Chapter III

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3.1 INTRODUCTION

On the basis of review of the existing Country-of-Origin (COO) literature, the researcher has developed theoretical framework and conceptual model of the study. From the relatively simple early studies of Country-of-Origin, there have been significant conceptual advances in the recent studies on Country-of-Origin. Investigation of consumers’ perception and evaluation of hybrid products is of key importance with respect to the advances in the concept of Country-of-Origin. The present chapter explains the evolution of the Country-of-Origin concept, and the ways in which the Country-of-Origin influences product evaluation. It also elucidates the theoretical framework for the hypothesized relationship between the variables used in the conceptual models of the study.

3.2 EVOLUTION OF THE COUNTRY-OF-ORIGIN (COO) CONCEPT

A review of COO studies show that the concept of Country-of-Origin effect has evolved over time. The following are the conceptual development of the term ‘Country-of-Origin’.
3.2.1 Made-In Country

During the pre-globalisation period, products were usually manufactured in their home countries. So, the country selected to study the Country-of-Origin effect was the ‘made-in’ country. Here, the studies examined how consumers perceive foreign products made in different countries versus the domestically made products. Therefore, the Country-of-Origin was referred to as the country where the product originated from or the country where the product was made. This concept is also known as ‘made-in’ concept and earlier studies had been done based on this concept. The ‘made-in’ approach was simple and clear as there was only one country associated with the product’s origin, and therefore, effect of a single-country only was to be examined.

Due to the globalisation, it has become possible to produce a product in different countries. Therefore, the single-country association to a product has been changed. This structural change in the international business operations has been taken into consideration in the subsequent Country-of-Origin studies, and accordingly, multi-country dimension of Country-of-Origin has been explored in the later COO studies. The Countries considered in COO studies include the Country-of-Design, Country-of-Brand, Country-of-Manufacture, and Country-of-Assembly.
3.2.2 Country where Corporate Headquarters of Company Located

This is one of the earliest definitions of the Country-of-Origin that deviates from the traditional made-in concept, and defined Country-of-Origin “as the country where corporate headquarters of the company marketing the product or brand is located” (Johansson, Douglas, & Nonaka, 1985, p. 389).

3.2.3 Country-of-Design (COD)

With the increasing trend in manufacturing of products outside the home country of the product, the term ‘Country-of-Design’ gained focus in Country-of-Origin studies. The Country-of-Design is referred to as the country where a product has been originally designed and developed. Researchers have analysed the effect of Country-of-Origin on Product evaluation by examining the effect of the Country-of-Design of the product.

3.2.4 Country-of-Manufacture (COM) and Country-of-Assembly (COA)

When multinational companies started to have multi-country production locations, there were concerns of whether shifting the production location to other countries (especially shifting production from a developed country to a developing country location) would adversely affect the brand value. Hence, the Country-of-Manufacture or the Country-of-Assembly was considered as an important component of the origin of the product. So, the researchers have examined the effect of the Country-of-Manufacture or the Country-of-Assembly on product evaluations.
### 3.2.5 Brand Origin

A noticeable trend in Country-of-Origin research is that the focus of examining the COO effect has moved from the product level (made-in concept) to the brand level. Due to multi-country production, the manufacturing locations for a brand were set up in different countries. Therefore, the country associated with the brand seemed to get blurred with lesser distinction between the Country from where the brand originated and the Country where it was manufactured. Hence, researchers felt it pertinent to consider the country which the consumers perceived as the origin of the brand and examine its influence on consumer evaluations. Accordingly, the term ‘brand origin’ is defined as “the place, region or country to which the brand is perceived to belong by its target consumers” (Thakor & Kohli, 1996, p. 27).

### 3.2.6 Country-of-Brand (COB)

The Country-of-Brand’ refers to the Country from where the brand originates. Studies have attempted to examine how the Country from where a brand originates affects consumers’ evaluation of such brands. Researchers argue that the Country-of-Brand will assume more significance than Country-of-Manufacture in the context of growing proliferation of multi-country production.
3.2.7 Partitioned Concept of Country-of-Origin

At present, many of the well-known companies are establishing the manufacturing locations for their brands in a different country apart from the home country of the brand. Thus, the Country-of-Origin for such brands can be partitioned into two components viz., the Country-of-Brand and the Country-of-Manufacture. Such brands are referred to as bi-national brands because the Country-of-Brand and the Country-of-Manufacture are two different countries. The concept of Country-of-Origin in the context of bi-national brands is referred to as partitioned concept of Country-of-Origin. This concept has been adopted by the researcher to build the theoretical framework of the present study.

3.3 INFLUENCE OF COUNTRY-OF-ORIGIN ON PRODUCT EVALUATION

Several studies have extensively documented that the Country-of-Origin influences product evaluations. Consumer decision making involves processing of the available information and accordingly arrive at a suitable judgment. Consumers make certain inferences about a product on the basis of past experiences and the information stored in the consumer’s mind about various cues of the product. In the perspective of information processing, products are considered to consist of a set of extrinsic and intrinsic cues. These cues provide a basis for the consumers to evaluate the product.
The Country-of-Origin is one of the extrinsic cues, based on which consumers evaluate a product. The influence of Country-of-Origin cue has been explained using the Categorisation theory (Hamzaoui and Merunka, 2006; Lee and Ganesh, 1999; Maheswaran 1994). The categorisation perspective has been found to be discussed right from the early studies (Mervis and Rosch 1981).

The theory of categorisation refers to the tendency of consumers that exhibit to place certain marketing information into some logical categories so as to process information quickly and efficiently (Assael, 2005). It can be said that categorisation occurs when individuals use their prior knowledge for the purpose of labelling, identifying or classifying something new (Hoyer & MacInnis, 2010). Therefore, when consumers hear about a particular brand, they will attempt to classify that brand on the basis of some category.

The Country-of-Origin is a basis for categorisation and accordingly it influences consumer evaluation of the products. In other words, Country-of-Origin serves as a category label for consumers to evaluate products from a particular country. When a consumer is exposed to an object (a brand) from a country, based on categorisation theory, it is expected that consumers interpret that object (brand) with respect to the category (the country). The internal transfer of knowledge from the country to the brand takes place and this affects consumers’ evaluation of the brand. When consumers hold positive images or perceptions about a country, products or brands from that
country will be perceived by them in a positive manner. On the other hand, if consumers’ hold negative image of a country, then the product or brand from that country would be perceived by them in a negative manner.

Further, consumers are likely to give more attention to Country-of-Origin for high involvement products than for low involvement (Saffu and Scott, 2009) as they usually engage in greater levels of information search and processing of information. Therefore, the COO is more likely to influence high involvement products (Ahmed and dÁstous, 1993; Okechuku and Onyemah, 1999).

The present study made an attempt to examine the influence of Country-of-Origin on the product evaluation/buyers’ assessment in terms of Perceived Quality. Here, the study combined partitioned concept of Country-of-Origin with categorisation theory, and accordingly developed theoretical framework of the conceptual model for the study.

3.4 THEORETICAL FRAMEWORK OF THE CONCEPTUAL MODEL

The study has adopted the partitioned concept of Country-of-Origin to examine the influence of Country-of-Origin on buyers’ assessment. Therefore, the model has been developed on the basis of the partitioned concept of Country-of-Origin. As per the partitioned concept of Country-of-Origin, there are two components viz., the Country-of-Brand (COB), and the Country-of-Manufacture (COM). These two components represent two dimensions to
evaluate the bi-national brand. While, COB represents the Country-of-Origin of the brand, the COM represents the country where the product is manufactured. In other words, the COB is brand-oriented component of COO, and COM is the product-oriented component of COO. So, the present study examines the influence of the COO at two levels - first, at the brand level (Country-of-Brand, Brand Image and Perceived Quality); second, at the product level (Country-of-Manufacture, Product Image and Perceived Quality). Therefore, the researcher has formulated two models that explain hypothesized relationships between the variables. The theoretical framework of the conceptual model formulated by the researcher is presented at two levels as shown below.

3.4.1 Influence of COO at the Brand Level

At this level, the researcher investigates the influence of Country-of-Brand Image (COB-I) and Brand Image (BI) on Perceived Quality (PQ) of the bi-national brand. For this purpose, the following variables have been considered.

- **Country-of-Brand Image (COB-I):** COB Image refers to the image of the Country-of-Brand. The Country-of-Brand (COB) is the country from where the brand originates from and referred to as the home country of the brand. The term ‘Country-of-Brand’ has emerged as a result of the phenomenon of shifting the manufacturing locations of brands from the home country of the brand to other countries. The COB Image indicates
the perceptions of consumers on various indicators of the image of a country. It includes various aspects of a country such as the level of economic development, educational level, technical skills of the country’s workforce, participation in international affairs, characteristics of the people of that country and friendliness towards other countries.

- **Brand Image (BI):** Brand Image refers to consumers’ perceptions and preferences for a brand that is measured by various brand associations held in their memory (Keller, Parameswaran & Jacob, 2011). For the study, Brand Image is considered as the associations held in the consumers’ memory regarding various aspects of a brand.

- **Perceived Quality (PQ):** Perceived Quality is defined as the judgements consumers form about a product’s overall excellence or superiority (Zeithaml, 1988). For the present study, the Perceived Quality includes consumers’ judgments about various aspects of the quality of the products such as workmanship, technological advancement, durability, reliability, assembling, frequency of repair, quality of workforce, innovative features, quality control, the build quality, and overall quality.

The hypothetical model comprising the relationship among the three constructs used for the study is depicted in *Figure* 3.1. The relationship between the constructs of the hypothetical model has been derived on the
basis of review of the literature. The following are the theoretical explanations to substantiate the relationship.

**a. Relationship between Country-of-Brand Image (COB-I) and Perceived Quality (PQ)**

The review of Country-of-Origin literature indicates that the Perceived Quality of the product is one of the most widely studied dependent measures (Ahmed and d’Astous, 1996; Chao, 1993; Hamzaoui and Merunka, 2006; Han and Terpestra, 1988; Phau and Prendergast, 2000; Reierston, 1966; Thakor and Katsanis, 1997; Thakor and Lavack, 2003; Ulgado and Lee, 1993). Studies have shown that COO influences the consumers’ perceptions of Product Quality (Ahmed and d’Astous, 1996; Han and Terpestra, 1988; Jian and Guoqun, 2007).

The partitioned concept of Country-of-Origin evolved as a result of the shifting of manufacturing locations of the product away from its home country to a different country. Many studies have considered the partitioned concept of COO, and examined the influence of the components of COO on consumers’ evaluation of products (Ahmed and d’Astous, 1996; Ahmed, d’Astous, and Eljabri, 2002; Chao, 1993; Essousi and Merunka, 2007; Lee and Bae, 1999; Lee and Ganesh, 1999). The Country-of-Brand directly influences the evaluation of bi-national brands (Lee and Bae, 1999). Due to the proliferation of hybrid products, Country-of-Brand is argued to serve as a basis to evaluate the quality of the product (Phau and Prendergast, 2000).
The categorisation principle provides the basis to explain the influence of Country-of-Brand on Perceived Quality. The Country from where a brand originates from, serves as a category label to form evaluations of the Perceived Quality of that brand. When consumers hold favourable perceptions of a country, then the brands from such countries will also be viewed favourably by them since the brand belongs to the category (Country). The influence of Country-of-Brand on Quality has been found to be examined on automobiles in past studies (Ahmed and d’Astous, 1996; Chinen and Sun, 2011; Han and Terpestra, 1988; Khan and Bamber, 2007; Loeffler, 2001).

Further, the studies revealed that the influence of COB on evaluation of a bi-national brand was mediated by the presence of brand image (Lee and Bae, 1999).

On the basis of this background, the researcher has formulated the relationships between Country-of-Brand Image (COB-I) and Perceived Quality (PQ).

*Ha₁: Country-of-Brand Image has a direct positive influence on the Perceived Quality*

*Ha₄: Country-of-Brand Image has a positive relationship with Perceived Quality through the mediating effect of Brand Image*
According to Keller (2003), brand equity can be built through three means - (i) by choice of brand elements (ii) by designing marketing activities in general and by product, price and distribution strategies in particular and (iii) through leveraging secondary brand knowledge. In the context of this study, the third means, viz. leveraging secondary brand knowledge, is more relevant. It was observed that the “brand themselves may be linked to other entities that have their own knowledge structures in the minds of the consumers” (Keller, 2003, p.349). As a result of this linkage between brand and the entity, consumers may infer that the associations that characterise such entities could hold for the brand also. Thus, there is a transfer of associations from the entity to the brand. The Country-of-Origin is one of the means for creating such secondary brand knowledge. Hence, Country-of-Origin is significant in influencing consumers’ perceptions of the brand.

In addition, due to the phenomenon of multi-national production, the Country-of-Brand stands as a more consistent component of the partitioned Country-of-Origin (Phau and Prendergast, 2000). In case of bi-national brands, the Country-of-Brand influences the Brand Image (Essousi and Merunka, 2007; Lee and Bae, 1999).

Further, applying the categorisation principle, the Country from where the brand originates (COB) is a category label to form perceptions of the
brand (or the brand image). Hence, in accordance with consumers’ perceptions of a country, a brand that originates from that country will also be perceived by the consumers.

Considering the categorisation principle, the secondary sources of brand knowledge and the proliferation of multi-national production; the Country-of-Brand assumes greater significance that influence on the brand image. A positive image about the country from where the brand has originated will have a positive influence on its brand image among the consumers. Recent studies recognise brand as an important entity to be investigated while examining the influence of Country-of-Origin (Fetscherin and Toncar, 2010; Kim, 2006; Koubaa, 2008; Pappu, Quester, and Cooker, 2006; Powers and Fetscherin, 2008; Wang and Yang, 2008).

On the basis of the above theoretical background, the researcher has formulated the relationship between Country-of-Brand Image (COB-I) and Brand Image (BI).

\( H_{a2} \): Country-of-Brand Image is positively related to the Brand Image.

**c. Relationship between Brand Image (BI) and Perceived Quality (PQ)**

The brand is one of the extrinsic cues like the Country-of-Origin. The influence of the brand name in influencing consumers’ perceptions and preferences is well established (Aaker, 1996; Keller, 2003). Even in multi-cue studies, where the brands along with other cues have been examined, it has
been found that the brand name influences product evaluation (Ahmed and d’Astous, 1993; Ahmed and d’Astous, 1996; Supanvanij and Amine, 2000; Tse, 1999; Ulgado and Lee, 1993). In case of technologically complex products, the brand and Country-of-Origin serve to infer the quality of the product (Ahmed and d’Astous, 2005; Ahmed, d’Astous, and Eljabri, 2002). As per the categorisation principle, when consumers hold a positive image of a brand, they will infer positive perceptions about the quality of that brand. Studies found that brand name influenced the product quality of the bi-national products (Han and Terpestra, 1988; Ulgado and Lee, 1993). Further, research provides evidence of the influence of the brand image on bi-national brands (Essousi and Merunka, 2007). In an era of globalisation and increased outsourcing of manufacturing to locations in overseas markets, it is argued that the brand image may substitute for a weak country image to affect certain dimensions of quality (Thakor and Katsanis, 1997).

On the basis of the above arguments, the researcher has formulated the relationship between Brand Image (BI) and Perceived Quality (PQ).

$H_{a3}$: Brand Image has a positive influence on the Perceived Quality

3.4.2 Influence of COO at the Product Level

Here, the researcher investigates the influence of Country-of-Manufacture Image and Product Image on Perceived Quality of the bi-
national brand. For this purpose, the following variables have been considered.

- **Country-of-Manufacture Image (COM-I):** This refers to the image of the Country-of-Manufacture. The Country-of-Manufacture (COM) is the country in which the manufacturing location for a brand is located. In other words, the Country-of-Manufacture is the country where the product gets manufactured. The Country-of-Manufacture Image (COM-I) indicates the perceptions of consumers on various indicators of the image of the country where the brand is manufactured. It includes various aspects of this country such as the level of economic development, educational level, technical skills of the country’s workforce, participation in international affairs, characteristics of the people, and friendliness towards other countries.

- **Product Image (PI-COM):** In the context of the study, the Product Specific Image refers to the image of the specific product when it is manufactured in the Country-of-Manufacture. It refers to the mental associations in the consumers’ minds regarding various aspects of a specific product when manufactured in a particular country, viz. Country-of-Manufacture. In this study, Product Image (PI-COM) refers to ‘Image of Car Manufactured in India’.
• **Perceived Quality (PQ):** This variable has already been explained in section 3.4.1.

The hypothetical model among the three constructs used for the study is depicted in Figure 3.2. The relationship between the constructs of this model has been derived on the basis of the research findings of the earlier studies in this field. The following are the theoretical explanations to formulate the relationship between the variables.

**a. Relationship between Country-of-Manufacture Image (COM-I) and Perceived Quality (PQ)**

Early Country-of-Origin studies considered the Country-of-Manufacture (COM) or the ‘made-in’ country while examining the influence of the Country-of-Origin. The Country-of-Manufacture or the made-in country has been examined in single cue studies (Badri, Donald, and Davis, 1995; Kumar & Barker, 1987; Nagashima, 1977), multi-cue studies (Ahmed and d’Astous, 1993; Okechuku and Onyemah, 1999), and even in hybrid products (Ahmed, d’Astous, and Eljabri, 2002; Ulgado and Lee, 1993). These studies provide considerable evidence on the influence of the COM/ made-in country on product evaluations. In the context of bi-national products, the COM has been found to influence perceived quality (Essousi and Merunka, 2007) or evaluation of the bi-national brand (Lee and Bae, 1999). Further, the product specific image mediates the influence of COM on evaluation of bi-national brand (Lee and Bae, 1999).
Accordingly, the researcher has formulated the relationship between Country-of-Manufacture Image (COM-I) and Perceived Quality (PQ).

*Ha_5*: **Country-of-Manufacture Image has a direct positive influence on the Perceived Quality**

*Ha_6*: **Country-of-Manufacture Image has a positive relationship with Perceived Quality through the mediating effect of Product Image**


The Country-of-Manufacture Image (COM-I) refers to the overall image of the Country that manufactures the specified product. The Product Image (PI-COM) is the image of the specific product when it is manufactured in the Country-of-Manufacture. While applying the categorisation theory, if the consumers hold positive perceptions towards the Country-of-Manufacture (COM), then it will positively influence the product image from the COM. This reasoning has been found in earlier study (Lee and Ganesh 1999). Accordingly, the relationship between Country-of-Manufacture Image (COM-I) and Product Image (PI-COM) was formulated.

*Ha_6*: **Country-of-Manufacture Image is positively related to the Product Image.**

**c. Relationship between Product Image (PI-COM) and Perceived Quality (PQ)**

A critical review of COO/ Country-of-Origin related literature shows that the Product Image has been a fundamental part of examining COO
effects, though not always at an overt level (Han and Terpestra, 1988; Roth and Romeo, 1992). In fact, such studies have conceptualised the Country Image, as the Country based product Image or Image of Products from a Country. According to Roth and Romeo (1992, p.480) “Country Image is 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.” This definition of Country image basically refers to the image of products from a country. Han and Terpestra (1988) measured Country image at the level of the specific product categories (colour televisions and compact cars).

Further, an important argument put forth by Lee and Ganesh (1999, p.19) is that while consumers may hold a positive image of a country’s products, they may hold negative image about that country at an overall level. Studies have also shown that differences in quality perceptions found to exist not only between different countries’ products in general, but also between classes of products from different countries, and between specific products from the different countries (Reierson, 1966). In this context, the image of the specific product manufactured in the country assumes importance while examining the influence of COO. Accordingly, the present study considers the specific product image (‘Image of Car manufactured in India’). Therefore, the researcher has developed the relationship between Product Image (PI-COM), and Perceived Quality (PQ).
3.4.3 Influence of COO at the Brand Level Vs Influence of COO at the Product Level

In case of bi-national products, there are clearly two routes by which the COO can influence the Perceived Quality:

(i) First route is through the influence of Country-of-Brand Image (COB-I), and Brand Image (BI) on Perceived Quality (PQ); and

(ii) Second route is through the influence of the Country-of-Manufacture Image (COM-I), and Product Image (PI-COM) on Perceived Quality (PQ).

In the context of increasing trend of brands being manufactured in different countries, there is a need to investigate which route; whether the brand route or the product route has a greater influence on the bi-national brand. Earlier studies (Phau and Prendergast, 2000) indicate the significance of COB in a global market; while other studies have examined the influence of COM (Hui and Zhou, 2003). Further, studies have also shown that in the evaluation of bi-national brands, the Brand Image has stronger effect than Country-of-Manufacture Product Specific Image (Lee and Ganesh 1999). Moreover, the importance of strategic brand management is more pronounced in a competitive and globalised business environment.
Figure 3.1: Influence of COO at the Brand Level

Figure 3.2: Influence of COO at the Product Level
REFERENCES


