toward products

originating from foreign countries have been of interest to international business and consumer behaviour researchers for decades.

## **2. COUNTRY-OF-ORIGIN (COO)**

Country of origin refers to information pertaining to where a product is made (the "made in" concept). It is also defined as the positive or negative influence/associations that a product's country of manufacture may have on consumers' decision processes or subsequent behaviour. Country of origin is defined as the country where corporate headquarters of the company marketing the product or brand is located. Though we recognized that the product might not necessarily be manufactured in that country because of multinational sourcing, we

assume the product or brand is identified with that country.

Consumers have different associations with different countries. Some of these perceptions are “German cars are great” and “Japanese electronics are reliable”, Italian cloths are “fashionable”. Due to this perception, countries with the right image can find their brands more acceptable than brands from some other countries with a lesser brand image. Research shows that products from different countries have a hierarchy of perceived value. Developed countries like USA, Japan, and Germany are normally equated with products of high quality while developing countries, such as China and Korea are normally related to products of a lower quality. Countries that are unheard of from the Eastern European region are normally the ones that are perceived to have the lowest quality of products.

Previous studies on the country-of-origin effect (COE), most of which have been conducted in developed countries, have found that consumers have a general preference for domestic over foreign merchandise, particularly when they lack information about the product (Bilkey and Nes, 1982; Damanpour, 1993; Elliott and Camoron, 1994; Wall and Heslop, 1986). Roth and Romeo 1994 give another definition of country of origin as the overall perception consumer’s form about products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses.

So, alternatively COO can be defined as the evaluative tendencies (these can be beliefs, attitude and preferences) towards a product from a particular country.

### **3. COO AND MARKETING**

With increasing globalization, consumers are presented with a greater array of product choices,

and their potential product selection will include a higher proportion of products from non-domestic sources. In the present economic climate, competition among companies is keen in all sectors of an industry. Therefore branding is used extensively to differentiate one’s product from the competitors as well marketers have to consider the impact of country of origin in society to which they try to apply their marketing strategies to get the market share because each country have its own people and its own culture, as result they have their own purchasing behaviour and purchasing decision making in facing the foreign and domestic products.

### **4. COUNTRY OF ORIGIN AS A CUE**

Many similarities were drawn from research into COO and consumer buying habits (Coulter et al., 2003). Some researchers have come to conclusion that factors such as the image of a country that is sealed with a brand and global concept and its association with a very much distinct class of product does not adequately portray the importance of the cue to the process of decision making (Peterson & Jolibert, 1995). It is indeed crucial to expound further and distinguish the diverse perceptions of a country’s image and its link others as a cue. The country of origin image (COI) is a form of stereotyping process which assists in easing decision making when there is a lack of information or information that is overloaded. The research on country of image (COI) as a broad and global idea has brought about the following results:

- ☐ There is a common preference for local products and services
- ☐ Foreign countries are viewed as competent in their manufacturing and delivering the Product and service.
- ☐ Images of countries are regarded as multi-dimensional (Hong et al., 2002, Kotabe et al., 2005).

In 2007, Pecotish highlights the fact that consumers come to conclusion of a country based on a general hierarchy of countries according to their worldview. It is important to delineate this order before starting a research. He elaborates that the initial factor that buyers use the perception of global product evaluation is the local preferences. Domestic preference theory can be termed as ethnocentrism or patriotism (Pecotish and Rosenthal, 2001). Consumers choose local products for a variety of reasons such as familiarity and also due to the fact that is beneficial to their local economy. Taking this preference for domestic preference into consideration, the other factor that still remains is the image of foreign products. According to Papadopoulos and Heslop (1993), when consumers are exposed to any of the products' information such as products' manufacturing, assembling designing or conceiving countries the concept of country/product image is dependent with the image of referent that they usually apply.

### **5. BRAND ORIGIN**

Given current globalization trends, products are not normally produced or manufactured in its COO. The concept of brand origin was the result this phenomena. BO is described as the region or country where a certain product brand is assumed to have originated by its potential buyers. BO is frequently used when a country is assumed to have some qualities that will benefit the brand via association (Thakor & Kohli, 1996). Brand origin is recorded to have an impact on consumers' perception of quality, attitudes related to the brand and the purpose of purchase, and this gives rise to brand origin stereotypes (Zhuang et al., 2008). BO can be differentiated from COO in a number of ways. BO states that the perceived location or place is not the real location where the brand originates from. This perceived thinking of the origin is derived from advertising and perhaps the language that the

brand is closely associated with (Thakor& Lavack 2003). Nowadays, it is quite common to use the term BO instead of COO because many brands are not linked to the country where it is "made in" anymore (Thakor & Kohli, 1996). Furthermore, BO can represent the region the brand is from and not necessarily the COO. Another distinguishing factor is that the term BO is used for brands whereas COO is used for products (Thakor& Kohli, 1996).

Also, the term brand origin is more closely related to brand image as opposed to COO (Jin et al.,2006). Brand origin has been known to be of a greater influence of consumer's buying habits especially in emerging markets. This is due to the fact in emerging markets BO of foreign products is often associated higher status and class. So, consumers go for these foreign brands to be recognized for their status as related to these products. As a result of this connection, it can be said that BO has a much higher effect on buying decision as compared to the country the brand is made in (Zhuang et al., 2003)

### **6. SIGNIFICANCE OF COO STUDIES IN TODAY'S ENVIRONMENT**

As the manufacture of products and the search for new markets increases globally, understanding consumer choice preferences related to a product's country-of-origin becomes increasingly important. Success in the changing global marketplace will require firms to more fully understand their position in this regard. Given the rapid growth and market opportunities that are available in developing countries, it becomes important to obtain information for these markets.

This positive or negative country stereotyping is an important factor for international firms to attempting to enter foreign markets. Consumers' attitudes toward imports from various countries can vary significantly from one country to another. Even consumers in the same country can have

significantly different perceptions of the country-of-origin. It follows that it is necessary to identify country-of-origin impacts on each country that a firm is considering exporting to and doing this on a timely basis.

In general, a product is analyzed along two kinds of variables:

- (1) Intrinsic variables (e.g.: taste, design, performance, etc.) which are an integral part of the product.
- (2) Extrinsic variables (e.g.: price, brand, warranty, country of origin etc.) which are potential sources of information to the consumer before consumption.

COO image is defined as “the overall perception consumers form of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses”. Thus, COO represents a critical information cue to consumer’s attitude and likelihood of purchasing products. There are several guidelines in considering the country of origin.

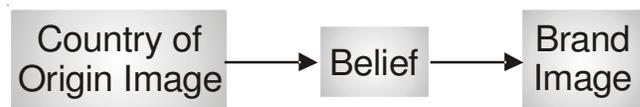
- ☞ First, consumers in developed countries have a general preference for domestic products.
- ☞ Second, consumers do not use the country of origin as an isolated evaluation criterion.
- ☞ Third, the influence of country of origin tends to be stronger when the consumer is not familiar with the product or manufacturing company.

Influence of COO towards customer brand evaluation: Conceptual Frameworks

### ⇓ **TRI-COMPONENT MODEL**

COO cue can enter the consumer behaviour process in three stages: cognitive stage, affective stage and behaviour stage. If the COO cue is perceived at the cognitive stage, it will affect to the consumer’s understanding toward the country’s characteristics. In the affective stage, COO cue is reflecting to the attitude or feeling of buyers toward the country building up through contact, association or past experience with them. The last stage is behaviour stage, whereby COO cue will help to either reinforce the product attributes or beliefs, or maybe negate these

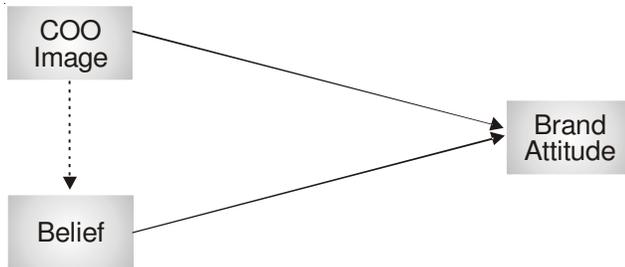
**A. Halo Model :** (Halo effect will be presented when consumer has no familiarity with the product made in the rated country) Due to the limited knowledge of the product, consumers use country image as a product cue to form individual belief of product’s attribute, which will formulate the overall brand attitude. A belief about one product trait (in this case, the country in which the product was made) produces a belief structure about unknown traits that are congruent with the known trait.



**B. Summary Construct Model :** (Experience is not necessarily that of the individual, but individuals are influenced by the experience of others through information flows such as word of mouth and mass media) The consumer’s experience on the particular country image can simplify the perception to attributes of unfamiliar products by using the information on the other familiar products to form their perceived country images. This country image directly affects Brand Attitude.



**C. Single Flexible Model :** Unlike the previous model, both country image and belief can simultaneously affect to the consumer's attitude in varying degree. However, country image can directly affect to brand attitude itself or it might indirectly affect brand attitude through creating the belief before formulating the attitudes.



## 7. INFLUENCE OF COO ON BRAND EVALUATION

**Country and Cultural Signifiers:** Many products and brands send out signals that can be traced back to their country of origin thus acting as cultural signifiers. That origin cues are already firmly imprinted within successful brand names. For example, IBM strongly suggests American, and Fosters is purposefully emphasized as being "Australian for Beer".

Thus merely manipulating the different dimensions of the country of origin construct does not eliminate the effects of these cues. Country of origin of brand should not change with a change in manufacturing location. For example, Reebok, an American brand, is manufactured in Korea. Sony products are made in Malaysia and Indonesia but are still considered as Japanese products. The perceived origin of a brand need not be the same as the country shown on the "made-in" label. This difference is particularly relevant in light of the growing trend towards offshore manufacturing by multinationals.

Factors affecting influence of COO effects on brand evaluation :

- (a) **Time :** Country images will change when consumers become more familiar with the country or when the product's actual quality improves over time. A good example is with Japanese made cars, where COO effects changed from negative to positive during the last couple of decades.
- (b) **Demographics :** The consumer perception toward COO can vary by demographics i.e. the effect of gender, age group or education and income. Studies have shown that COO influences would be strong among the elderly, less educated and politically conservative consumers.
- (c) **Similarity between countries :** The consumer perception of COO varies from country to country. Such variation is due to the extent of similarity of belief, cultural and political systems between home country and COO of products
- (d) **Product Categories :** The usage of COO cue is primarily determined by the specific type of product. Therefore, COO effect varies by product category. Typically, those products that can be categorized as "high involvement" products (such as durables) are more relevant to the concept of COO than "low involvement" goods.
- (e) **Economic Development :** In developed countries, national products are likely to be preferred than imports. On the other hand, in developing countries domestic products are likely to be evaluated less favourably than foreign made products especially from developed countries.
- (f) **Ethnocentricity:** However, in the context of economic development given above, the issue of "ethnocentricity" of the host country becomes critical. Customers who are ethnocentric are likely to feel that it is inappropriate and wrong to purchase foreign made products. Hence,
  - ☐ Low ethnocentric consumers are more likely to use COO cue to infer product quality whereas

- High ethnocentric consumers look at COO as a means to express loyalty as so reflected in their purchasing behaviour.

## **8. REVIEW OF LITERATURE**

Ghosh & Dutta (2009) in their study "Country of origin effect and perception of Indian consumers" found that Country of origin or nation branding is one of the main arenas in the field of marketing which is gaining its importance in today's era. With more and more companies entering into the global market the consumers are now looking for more options for a particular product. With so many options available in the market the consumers are now giving preference to the country of origin of the product. The research is aimed to measure the perception of the Indian consumers on the country of origin effect on product preference. The research would also relate the consumer perception about the country of origin and the product quality. The statistical analysis resulted into three factors which were named as Decision Variables, Quality Variables and the Price Variable. The analysis also showed that Indian consumers perceive that the quality of cars in developed countries like USA is much better than their own country i.e. India. The findings suggest that the Indian consumers are positively inclined to the country of origin effect and prefer to buy imported products.

Haefner & Rosenbloom (2009) in their study "Country-of-Origin Effects and Global Brand Trust: A First Look" found the relationship between country of origin and brand trust in 22 product categories. The product categories of interest ranged from high involvement, durable goods (refrigerators, washing machines) to low involvement, fast moving consumer goods (chocolate bars, yogurt, disposable batteries). Respondents included consumers from the United States, Nepal, India, Poland, the Czech Republic, and Bulgaria. Country-of-origin effects yielded the

research's most interesting finding: Global brands might have a regional, or meso level, component which brand trust has uncovered for the first time.

Ranchhod (2009) in his study "The influence of country of origin and brand on product evaluation and the implications thereof for location decisions" found that how a particular brand image outweighs any brand paradoxes that a brand could possibly portray in the real world setting. The research on branding was carried out in the previous Russian territories that now form the Commonwealth of Independent States (CIS) and it looked at the link between brand image and country image. Key Business to business managers interviewed and their opinions solicited. The results indicate an interesting paradox in the way in which a brand is perceived and purchased.

Kinra (2005) in her study "The effect of country-of-origin on foreign brand names in the Indian market" found that the quality of foreign brands was perceived to be generally higher and superior to local brands. Most consumers also associated greater accessibility of foreign brands in the Indian market with better quality at lower prices. Despite high levels of nationalism and preference for indigenous manufacture, as evidenced in high factor ratings on an ethnocentrism scale, which might indicate a positive bias towards local brands, Indian consumers were not prejudiced against foreign brand names. In fact, they evaluated them higher on technology, quality, status and esteem than Indian brands, and attributed higher credibility to those countries-of-origin.

Maurali (2003) in his study "The influence of country image structure on consumer evaluations of foreign products" found that country image is a three-dimensional concept consisting of cognitive, affective, and conative components. They modelled the relationships among country image, product beliefs, and product evaluations, and found that

country image and product beliefs affect product evaluations simultaneously regardless of consumers' level of familiarity with a country's products. Findings also indicated that the structure of country image influences product evaluations both directly and indirectly through product beliefs. Consistent with affect transfer theory, the results showed that when a country's image has a strong affective component, its direct influence on product evaluations is stronger than its influence on product beliefs. Alternatively, when a country's image has a strong cognitive component, its direct influence on product evaluations was smaller than its influence on product beliefs.

### **9. OBJECTIVES OF THE STUDY**

- (i) To study the consumer awareness about the country of origin of the brand of the product they are using.
- (ii) To study the effects of brand origin country on product evaluations and purchase intention.
- (iii) To know the perception of people regarding image of selected countries based on selected parameter

### **10. RESEARCH METHODOLOGY**

For this particular research descriptive research design is used. And non-probability sampling technique is used to select the sample. A total of 110 respondents were selected from Delhi NCR. The primary data was collected through "the personal contact" after approaching the respondents personally and explaining in detail about the survey objectives and purpose of the study. Survey was done at Shopping Malls and various small markets in different areas of the Delhi NCR. Secondary data was collected from

internet and journals. Time period of study was October, 2012 to January, 2013.

### **11. LIMITATIONS OF THE STUDY**

- (i) Resource constraints always come into play while conducting such research work.
- (ii) Major limitation of this research is that all the personalities could not be found at a given point of time so the research technique followed is convenience sampling.
- (iii) This report is based on sample drawn from Delhi NCR only so this report cannot be generalized.
- (iv) Many of the respondents were busy in their work so they have not given proper time to answer the questions. Some may have given false information while answering question.
- (v) Selected sample may or may not be considered as a true representative of whole population only 110 people have been taken as sample which is not enough.
- (vi) There might be chances of ambiguities in the analysis of data.
- (vii) Best efforts were made to consider important variables of the study, chances of some of the variable not appearing in the study are also not ruled out.
- (viii) The findings cannot be generalised to all the product categories.

### **12. DATA ANALYSIS**

#### **A. Number of responses of electronic products**

It is analyzed from the Fig. 1 that 108 respondents possess T.V. & 110 respondents possess mobiles, 93 of the people possess laptops & 63 of the respondents are having music so it is interpreted from the Fig. 1 data that maximum no. of the respondents are possessing T.V. & mobiles.