CHAPTER 2

LITERATURE REVIEW

The literature review done in this chapter follows the review method adopted by Phau and Prendargast, (2000). This chapter starts with a literature review of the early single cue studies, then by the multi cue studies. This is followed by discussion on studies that focus on various dimensions of COO, thus emphasizing the role of hybrid or bi national products. The chapter ends with a summary of literature review on COO done by various authors, in their articles in a chronological manner (from 1998 to 2007).

2.1 Country of Origin Effects (Single-Cue Studies):

The earlier studies of the COO effect on consumer evaluations of products are all 'single-cue' studies as only COO was used as the only independent variable. Schooler, (1965) gets the credit for conducting the pioneering country of origin empirical study. Guatemala students evaluated identical products labeled to reflect different origins. He found that Guatemalan students gave lower evaluations to products made in El Salvador and Costa Rica than to domestic and Mexican products. He deduced this bias to a general negative attitude toward people from the former two countries due to regional animosities among these Central American neighbors, but there was no empirical evidence to support this assertion and the author concluded that the COO of a product has an effect on its consumer evaluation.

Reierson's, (1966 and 1967) subsequent research focused on perceptions of product quality and found that COO effects existed whether it was general products, classes of products or specific products. Stereotyping was present among the
respondents. Variation of this study was followed by Gaedeke, (1973). He found that US made products were perceived as being of higher quality than products made in various less developed countries, and that specific brands may be evaluated lower or higher when less developed COO was revealed as compared to no COO information being given.

COO attitudes may change over time. This was found by Nagashima's, (1970 and 1977) longitudinal studies of Japanese businessmen's “made in” perceptions indicating an improvement in the Japanese image and relative weakening of US image during that period. Krishnakumar, (1974) found that Indian students rated British products higher than did Taiwanese products and he attributed the difference to former colonial ties. Wang, (1978) found that US consumers perceived the USSR's degree of economic development higher than it actually is and still gave very low evaluations to its products. He attributed this to 'political climate' variable. Yaprak, (1978) tested purchase intention among US and Turkish business executives for specific brands made in West Germany, Japan and Italy and found a significant correlation between purchase intentions and various source country attributes. Significant differences in purchasing manager's perceptions of various attributes of products from five more developed countries were found by White, (1979).

Philippe Cattin P., et al (1982) identified that almost all the studies were done in US or similar cultures. They claim that in the initial years the studies indicated that made in concept influenced perceptions without investing the importance of perception on purchase behaviour. Bilkey and Nes, (1982) conducted a critical review of the twenty five articles published, then. They concluded that all of the reviewed empirical studies found that country of origin did significantly influence product evaluations. However, they also noted concern that almost all of
these early studies involved a single cue; that is, country of origin was the only information on which respondents based their evaluations and hence it is likely to yield a significant effect. It can also be argued that in single-cue experiments, subjects might discern the researcher’s hypotheses regarding a country of origin effect, thus creating a demand effect in subject response.

The early studies of the country of origin cue reviewed before, generally found a strong effect on consumer evaluations of products and hence leading to possible demand effects. The potential for such demand artifacts in single-cue country of origin studies led researchers to suggest a multi-cue approach in investigating the impact of country of origin information, when simultaneously presented as one of many other product information cues.

2.2 Country of origin Effects (Multi Cue Studies):

In these multi-cue studies, country of origin is only one of a number of extrinsic product cues (such as, brand name, price, retailer reputation, warranty, etc. that are presented or manipulated in order to assess their relative significance to consumer evaluations of a product. In accordance with heuristic theory, country of origin operates as a signal of the unobservable attributes of a product, such as quality (Olson and Jacoby, 1972). These multi-cue studies thus aim to investigate whether the effect of the country of origin cue diminishes in the concurrent presence of additional extrinsic cues.

In an early multi-cue study by Johansson, et al. (1985) that included 13 product attributes, the country of origin of an automobile was found not to affect overall ratings, but to have some effect on specific attributes. The study concluded that country of origin effects, though significant, are relatively minor and do not
reflect a general stereotype. Their findings supported the hypothesis that the country of origin is used as a surrogate variable to evaluate a product when consumers have limited familiarity with particular products.

Hooley, et al. (1988) have done study on stereotyping and identified that (i) relatively homogenous culture, stereotype perceptions appear to be held countrywide for COO (ii) Stereotype do vary depending in which country they are being measured (iii) National stereotype change over time and (iv) country stereotype seem to be strongly affected by patriotism. Ettenson, et al. (1988) presented conjoint analysis as an alternative method to attitude surveys. Information on six product attributes, including country of origin, was presented in a study of clothing products (blouse and shirt) choice, before and after exposure to a “Made in the U.S.A.” promotional campaign. Their results found the country of origin effect to be relatively small, both before and after the launching of the campaign, and smaller than that of the price and quality attributes.

The fundamental “information processing” paradigm that has guided country of origin research is that consumers evaluate products on the basis of cues, namely intrinsic (e.g. taste, style, performance, quality) and extrinsic (e.g. brand name and price) (Olson and Jacoby, 1972). Consumers apply extrinsic cues in evaluating a product because they are often unable to detect its true intrinsic attributes prior to actually experiencing it. Thus, the country of origin cue is conceptualized as one of these extrinsic cues.

Han, (1989) found that consumer perceptions of quality for products made in a given country (defined as “country image”) may serve either as a ‘halo’ or ‘summary’ construct depending on how familiar consumers are with a country’s products. His experimental results suggest that when consumers are not familiar
with a country’s products, country image may serve as a halo from which consumers summarize a brand’s product attributes and which affects their attitude toward the brand indirectly through product attribute ratings. In this case, country image is based on whatever knowledge or stereotypes the consumer has about these countries, including their level of economic, political and social development, which in turn, effects product evaluations. According to the halo construct hypothesis, country image operates as a halo, allowing consumers to conjecture the quality of an unfamiliar foreign brand. In contrast, as consumers become more familiar with a country’s products, country image may become a construct that summarizes their beliefs about product attributes, directly affects their attitude toward the brand.

In a study of the cognitive processes associated with the effects of country of origin and other product cues, Hong and Wyer, (1989) suggested that in addition to a direct effect, the origin cue encouraged subjects to think more extensively about other product attribute information. However, a subsequent experiment found that these effects are likely to be evident only when country of origin information is conveyed some time before (one day before) other attribute descriptions, allowing a separate concept of the product to be formed on the basis of it (Hong and Wyer, 1990).

Thorelli, et al. (1989) utilized an experimental design that involved two levels of three extrinsic cues – retail store image, warranty and country of origin. The study found that all main effects of the three cues were significant, with country of origin having a larger effect than retail store image, but lower than the warranty. The authors also reported a significant three-way interaction of the three cues on the dependent measures of perceived quality and overall attitude. A subsequent study of Taiwanese consumers also found country of origin to have a significant effect on
perceived quality, but store prestige was found to have no effect at all (Lin and Sternquist 1994).

The predictive value of any cue, including country of origin, is perhaps influenced by a host of moderator variables such as, as the technical complexity of the product, consumer involvement, product class familiarity and prior experience, and consumer ability to detect inter-brand quality differences (Eroglu and Machleit 1989).

Oszomer and Cavusgil in 1991 reported that the COO concept has not been clearly defined by majority of researchers, till then. Wall et al.’s (1991) experimental study found country of origin to be more important in influencing product quality assessments than price and brand. For all three products in their study (shirt, wallet and telephone), lower quality ratings occurred for the developing country (South Korea) and higher quality ratings for the developed country (United States).

Cordell, (1991) conducted an experimental study whereas subjects exercised product choices in which country of origin, competitive context (information on the hierarchical relationship of products in a choice set), and price and financial risk were manipulated. His findings suggest that consumers are more skeptical of products from less developed countries when the financial risk is higher and when seeking a product with superior tangible attributes. However, within a given product category, price did not produce interaction effects with country of origin.

Lee, et al. (1992) conducted a conjoint analysis to measure the relative importance of price, warranty and country of origin information in an experimental design. They found the price factor to have the highest relative importance, with the warranty second and country of origin, though still significant, third. Studies investigating COO effects on overall customer beliefs and behavior conclude that
buying intentions are influenced by factors such as the source country's economic and political maturity, historical events and relationships, traditions, level of industrialisations and economic development and degree of technological virtuosity. (Hooley, et al 1998 and Lawrence, et al 1992).

Papadoupoulos and Heslop, (1993) identified that COO effects come into effect cognitively and intuitively in four sequential steps: (i) overall COO image, based on previous contact and experience; (ii) overall COO image plus cognitive and affective influences derived from experience with other products from the country, forming a COO image for the product or brand being considered; (iii) COO image plus functional (core) and aesthetic (augmented) attributes of the product or brand creating beliefs and attitudes; (iv) comparison with products from other countries, generating cognitive and affective behaviour.

A meta-analysis of twenty-two experimental investigations of country of origin cue effects on consumer judgment and choice revealed that across the experiments, the number of information cues did not significantly impact the size of the country of origin effect estimate (Liefeld, 1993). The author concluded that the mean effect size of the country of origin cue was found to be slightly lower for multi-cue than single-cue experiments (0.19 versus 0.22), but that the difference is not large enough to warrant a conclusion that single-cue experiments inflate country of origin effects.

Elliot and Cameron, (1994) also found country of origin to be significantly less important as a choice determinant than other cues, in this case quality and price. Nevertheless, they observed that, when these other factors are equivalent, the fact that a product is locally made has a positive influence on product choice.
Okechuku, (1994) also used conjoint analysis to investigate the relative importance of the country of origin of two product categories (television sets and car radios) to consumers in the U.S., Canada, Germany, and the Netherlands. The other cues were brand, price, quality and warranty. The results of the study showed that, in all four consuming countries, country of origin is consistently ranked as one of the top three attributes in product evaluations. It was often as important as, or more so than, the brand name and the price. Attempting to explain the discrepancy with the findings of the Ettenson, et al. (1988) study, Okechuku, (1994) attributed it to the difference in the product categories studied.

Kaynak and Cavusgil, (1983) and Zhang, (1996) also found that country of origin effects tend to increase with the technological complexity of the product. Therefore, the country of origin cue would be less important with shirts and blouses than with televisions and car radios.

Brand familiarity may also play a role. Schaefer, (1995) found that objective product-country knowledge increases consumers’ reliance on country of origin in evaluating a product, particularly if the brand name of that product is unfamiliar. On the other hand, a later meta-analysis with the larger sample size of fifty-two articles, suggests that single-cue studies produce significantly larger country of origin effect sizes on product quality perceptions than multiple-cue studies (0.30 versus 0.16). (Peterson and Jolibert, 1995). Using omega-squared as the measure of effect size, they found that such multiple-cue studies produced smaller but still significant effect sizes. Their meta-analysis showed that the country of origin cue accounts for a substantial proportion of the variance in product quality perceptions, and to a smaller extent, in purchase Intentions.
Lim and Darley, (1997) examined demand artifacts in country of origin studies using three alternative methodological approaches. The results of the three approaches indicate that the way the country of origin cue is presented may lead to demand effects. They found that the multi-cue advertisement format condition is less susceptible to demand effects than either the single-cue condition or the multi-cue list format condition. The three methods show demand artifacts are most plausible when using the single-cue condition.

Knight, (1999) compared American consumer preferences for goods made abroad versus the home country by both foreign and home-country firms, in a multi-attribute manipulation. Using conjoint analysis, his results suggest that country of manufacture and product quality strongly influence consumer decision making in globally available product categories. Specifically, compared to imported goods, consumers appear to prefer domestically manufactured goods and are often willing to pay a higher price for them.

Astous and Ahmed, (1999) reported on the results of a conjoint analysis that compared consumer evaluations of VCRs produced in 13 countries. They found that the country of design and country of assembly cues had a larger effect on consumer perceptions of product quality than the cues of brand, price and warranty, with the country of design attribute having the largest effect.

Verlege and Steenkampf, (1999) identified three dimensions of the COO effect namely cognitive, affective and normative (tricomponent attitude) processing. Studies in the first category use COO for the product quality (reliability and durability) signifying a cognitive mechanism. The second set of studies considers COO as an affective mechanism that links the product to symbolic and emotional benefits, including social status. The third category represents a normative process
that relates COO to personal norms such as buying domestic product is the right thing to do so as it supports the domestic economy. They also argued that COO should affect quality perception more than product evaluation because the "attitude concept" (COO) is broader than the quality construct, encompassing more and different factors.

A study by De Wet, et al (2001), carried out immediately after trade liberalization in South Africa; found that Blacks preferred domestic beauty care products to options imported from USA, contradicting the developed verses developing countries perspective in this particular cultural context. The researchers concluded that South Africa Blacks believe South African products to be better adapted to local conditions and expect local beauticians to have more knowledge about South African products than about those from USA.

Beverland and Lindgreen, (2002) investigated COO effects with respect to a range of New Zealand food products by means of what is described in the paper as a case study. They summarised that there are a number of contextual variables affecting the strategic use of COO, including consumer related variables, product and COO product category related variables and relationship related variables. They conclude that customers in key export markets have high awareness of dairy brands but not the COO of the products; COO is unimportant for the venison products in food service markets; COO based marketing would be beneficial because of changing demographics in key markets such as Germany. A study of the buying behaviour of French speaking and English speaking Canadians found that preferences motivated by cultural affinity could encourage the customers to buy products from 'ethnically affiliated countries, especially if there are intra national variations in culture' (Laroche, et al, 2002). The English speakers were more
inclined to show ethnically affiliated buying behaviour in the form of preference for British goods or those from countries with which they had strong cultural ties. Baker and Bellington, (2002) said that COO beliefs become important when buyers have difficulty in discriminating between competing offerings or do not have sufficient knowledge to reduce the risk of their purchasing behaviour.

Aviv Shoham, et al (2003) proposed a consumer ethnocentrism normological model. As per this model income, consumer ethnocentrism and general product attitudes predict the proportion of locally produced and import products purchased by a sample of Israeli consumers. All the three antecedents, in different combinations, affect purchase behaviors for the products studied. Luisa and Papadopoulos, (2003) suggest a multi attribute model to investigate consumer attitudes toward domestic and foreign products. The model uses measures of consumers’ familiarity with products from different origins, their belief about these products, their ethnocentric tendencies and their affective feelings to the various origins. This results into the model explaining the consumers' purchase predispositions in most cases. Also affective considerations are having a significant and direct influence on willingness to buy.

Brodowsky, et al (2004) suggests that manufacturers need to leverage their country brand images to appeal to those customers who recognize a particular countries ability to design high quality cars regardless of their country of assembly. John Liefeld, (2004) investigated American and Canadian consumer's acquisition and/ or knowledge of the country of origin of products at the point of purchase. He inquired the about knowledge of COO of products purchased by the consumers and found that almost 93% did not had any knowledge on COO of the products purchased by them. Out of the rest of the consumers who were aware of the
products' COO, only 2.2% indicated that COO might have played a role in their product choices. This research deduced that COO of products is not an important attribute in the choice process of majority of North American consumers.

Samiee, et al. (2005) empirically tested whether consumers are able to recognize the origin of a number of branded products. For this purpose, the brand origin recognition accuracy (BORA) concept was developed and employed in the study. Their results showed that consumers only have modest knowledge of the objective national origin of brands. In other words, ‘the evidence provided, based on a broad spectrum of product categories and brands, suggests that consumers either have limited recognition of brand origins, or find such information relatively unimportant and thus unworthy of retention in memory’. Pereira, et al (2005) checked the reliability and validity of Parmeswaran and Pishordi's, (1994) 16 item (3 factors) COO image scale in China, Taiwan and India. They identified that this scale helps to understand COO of products entering Taiwan and China but the scale is not valid for India in its present form and hence requires certain modifications.

Ahmed and Astous, (2007) have identified that nationality is related to a consumer’s propensity to differentially evaluate COOs on the basis of their manufacturing (Country of Design and Country of Assembly) and product technology (Technological simple and Technological complex) dimensions; Taiwanese respondents’ evaluation of China as a COO appears to reflect some animosity towards China; Taiwanese respondents tend to perceive products assembled in Taiwan to be equal to or better than products assembled in developed country COO and familiarity has a significant and substantial impact on COO evaluations.
The following articles have identified the effects of COO in the presence of various other dimensions. Customers stereotype, the quality, suitability and attractiveness of products coming from certain countries and regions, (Agarwal and Kamakura, 1999; Lotz and Hu, 2001), associate product quality with images of the economic and social conditions of COO (Hong and Wyer, 1989; Klein, et al, 1998) and consequently show stronger purchase intentions for goods from countries about which they have favourable images (Knight and Calantone, 2000, Chao, 1989). Certain product classes are distinctly identified with particular countries for example French perfumes, German machinery or Italian fashion. In these instances customers consciously or unconsciously use COO cues when making judgements about quality (Cordell, 1992; Tse and Gorn, 1993; Papadopolous, 1993). Identification with favorably perceived countries enables marketers to adopt premium pricing and product positioning strategies (Phau and Prendergast, 2000; Lotz and Hu, 2001). COO beliefs and purchase intentions can also vary with the nature of the purchase (Batra, et al, 2000; Quester, et al 2000), for example gifts verses purchase for personal use, a new purchase verses a re buy, or a component as opposed to a whole product. Beliefs regarding the quality of workmanship, innovativeness, design, economy, safety and service standards for offerings from different countries also influence purchase intentions (Davidson, et al, 2003; Verlegh and Steenkamp, 2005).

Country of origin effects have been shown to vary by product type. While some inferences about the country of origin and its peoples are globally projected onto all the products associated with that country (i.e., the overall effect of the national brand), research has shown that country quality perceptions may also vary across product categories. For instance, Kaynak and Cavusgil, (1983) found that
Japanese electronic products received high quality evaluations while Japanese food products received low ones.

Agarwal and Sikri, (1996) examined whether pre-existing country images can transfer to and influence judgments of new products. Their study found that there is considerable association between beliefs held for the most well known product category from a country and expectations for new products. Further, it was found that the transference of consumer beliefs to the new product was greater when the perceived similarity between the well-known product and the new product was higher. This was found across all three dimensions of country image (technology, prestige and price) that resulted from a factor analysis of 24 original items in the study.

Hadjimarcou and Hu, (1999) identified that COO information may be more important for a durable product with more complex features (e.g., television sets) than a common non-durable product with simpler features (e.g., shirts). Zhang, (1996) conducted an experimental study and reported the existence of moderating effect, attributed to the durable/complex versus non-durable/simple product type variable. As expected, the study confirmed that the country of origin effect was more important for a television set than a shirt in the minds of Chinese consumers.

In summary, the multi-cue studies reviewed in this section confirmed the importance of the country of origin cue on consumer evaluations of products, even in the instantaneous presence of additional extrinsic cues. In these multi-cue studies however, the country of origin effect was found to be somewhat lowered.
2.3 Country of Origin Effects (Hybrid Products):

The issue of COO effects is again made more complex by the globalization of manufacturing and sourcing process going around in many companies of the world. The forces of globalization have escalated offshore manufacturing, exploiting economies of scale and costs. This results in the proliferation of products of a dual (or at times, multi) origin. These are products made in a country that may, or may not, be the company's home country and often include components, ranging from parts to design inputs, from third countries. The complexity of multi country affiliation gives rise to what is known as a hybrid product. So, COO may be best seen as a multidimensional construct involving a hybrid of factors which makes the distinctions between the country of manufacture or assembly and the country of the company's home or many times country of design (Phau and Predergast, 2000). Research has gone beyond 'made in' or 'assembled in' to include concepts of 'designed in', 'engineered in' 'manufactured in' and 'parts supplied by' (Han and Trepstra, 1988; Ahmed and D'Astous, 1992 and 1996, Chao 1993; Ettenson 1993). There is no clear distinction between domestic and imported products and hybrid products blur a product's place of manufacture. (Ettenson and Gaeth, 1991). They are left to the choice of consumers for final selection because of their manufacture in transplant facilities.

In the literature on hybrid products we do not find a consensus among the researchers to decompose COO into similar manner. They all have decomposed the COO construct into different ways. Quester, et al (2000); Chao, (2001); Insch and McBride, (1999 and 2004) have decomposed COO into country of design, country of parts and country of assembly. Chen (2004); Ulgado (2002) and Thakore and Lavack, (2003) have decomposed COO into country of brand and country of
manufacture. Madden (2003); Thakor and Kohli (1996) and Phau and Prendargast, (2000) have replaced COO with either country of brand, or brand origin or brand headquarters. Lastly, Leila and Merunka (2006) have decomposed COO into country of designing and country of manufacturing.

The research done by all these authors suggests that country of assembly, country of parts and country of design affects consumer perceptions of product. (Chao (2001); Insch and McBride, (1998) and their influence to product quality is dependent on technical complexity of the product, education, age and degree of familiarity with the product. (Insch and McBride, 2004). Cognitive and behavioral responses are more favourable when country of assembly and country of parts are from the same country. (Chao, 2001). Consumers give more weightage to country of parts rather than country of design or assembly and the latter two are viewed as equally important. (Quester, 2000). When the country of corporate ownership was present then country of manufacture had no significant bearing on quality. (Thakor and Lavanck, 2003). Country of brand could diminish the impact of country of manufacture and majority of the population was more likely to use country of brand in product evaluation then country of manufacture. (Ulgado, 2002).

Johansson and Nebenzahl, (1986) measured changes in the perceived monetary value of a product that results from moving its production away from the home country of the corporation, by using a “dollar preference” scale, as a measure of purchase intentions. They reported that a company could improve its brand image significantly by building its cars in a higher-status country. Apparently the higher-rated car-producing country (e.g., West Germany) confers some added benefits onto the brand (e.g. Buick) by eliminating the association to the less favored home country (e.g., U.S.). Conversely, a lowly regarded host country (e.g. Philippines)
does damage both directly to the brand and by disassociating the brand from its home country. These results are confirmed by a conjoint analysis by Seaton and Laskey, (1999). Specifically, they found that a change in the production location of a $17,000 automobile from the U.S. to Mexico results in a change in perceived monetary value of $1,952. In the authors’ opinion, the application of this “dollar-scale” enhances the managerial relevance of the country of origin effects, and therefore should be of particular interest to the field of Foreign Direct Investment decisions about the manufacturing and sourcing location of products.

Using an experimental design, Han and Terpstra, (1988) found that in the case of bi-national products, the source country cue (the country of manufacture) has greater effects on consumer evaluations of product quality than the brand name cue. This was found to be the case across all the product categories and across the experimental designs with different source countries. The authors suggested that when a corporation relocates manufacturing to a country with an unfavorable image, it should attempt to conceal its production location by including references to other more favorable product information.

These results are supported by another experimental study by Tse and Gorn, (1993) that found the country of origin cue to be an equally relevant and more lasting factor in consumer product evaluation than the brand name. However, when country image was partitioned into separately presented component and assembly origin cues, its effect was weakened (Tse and Lee, 1993). A strong positive component origin effect was found to supersede any negative assembly origin effect. The breakdown of a bi-national product’s origins (e.g. “components from Japan and assembled in South Korea”) can thus eliminate the potentially negative effect of the country of assembly, assuming a favorable component origin. Furthermore, a strong
positive brand (e.g. Sony) was found to override a negative component origin effect (Tse and Lee, 1993).

Some observers contend that origins are no longer relevant in global markets where hybrid products are the norm (Ohmae, 1989). Others maintain that the opposite is true since globalization will bring about specialization based on national competitiveness factors, and thus further crystallize the images of the countries of design and manufacture. This coupled with the greater consumer awareness of and familiarity with foreign products could accentuate the country of origin effect (Papadopoulos, 1993). In addition, multinational corporations may deliberately select whether to place more promotional emphasis on country of design versus country of manufacture based on the perceived favorability of each origin cue by consumers.

In a multi-cue experiment, Ulgado and Lee, (1993) found that, when brand name and country of manufacture were the only information cues specified about a product, consumers used both in evaluating the product. However, when additional product attribute information was available, it was discovered that consumers relied more heavily on the brand name information. This evidence is consistent with the findings of the majority of the multi-cue studies reviewed in the previous section, according to which, in the presence of other information cues, the country of origin effect is weakened but certainly not diminished.

Chao, (1993) also partitioned the country of origin construct into two specific origin cues, country of assembly and country of design. The results showed that consumer evaluations of a hybrid product’s quality are influenced by the price, country of design, and country of assembly cues, in that order.
Similarly, Ahmed and Astous, (1995) found that country of design and country of assembly have about equal importance but brand name is a more important cue than either of the origin ones. Furthermore, the presence of warranty information reduced the negative hybrid effect. Using an experimental design, Tan and Leong, (1999) confirmed that consumers tend to perceive lower quality and higher perceived risk when evaluating products manufactured in a country perceived to be of lesser capability than its country of design. However, they also found that these negative hybrid effects could be surmounted by an appropriate warranty strategy. Their results show that consumers improve their assessment of hybrid product when these products carry warranties with wider coverage and longer duration than the standard.

Insch and McBride, (1996) decomposed the COO into three components namely country of product design, country of parts manufacture and country of product assembly and these components do affect consumers perceptions of design quality, manufacturing quality and overall quality for different products in distinctly different ways.

Nebenzahl and Jaffe’s, (1996) examination of the joint effect of brand and country of manufacture image found that when no country of manufacture is specified, the image of a branded product is similar to the image of the same product when its home country is actually specified as the country of manufacture. Apparently, in the absence of country of manufacture information, consumers supply the missing information by assuming that the country of manufacture is the “home” country associated with the brand.

Iyer and Kalita’s, (1997) experimental research included country images for both the country of brand origin and the country of manufacture, and found that both
cues are important in consumer evaluations of product quality, perceived product value, and willingness to buy. The authors contended that, while brand equity may be important for removing the debilitating effect on perceived quality due to sourcing from other countries, the positive effects of brand equity might be limited. The above study found a strong effect of country of manufacture information across all product categories. However, the relative salience of the country of manufacture and country of brand origin cues varied according to product type: For non-technical fashion products (e.g. Jeans), country of manufacture information was more important than for low-technology technical products (e.g. Stereos). This was attributed to the greater degree of product standardization and transfer of manufacturing skills permitted by “low-technology technical products” as compared to “non-technical fashion products.” The authors argued that the latter product category may require design expertise and creative innovation that cannot be easily transferred (Iyer and Kalita, 1997).

The findings of the reviewed literature on the effect of hybrid products, suggest that the effect of the perceived “home” country can overcome the impact of the country of manufacture only to a certain extent, but not remove it completely. The studies cited in this section provide evidence that the positive effect generated by well-known global brand names (e.g. Sony) may not always outweigh the negative impact of country image, when production is sourced in less developed countries. The relative contributions of the brand’s perceived COO, the country of design and the country of manufacture to COO-based evaluations remain inconclusive. For example, the Han and Terpstra, (1988) and Tse and Gorn, (1993) studies found that country of manufacturing has a larger effect on evaluations than
country of brand. More recent studies, however, have found the opposite effect (Hui and Zhou 2003, Srinivasan, et al. 2004).

2.4 Literature review done by various authors - a Summary:

It would be worthwhile to note that in last ten to twelve years different authors have summarized the COO literature in their own manner, for their research work. The list is as follows:

1. Khalid al Sulati and Michael Baker (1998): They have chronologically arranged 99 articles published on COO and its effects and summarised all the publications as COO and evaluation of products, stereotyping because of COO, perceived risk as a determinant of effect of COO, demographic effects on COO and service evaluation and COO. They deduced that COO may be important in forming consumer perceptions but how much influence COO provides in evaluation of products and services remains still unanswered.

2. Papadopoulos and Heslop (2002): They have identified a total of 766 works including 7 books, 39 chapters in edited books 361 journal papers, 326 conference papers and 33 other reports published between 1952-2001. As per their view 15 journals account for 219 (61%) of all papers and remaining 142 (39%) papers account for 86 other journals. The prominent journals to publish COO studies were International Marketing Review and Journal of International Business Studies. Out of 326 conference papers, 261(80%) were read out at the annual conference of 6 major professional associations. The rest 65 (20%) were read out at 38 other annual or ad hoc conferences. This clearly identifies the bias towards COO studies by few journals and associations. Also top 15 authors have accounted for 21% of total
publication, next group of 62 accounts for an additional 23% and rest 712 authors make up for 56%. The 5 major themes that were discussed or researched were as follows:

a. Examination of image of a country from the point of view of respondents from another country – 25%

b. Ethnocentrism studies and research into evaluation of domestic verses imported goods – 14%

c. Product country images phenomena from various consumer behavior perspectives.- 10%

d. Importance of Product Country Images effects in relation to brand names and price- 9%

e. Role of national images in industrial purchase decisions- 7%.

Thus, only 5 themes account for almost 65% of COO studies. This means that there is lot replication work in this field rather than generation of new knowledge.

3. Kotler and Gertner, (2002): They summarized their findings in the following themes.

a. In most of the studies COO is used as an independent variable, while attitudes towards a product or a country’s product perceived quality serve as the dependent variable.

b. Country image would really be a summary construct or should be decomposed into country of design, country of assembly, country of brand, country of product design, country of parts manufacture and country of product assembly.

c. COO has become an integral part of the repertory of extrinsic cues to product evaluations.
Country images are likely to influence people’s decisions related to purchasing and investing,

Julie Pharr (2005); She summarized her review of papers published between 1995 and 2005 and identified that COO is effected by two antecedents: (1.) exogenous antecedents (namely country’s level of economic development) and (2.) endogenous antecedents (namely culture, animosity, stereotyping, power distance – the degree to which consumers perceive and affirm social inequalities between people in society through their interactions and relationships). She also identified in the studies certain moderators (namely price, brand, purchase intention, product quality, conspicuousness of product, product familiarity, product complexity and involvement level) that influenced COO. Her study also identified that in most cases the outcome of the COO effect was on perceived quality, then on perceived value and ultimately on purchase intention.

Jean Claude Usumeir, (2006) have reported that he found 340 articles of COO studies in the electronic database ABI-Inform. As per his calculations majority of these articles were written in 1990s and from 2000 to 2005. He also identified that the contributions of authors residing in US was almost 54% nearly 70% of these studies were done in developed countries namely US, France, UK, Canada, Germany and Japan. Also these researchers had used products like cars, consumer electronics, apparels and shoes as the study object in 77% studies.

This clearly means there is lack of interest in doing COO studies in the developing world and also the products used in most of the studies are few. Hence generalizations of these studies have to be done with caution.
Jean Claude Usumeir,(2006) has also given a chronological detail in his article. The details are summarized below:

1965-1982

COO studies started as an experiment by Schooler(1965) in Guatemala. Then from 1965 to 1982 COO studies were mostly using single cue of COO for different products in different countries.

1983-1993

Bilkey and Nes(1982) pointed out the deficiency of earlier studies using single cue and insisted that multi cue COO research should be used. So researchers started adding other cues (intrinsic and extrinsic) in their studies without decreasing the relevance of COO.

1994-1997

COO was decomposed into Country of Design (COD) and Country of manufacturing (COM) which was further decomposed into Country of assembly (COA) and Country of Parts (COP). Also later on Country of Branding (COB) was introduced.

1998-2005

COO research now spreads into developing countries but again its relevance to actual marketing practices increases.

The author has also done a content analysis of the COO articles published from 1968 to 2005 and identified that almost 54% of authors represent the US as country, followed by 12.35% from Canada. Also, almost 36.3% of the respondents who took part in the surveys were from the US and 10.12% from France as number 2. Majority of the respondents were consumers (56.52%), followed by students (22.61%). The most hypothesized
country as manufacturing origin was again the US with 13.04%, followed by Japan with 12.86%. India’s share was a dismal 2.23%. The products categories used in the research mostly comprised of four categories namely consumer electronics, cars, textiles or readymade garments and shoes. Their combined share among all the product categories was 77.4%. COO is present in 95% of articles, COM in 23.5% article and COD in 9% of articles. Also, price and quality are considered simultaneously in 59% of the articles surveyed.

6. Suku Bhaskaran and Nishal Sukumaran (2007): In their article they have stated that there have been contradictory conclusions in respect to studies on consumer’s beliefs and buying behaviour with respect to effects of COO. All these contradictions is because of certain flaws in contextual and methodological issues. They have also analysed specifically the themes in certain earlier studies where inherent contradictions were found. These themes were as follows:

a. National stereotyping and COO beliefs
b. National culture and COO beliefs
c. Inter country COO beliefs
d. COO beliefs across products
e. COO effect across product market segments
f. COO effects across brands and hybrid products
g. COO effects and price elasticity
h. COO effects and buyer decision process
i. Communication strategies and COO effects.
The literature review done till now can be synthesized to reveal the following:

1. Many studies have been done by using single cue where as in actual market conditions multiple cues are present. COO effects will be moderated by the presence of these other cues.

2. In era of globalization, companies prefer cheaper manufacturing destinations. Hence COO as a construct is limited to only those companies which have their origin and manufacturing in the same country. Hence this construct needs to be partitioned as Country of Manufacturing or Country of Branding or Country of Designing or Country of Parts or Country of Assembly as the case may be.

3. Individual customer characteristics like demographics and cultural orientations do affect their needs and hence involvement with the product or the purchase decision. These characteristics will moderate the effects of COO beliefs on the attitudes formed.

4. Majority of studies focus on perceptions or attitudes towards the product. The right instrument needs to measure the COO’s effect on perceived value via perceived quality buy.

5. COO studies have lacked the moderating effect of the characteristics of a company on COO. Few of the characteristics can be a strategy to be dominant player or a follower in atypical industry or short term profit or long term profit or centralization or decentralization in its day- to- day operations.

6. Most of the studies also lack the interaction of concepts of marketing like product life cycle, brand management or positioning or involvement with COO.
7. Most of the studies have been confined to developed countries like counties of North America and Europe. Very few studies are focused on effects of COO on consumers’ perceptions in developing countries or emerging economies like India.

8. COO studies have been more done on tangible consumer durable goods. Looking to the contribution of the services in the economy of a country, much more research work needs to be done for COO’s effect on service industry.

Hence a study needs to be done in our country that identifies the effect of decomposed COO on consumer durable products that are having a high rate of market penetration on the perceived quality of these products, in the presence of moderators such as technological complexity, risk, involvement and status.

2.5 **Decision making models**:

Consumers take purchase decisions based on certain methodology. The most basic process is given as follows:

- Problem Identification
- Search for Alternatives
- Evaluation of Alternatives
- Purchase Decisions
- Post Purchase Behavior
This is a five stage decision process that views the buyer as a rational person indulging in a step by step process to purchase a product. (Kotler, 1994) This is more of a theoretical model, as buyer, at times skips one or many steps. Also he/she may be into more than one stage simultaneously and at the same time he/she may go back to any of the earlier stages from any stage during the decision making process.

A variant to this model was given by Engel, Blackwell and Miniard as shown below.

![Diagram](image-url)

**Source:** Modified from Engle, Blackwell and Miniard (1995)

This model uses the basic model but shows the linkages of the decision making process with the memory of the individual. At the same time it uses the intrinsic influence namely motivation, involvement, perceptions, attitudes,
personality, values and lifestyle. At the same time the individual is also influenced by external environment comprising of reference group, social class, culture and other situational variables.

Another decision making model proposed by Howard and Sheth is given below.

(Source: page no. 92, Theory of buyer behavior by Howard and Sheth)

This model provides four steps of decision making. In the first step the buyer is exposed to the inputs. He/She develops perceptual constructs based on this exposure. Later on this construct gets converted into learning construct and in the end purchase behavior takes place as output.

2.6 Published reports used in the study:

Below is the list of published reports from various agencies which were used for the study

1. Growth of Indian economy with relation to other developing and developed countries. (see annexure 1)
2. Growth of the market for laptops and mobiles in India in last 5 years. (see annexure 2-a to 2-b and 3-a, 3-b and 3-c)
3. Age and Income profiles of the population of India. (see annexure 4)
4. List of countries designing and manufacturing laptops. (see annexure 5)

2.7 Tools used for analysis in published articles:

Different empirical articles on COO studies have used different scales as tools for research to check their reliability and validity in different countries. Most common is the usage of Nagashima’s (1977) made in scale, Roth and Romeo’s (1992) scale to match product categories with different country images, Parmeswaran and Pishordi’s (1994) country of origin scale, Sharma et al’s (1995) consumer ethnocentrism scale, Martin and Eroglu’s (1993) country image scale. The items in the scale are further decreased by using factor analysis through Principal Component Analysis and further confirmed by Confirmatory Factor Analysis. As most of the scales are either Likert or Semantic differential scales, various data analysis techniques like ANOVA, MANOVA and multiple regression analysis have been used to test the hypothesis.

Many other empirical articles have proposed theoretical framework in their articles and then collected data to prove the relationships between various dependent and independent constructs. To assess the goodness of fit of the hypothesized structural models, LISREL software package has been used to determine various indices such as root mean squared error of approximation (RMSEA), root mean residual (RMR), goodness of fit index (GFI), confirmatory fit index (CFI) and adjusted goodness of fit index (AGFI).
Various other empirical articles have also used mean, median, ranking and standard deviation to identify the perceived quality of various products from different countries. When the independent variable (country or product category or respondents’ category) was binary the COO articles have used t test for analysis.
References:


