Chapter I

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Consumer decision making involves the process of collecting and processing information. Consumer research has shown that consumers generally base their purchasing decisions on various information cues. The effectiveness of the consumer decision can be significantly increased by the use of these information cues. Further, these information cues can also affect the consumers’ perceptions and interpretations about other aspects of a product. Both brand name and the Country-of-Origin of a product assume the character of such important information cues and thus, significant in the formation of consumers’ perceptions of a product. The Country-of-Origin has been regarded as a critical information cue, which plays an important role in the acceptance of products in the international market. Marketers have long believed that the Country-of-Origin (COO) of a product influences the consumers’ perception about quality of a product and their intention to purchase.

From a conceptual point of view, the concept of ‘Country-of-Origin’ has not remained plain and simple throughout. In fact, the concept has evolved over the years. In the beginning, the concept of COO was considered as the ‘made-in’ Country or in other terms, it was the Country where the product was manufactured, i.e., the Country-of-Manufacture (COM). But over time,
other concepts have progressively emerged in the COO literature, such as the Country-of-Design (COD) where the product was designed and developed. With many countries adopting a liberalised approach removing the barriers to trade, multi-national production of products has gained prominence. Due to the increasing multi-national production, there is a growing discrepancy between the countries where product is manufactured (COM) and the country where product is actually designed (COD). The product may be designed in a developed country but manufactured in a developing country. Moreover, companies which operate on a global scale may tend to manipulate the brand names of their products so as to suggest particular country origin (Country-of-Brand) that are favourably perceived by consumers. Thus, in a global market, the Country-of-Origin tends to be considered as the Country that consumers associate with a brand, and the Country where it is manufactured is becoming less relevant. This has prompted researchers to understand the effect of the interactions between the above-mentioned variations or delineation in the origin. In the context of increased international business, the focus has come to analysing the effects of the interaction between the actual country of production and the country associated with the brand.

In an Indian context, it is pertinent to trace the significant changes in the Indian business environment in the last few decades especially with regard to the growth of international business. The economic liberalisation in India with the economic reforms introduced in 1991 provided impetus for a more
open economy and envisaged greater thrust on market forces and also a bigger role for the private sector. India is considered as an important emerging market by International marketers. The growing Indian economy with its huge consumer market, increased size of the middle class consumers, enhanced purchasing power, the liberalised economic policies and the improved means of access to global information have made India an attractive market for the foreign players.

Foreign companies can offer their products to international markets through different mechanisms such as indirect exporting, direct exporting, licensing, and joint ventures or through direct investment. Thus, Indian consumers are experiencing brands of various country origins in different product categories like automobiles or other consumer durables or in services. Further, with multi-country production, the brands may not be manufactured in the parent country of the brand. Thus, the concept of Country-of-Origin has become evolved with components such as Country-of-Design, Country-of-Brand, and the Country-of-Manufacture. Therefore, the use of COO (COB and COM) as an information cue by the consumers in the decision making has been modified.

1.1 STATEMENT OF THE PROBLEM

The emergence of global markets and global companies has complicated the Country-of-Origin phenomenon. The traditional view of Country-of-Origin (‘made-in’) is fast becoming misleading or confusing to
the consumers in the present scenario as products are designed in one Country and manufactured in another Country. There has been a proliferation of hybrid products which involves more than a single Country-of-Origin. As a result, the need arose for a Country-of-Origin concept that takes this into account to examine the COO effects on product evaluation. Due to the complex Country-of-Origin information involving more than a single country for the hybrid products, it is likely that the effect of COO would have changed from the (traditional) product level to the brand level in consumers’ assessments of such products.

The traditional COO concept was in fact, the ‘made-in’ concept where the focus has been on examining the image of the country where the product was manufactured. But with the emergence of bi-national brands, the term, ‘Country-of-Brand (COB)’ has come into existence. In case of bi-national brands, the country from which the brand originates is one country while the country in which it is manufactured is another country. This means there are two countries involved - the Country-of-Brand (COB) and the Country-of-Manufacture (COM). Therefore, while evaluating bi-national brands, consumers consider not only the image of the Manufacturing Country but also the image of the Country in which the brand originates from.

It is also noted that many COO research studies have attempted to investigate the influence of COO by examining the COO effect with respect to the specific product class for which the study is being undertaken. Such an
approach has in fact examined the Product Image of the particular product class when made or manufactured in a Country. The Country Image (Country-of-Manufacture Image), has not been considered in such an approach. The focus has been on analysing the Product’s Image based on the Country-of-Manufacture without taking into consideration the Country Image of the Country-of-Manufacture. Studies to examine the influence of Country-of-Origin based on Country Image wherein consumer perceptions of a Country on various aspects such as economical, technical and cultural aspects associated with a country are to be conducted.

Apart from examining the Country Images of the Country where the brand originated and the Country where it is manufactured, it is also essential to examine the influence of the COO (Country Images) on other important measures such as the Brand Image and Product Image (more specifically, Image of the Product manufactured in the Country-of-Manufacture, e.g., ‘a car manufactured in Germany’) in the context of increased proliferation of bi-national brands. It is likely that the Country-of-Brand exercise an influence on the Brand’s Image, especially in the context of competing brands with different Country-of-Brand. Therefore, in a competitive business environment, companies are concerned about the role of Brand Image in the evaluation of bi-national brands. Further, since the brands are not manufactured in the home country of the brand and it is manufactured in another country, there is also a need to examine the Product’s Image among the consumers as a result of
manufacturing in a different country. Companies identify a Country as the Country-of-Manufacture for their products for many reasons including aspects such as to take advantage of factors such as low manufacturing costs and low labour costs. However, while choosing such overseas manufacturing locations, multi-national companies need to take precautionary approaches to protect their established Brand Images when they identify the sourcing country or the Country-of-Manufacture. The possibility of misfit or mismatch between the COB and COM in the minds of the consumers may have an impact on the perceptions of the bi-national brand or on the perceived quality perceptions of the bi-national brand. While a positive COB Image may lead to favourable Brand Image; it is also likely that a less positive COM Image may have less favourable impact on the Product Image. Hence, there is a need to understand how the COO components influence the bi-national brand at the brand level and at the product level.

Another matter of significance to consumers is the quality of the brand especially in case of technologically complex and high-involvement products which are increasingly coming under the ambit of multi-national production. The Country-of-Origin is an extrinsic cue that can be indicative of the quality of the brand. In the context of bi-national brands, the Country-of-Brand and the Country-of-Manufacture assumes significance in the assessment of quality. Further, the influence of the two components such as COB and COM
through the brand route and the product route respectively needs to be examined in assessing the perceived quality of the bi-national brand.

In the context of the above circumstances, there are certain questions that arise and needs investigation. The broad research questions that need to be answered are:

- How do consumers perceive the Country-of-Origin Image?
- Does the perception of the COO Image vary according to consumers’ demographic features?
- How do the components of COO of a bi-national brand influence the Brand Image and the Product Image?
- How does the COO influence the Perceived Quality of the bi-national brand?

1.2 SIGNIFICANCE OF THE STUDY

The effect of the Country-of-Origin cue on buyer evaluations has been widely studied by researchers in the area of international business and marketing. The analysis of the Country-of-Origin focuses on the consumers’ perceptions regarding the quality of the products based on the country where the particular product is manufactured. With the growing pace of globalisation and the relocation of manufacturing activities internationally, more studies are needed to guide marketers to have insight into the buyers’
attitudes and behaviour with respect to global products. Consumer perceptions on the Country-of-Origin play a major role in influencing a consumer’s choice of a product. The impact of the consumers’ perceptions of the Country-of-Origin may also influence a multi-national company in deciding which foreign country should be taken as its manufacturing base, apart from the other considerations such as cheap labour costs, tax incentives and access to resources. As more companies which are based in industrialised countries move the manufacturing of their products to foreign locations, the way their brands are perceived by consumers also change. However, manufacturers need to pay attention to the effects of Country-of-Origin of a product (the Country-of-Brand and the new Country-of-Manufacture) on consumers’ perceptions of quality.

Studies have revealed that Country-of-Origin serves as a cue from which consumers make inferences or assessments about the product and the attributes of a product. The COO cue may trigger an overall evaluation of the quality, or it can also influence the evaluation of some specific product attributes. Consumers infer about the attributes of a product based on the country stereotype and experiences with products from that country. Hence, COO cue has become an important information cue for consumers who are exposed to large number of brands from different countries. The significance of the Country-of-Origin effect is as an extrinsic cue for the consumers in making their purchasing decisions. In case consumers hold
totally negative perceptions about a Country, it may even lead to outright rejection of the product from such a Country. Apart from the possible influence of COO on the purchase intention, it can also be an important surrogate to signal perceptions regarding other important parameters of interest to the marketer such as the Brand’s Image and the Brand’s Perceived Quality. The Country-of-Origin perceptions - delineated into the Country-of-Brand Cue and the Country-of-Manufacture Cue needs to be examined for the influence on perceptions of quality. It would be of interest to the marketers of both foreign and domestic brands to examine the influence of the COO cue on the consumers’ evaluations of the products. COO could serve to be a powerful cue by which companies can communicate the uniqueness or specific advantages of the brand to the consumer.

In the background of a global economy where the consumers are having an increasing exposure to foreign brands, the Country-of-Origin (COO) could play an important role in consumers’ perceptions of the product quality and as well influence consumer choice. In the mind of the consumer, the image of a particular brand may be closely tied to the image of the country from where the brand originates. Consumers may hold varying images about different countries. While some countries may have a positive image in the mind of the consumers; some other countries may have a less positive or even a negative image. Those countries for which consumers hold a positive image may work to be advantageous for brands from such countries. On the other
hand, countries for which consumers hold a negative image may work against
the brands from such countries. From a marketing view, both the domestic
and the multi-national companies operating in a highly competitive market
need to understand the intricacies of consumers’ perceptions regarding
foreign products. The Country-of-Origin of the brand or the product could be
an important differentiator in this context and help companies to accordingly
position and develop communication strategies for product promotion.
Further, the Country-of-Brand and the Country-of-Manufacture may have an
impact on the perceptions of the bi-national brands and on the quality
perceptions regarding such brands.

The aforesaid dimensions of the effect of COO is highly relevant in case
of a market like India which is considered as an important emerging market by
many international companies that are offering their products to cater to the
Indian consumers. In case of the domestic companies, it would be beneficial for
the domestic companies to understand consumers’ perceptions of various
competing brands in relation to their Country-of-Origin (COO) so that they can
accordingly analyse the potential or actual negative/positive impact such
perceptions can have on their own brands. Similarly, the multi-national
companies offering their products to the Indian consumers would find it useful
to know how their brands are perceived vis-à-vis domestic competition and vis-
à-vis other foreign brands, on the basis of the COO. This would be useful to the
international marketing managers to ascertain whether promoting the COO of
their brands among the consumers in an emerging market like India would be beneficial or not, and thereby accordingly develop their marketing strategies. Emerging markets like India and China have evolved into important locations of automobile manufacturing for both foreign and domestic car manufacturing companies. In spite of all this, little is known about how developing country consumers will react to cars originating from developed countries but, manufactured in developing country locations. A key question that arises is how consumers perceive the Country-of-Origin of a brand (COB) versus the Country-of-Manufacture (COM) of that same brand, and specifically examine their influence on the quality. The State of Kerala is a consumer State, and due to the peculiar characteristics of the Kerala’s market; the present study becomes more useful and relevant.

1.3 SCOPE OF THE STUDY

It is evident from the literature that the COO effects has been examined on various dimensions such as linking COO with a wide range of variables such as price, product features, product quality, brand effects, advertising, country images, purchase intention, level of economic development of country, consumer demographics, consumer nationalism, and ethnocentrism. However, this study focuses on examining the influence of Country-of-Origin (COB and COM) on the perceived quality of bi-national brands. The effects of other extrinsic cues have not been examined in the study. The study investigated the
influence of COO on buyers’ assessment by analysing it among the brands of A2 premium segment of the car market.

1.4 OBJECTIVES OF THE STUDY

The main objective of the present study is to examine the influence of Country-of-Origin on buyers’ assessment among the car owners in Kerala. To achieve this main objective, the following specific objectives have been set forth:

1. To examine consumers’ perceptions of the Country-of-Origin at Brand level,

2. To examine consumers’ perceptions of the Country-of-Origin at Product level,

3. To compare consumers’ perception between Product Image based on Country-of-Brand (PI-COB) and Product Image based on Country-of-Manufacture (PI-COM),

4. To examine the perceptions of Country-of-Brand Image (COB-I) and Country-of-Manufacture Image (COM-I) across selected demographic characteristics of car owners,

5. To examine the relationship between Country-of-Brand Image (COB-I), Brand Image (BI), and Perceived Quality (PQ) of the brands,
To study the relationship between Country-of-Manufacture Image (COM-I), Product Image (PI) and Perceived Quality (PQ) of the brands, and

To contrast between the influence of COO at Brand level and Influence of COO at Product level.

1.5 HYPOTHESIS

Keeping in view of the above objectives and conceptual framework of the study, it is proposed to formulate certain hypotheses and test them by making use of the relevant data. The hypotheses put to test in the study are:

1. Consumers’ Perceptions of Country-of-Origin at Brand level is uniform among the selected brands (H01).

2. Consumers’ Perceptions of Country-of-Origin at Product level is uniform among the selected brands (H02).

3. Consumers’ Perceptions of Product Image based on Country-of-Brand (PI-COB) and Product Image based on Country-of-Manufacture (PI-COM) of the selected brands are the same (H03).

4. Perceptions of Country-of-Brand Image (COB-I) and Country-of-Manufacture Image (COM-I) across the selected demographic characteristics of car owners is uniform (H04).

5. Country-of-Brand Image has a direct positive influence on the Perceived Quality (Ha1).
6. Brand Image has a positive influence on the Perceived Quality (Ha₂).
7. Country-of-Brand Image is positively related to the Brand Image (Ha₃).
8. Country-of-Brand Image has a positive relationship with Perceived Quality through the mediating effect of Brand Image (Ha₄).
9. Country-of-Manufacture Image has a direct positive influence on the Perceived Quality (Ha₅).
10. Product Image has a positive influence on the Perceived Quality (Ha₆).
12. Country-of-Manufacture Image has a positive relationship with Perceived Quality through the mediating effect of Product Image (Ha₈).

1.6 OPERATIONAL DEFINITIONS OF CONCEPTS USED IN THE STUDY

- **Cars**: For the purpose of the study, cars refer to those cars which come under the A2 segment car classification of Society of Indian Automobile Manufacturers (SIAM).

- **A2 Segment**: As per the car classification followed by the Society of Indian Automobile Manufacturers (SIAM), A2 segment refers to those
cars which have a length between 3401 mm to 4000 mm. Within the A2 segment, it can be further classified into the entry level A2, and premium level A2, based on the size and price.

- **Car Owners:** The car owners represented by the A2 premium segment of bi-national brands of wholly owned subsidiaries of foreign car manufacturers. For the purpose of the study, the car owners of above said segment registered under the Kerala State Motor Vehicles Department have been considered.

- **Bi-national Brands:** Those brands which originate from one country but is manufactured in a different country. That is, the Country-of-Brand and the Country-of-Manufacture of such brands are two different countries.

- **Wholly Owned Subsidiary:** Wholly owned subsidiary companies are those companies whose common stock is wholly (100%) owned by another company, referred to as the parent company. In this study, the wholly owned subsidiary refers to those car manufacturing companies in India which are wholly owned by foreign car manufacturing companies (parent company).

- **Country-of-Origin (COO):** The study adopted partitioned concept of COO, and it involves the two components viz., the Country-of-Brand, and the Country-of-Manufacture. Here, the study considers COO as an image
variable in respect of the image of the Country-of-Brand (COB), and the image of the Country-of-Manufacture (COM) of the bi-national brand.

- **Country-of-Brand (COB):** COB is defined as the country in which the corporate headquarters of the wholly owned Indian subsidiary marketing the brand is located. Here, the study considered the car brands of A2 premium segment of cars with COBs viz; Japan, Germany, USA, and South Korea.

- **Country-of-Manufacture (COM):** COM is defined as the Country in which the brand is manufactured. In this study, Country-of-Manufacture of the selected car brands is India. Hence, the study measure COM image of India (Country Image of India).

- **Buyer Assessment:** The buyer assessment refers to assessment of perceived quality of the brand among the car owners.

- **Perceived Quality:** It is defined as the judgement formed by the consumers’ of a product’s overall superiority.

- **Brand Image:** Brand image is defined as the mental associations triggered by a brand name.

- **Product Image:** Product image refers to image of the product based on the specific country where it is manufactured. It is defined as the
mental associations regarding a product; based on the country where the product is manufactured.

1.7 LIMITATIONS OF THE STUDY

1. In order to satisfy the norms for conducting influence of COO among Indian consumers, the universe of the study was restricted to bi-national car brands (brands for which the Country-of-Brand is a foreign brand) of A2 premium segment only. The study excluded car brands of partly owned subsidiaries, joint ventures, and domestic companies; and car brands of other segments including imported cars.

2. The study examined the influence of COO among the existing car owners registered under Kerala State Motor Vehicle department, and it excludes the perceptions of potential or prospective car buyers.

3. The present study was undertaken by way of controlling other extrinsic cues and variables (extraneous variables) that may have some kind of effect in the influence on COO on product evaluation.

1.8 SCHEME OF PRESENTATION OF THE REPORT

The report of the study has been presented in seven chapters.

Chapter I: Introduction - The first chapter provides an overview of the research topic, statement of problem, significance of the study, scope of the study, objectives of the study, hypotheses, operational definitions of concepts, limitation of the study, and scheme of presentation of the report.
Chapter II: Review of Literature - This chapter attempts to review the available literature of different aspects of COO studies.

Chapter III: Theoretical Framework - The third chapter explain the conceptual/theoretical framework of the hypothetical models used for the study.

Chapter IV: Methodology - This chapter deals with methodological design adopted for the study such as database, instruments of data collection, measurement of variables, validity and reliability of the instruments for data collection, sampling design, methods and tools used for analysis.

Chapter V: Data Analysis: Perceptions of Country-of-Origin - This chapter is devoted to the descriptive data analysis of the variables used for the study; and its significant difference across the different strata, and demographic characteristics of the respondents.

Chapter VI: Data Analysis: Hypothetical Model - The sixth chapter examines the hypothetical relationship between the variables used in the Conceptual Models of the study viz., influence of COO at brand level, and at product level.

Chapter VII: Summary of Findings, Conclusion and Suggestions - This chapter presents main findings of the study, conclusion, implications, suggestions and scope for future research in the field.