

Does “country of manufacture” destroy “country of brand” perception?

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Abstract

In today's competitive markets, globalization, seeking low-cost labor and desire to be closer to the targeted markets force many firms to move their manufacturing facilities to developing or less developed countries that result less manufacturing cost. The objective of this study is to examine the different effects of country of origin dimensions, country of brand and country of manufacture, on consumer brand perceptions and purchase intentions. German brands of white appliances are subject to the study. German brands have high quality perception and positive brand image due to high quality German manufacturing standards in electrical machines. There are many German white appliances firms that operate and have manufacturing facilities in Turkey as well as in China and in Germany as home country. It is important to see the different consumer perceptions and preferences for quality, price and technological aspects depending on a different country of manufactures for German white appliances brands in Turkish markets. Data will be gathered in Turkey due to high consuming tendencies. Technology firms operating in different countries can benefit from the findings of this study

Introduction

There are so many intrinsic and extrinsic factors that affect the consumers' purchasing process and last purchase decisions of goods and services. These factors can be depend on psychological, sociocultural and economic reasons as well as product attributes, product package, price, perceived quality, country of origin (CoO) and also consumer ethnocentrism In recent years, the effect of country of origin concept as an extrinsic product cue for product evaluation and purchase decision has been intensely studied in international marketing literature (Hui et al. 2003; Laroche et al. 2005; Jian et al.2007; Roth et al. 2009; Fetscherin et al. 2010; Usunier 2011; Herz et al. 2013).

Globalization of markets have increased cross-border trade so international trade relationships made country of origin important as a research stream for international marketing literature. CoO studies have examined the consumer perceptions and evaluations of products branded or made in developing or developed countries (Apil et al. 2010). Turkey as a developing country has trade relationships with many European and Asia countries as exporter and importer country. Due to the liberalization of foreign trade, free imported products in domestic market and free export without encountering barriers made Turkey an important trade area. For example, Turkey has huge trade volume for white appliances industry with many developed and developing countries. Germany, China and Italy are the countries that Turkey have imported many white appliances in domestic market. Especially, Germany is one of the countries have many white appliances brands in domestic market. Bosch, Siemens and Miele are such German white appliances brands in domestic market with high familiarity and also high sale amount.

The main objective of this study is to investigate the different effects of CoO dimensions, country of brand (CoB) and country of manufacture (CoM), on consumer brand evaluations. Specifically, this study intends to reach findings about the effect of overall country image (CI) and also country of manufacture image (CoMI) on the perceived country of brand image (CoBI). White appliances industry is selected as the product category within the scope of this study. There are many local and foreign white appliances brands in Turkish market and foreign brands are strong competitors for local

brands. Some of these local and foreign brands make their manufacturing processes in Far East countries for low manufacturing cost but also many of them make their production in Turkey facilities or in their own home countries. This study intends to reach findings about how consumers perceive the image of manufacturing countries as Germany, Turkey and China for a German white appliance brand and also the effect of this image perception on brand evaluation.

Literature Review

Since Dichter (1962) has mentioned the importance of “made-in” dimension on product evaluation and also purchase intentions, many empirical studies have tried to examine the salient effect of CoO as one of the major product cues (Usunier 2006; Godey et al. 2012). A large body of studies has revealed that consumers predict the quality or performance of a product based on the association between brand image and its country of origin image (Bilkey et al. 1982; Maheswaran 1994; Balabanis et al. 2008; Carvalho et al. 2011; Bruwer et al. 2012; Herz et al. 2013).

While making purchase, consumers are mostly affected by the brand image, quality, and price information of the product but also they may look at the “made in” label that gives the information of the origin country. Nowadays, it is very difficult to find a brand originated and manufactured in the same country depending on the increasing globalization. Therefore, recent studies prefer to examine and compare the outstanding effects of both CoM and CoB origin instead of taking into account manufacturing country as a product cue (Nebenzahl et al. 1996; Hui et al. 2003). In international marketing literature, many studies have revealed that CoO concept can be varied as different country types associated with the product (Thakor et al. 1996; Inch et al. 2004; Jian et al. 2007; Hamzaoui et al. 2011) and also it is stated that decomposing CoO into some other dimensions provides a detailed and comprehensive understanding of how country of origin effects brand evaluation and purchase intentions (Chao 1993; Thakor et al. 2003; Fetscherin et al. 2010; Hamzaoui et al. 2007).

For many CoO studies, it has been criticizing for adopting a single cue approach that make biases the findings of the study in favor of significant CoO effects (Ozsomer et al. 1991; Hamzaoui et al. 2006). With the increasing impact of global competition and sourcing, multinational production have raised the importance of CoO effects and CoO concept has been divided into a multifaceted construct such as CoB (also known as country of design), country of assembly and CoM. These concepts are related to manufacturing or design countries for the product (Ahmed et al. 1996; Inch et al. 2004). Many firms remove their manufacturing facilities to distant countries from their home countries, especially to China and other Far East countries to compete with other firms and to benefit from cost-effectiveness by decreasing their manufacturing costs. These countries selected as the CoM provide firms less manufacturing costs and so consumers are able to choose among many alternatives of either local or foreign brands (Bilkey et al. 1982; Inch et al. 1998). For instance, consumers can experience a Mercedes automobile may have been designed in Germany as a German brand but the parts and components may have been manufactured in Mexico. So Germany is the brand origin for Mercedes but Mexico is the manufacturing country. These binational products are called "hybrid" products and many studies in literature have mentioned "country of manufacture", "country of design" and "brand origin country" terms instead of traditional concepts of CoO (Ettenson 1993; Nebenzahl et al. 1997; Phau et al. 2000; Jian et al. 2007; Hamzaoui et al. 2011).

Generally consumers experience bi-national products in the market. They can associate the brand name with a country as brand origin or they can evaluate the manufacturing country through the “made-in” label. The most important and effective CoO concepts for brand evaluation are brand origin and CoM and they have different effects on consumer product evaluations (Ozsomer et al. 1991; Chao 1993). Brand origin country is the country where the brand appears to originate, which reflects "the nationality of the brand" or the “place, region or country where a brand is perceived to belong by its target customers” (Thakor et al. 1996; Hamzaoui et al. 2011), whereas CoM is the country that produces or assembles the branded product (Inch et al. 2004; Fetscherin et al. 2010). In global markets, consumers may face some binational products in different product categories such as automobiles, household goods and fast moving consumer goods etc. But it is important to analyze

whether consumers know the CoO at the moment of purchase and also how consumers perceive the country of brand or country of manufacture in the evaluation process of products.

Some studies in the CoO literature revealed that brand origin and CoM effects are different for product evaluations and purchase decisions (Phau et al. 2000; Jian et al. 2007). It has been stated that CoB represents a specific culture and also reflects positive or negative associations of consumers about that country, but CoM represents the economic or technological development level of a country. CoM can be related to product quality evaluation while CoB can be associated with desired lifestyle and culture of that country and can be related to purchase intention more prominently (Jian et al. 2007). Therefore, the effects of manufacturing and brand country on product evaluation and purchase intention should be examined separately.

Another important issue in CoO literature is CI and its effect on product and brand evaluation (Nagashima 1977; Roth et al. 1992; Lee et al. 1999). Nagashima (1977) stated that the image is a stereotype of a specific country can be associated with a product category. Many studies have revealed that consumers generally maintain images and stereotypes about both local and foreign countries and these images or stereotypes about countries affect the purchase intention positive or negative (Kaynak et al. 2000; Hamzaoui et al. 2006). According to many consumers, CoO label represents the superiority or inferiority of a product or brand and some countries may be perceived positive or negative by consumers depend on their general perceived image (Hui et al. 2003).

CI may be defined as a perceptual unit that has various country associations related to what is known about the characteristics of the country, people living in that country and the products associated with the country. Some authors have suggested to define CI as a whole aspect related to economic and political situations, degree of industrialization, historical events and also representative product categories related to that country (Bannister et al. 1978; Lawrence et al. 1992; Lee et al. 1999). But in the CoO literature, studies generally have considered the CI associated with a product category and manufacturing quality. Roth et al. (1992) have mentioned that a country's image includes some dimensions associated with the manufacturing quality of a nation such as innovativeness, design, prestige and workmanship (Godey et al. 2012). For instance, Germany can be associated with high quality and engineering capability and product categories such as electronic or white household appliances, cars or Japan can be associated with high quality computers and televisions and Italy can be associated with high quality luxury fashion goods (Hong et al. 1990; Hamzaoui et al. 2006). While purchasing, consumers pay attention to the fit between the image of the CoB or CoM and the product category image because they evaluate the perceived capacity of the country to design or manufacture a product within a specific product category (Hamzaoui et al. 2006).

Research Methodology

The starting point of this research is to find out how COM Image and CI effects COB. There are many studies about COO; this study focuses especially on the distinction of COM and COB which are the factors of COO with considering the CI. A technology-intensive sector was selected with the aim to observe the effect more obvious.

As mentioned white appliances industry is selected as the product category and the perception of consumers of Germany, Turkey and China as manufacturing countries for German brands is measured. First, an appropriate scale was adopted for the empirical research to measure COM Image CI and COB Image. Data were gathered using a 7 point Likert scale questionnaire and regression analysis method was used to analyze the data. The sample of the final study covered 122 consumers, who live in Turkey.

The survey questionnaire has three parts: section I consisting of consumption habits towards white appliances; section II including statements about COM Image, CI and COB Image simplified from the SCALE used by Ghvanidze, Fleuchaus, Theuvsen (2010); finally, section III covering demographic questions.

Results

The majority of the respondents in the study are males and are between ages 21-30. Also, the majority of them are bachelor graduated people, being mostly married.

Cronbach alpha coefficient for the questions was found as %95,6. The analyses were fulfilled of the confidence level %95.

The regression analyses results for all three manufacturing countries Turkey, Germany and China given in Table 1. The table demonstrates that the research model is significant for all three countries.

Table 1: Regression analyses results

	<i>Turkey</i>	<i>Germany</i>	<i>China</i>
R2	0,277	0,193	0,148
ANOVA – Sig.	0,000	0,000	0,000
ANOVA – F	22,826	14,263	10,210
Coefficient – Sig. – COM	0,00	0,049	0,000
Coefficient – Beta – COM	0,335	0,246	0,463
Coefficient – Sig. – CI	0,088	0,0088	0,033
Coefficient – Beta – CI	0,220	0,222	-0,222

The finding given in table 1 can be summarized as:

- ✓ Turkey's COM image explain COB ($\beta=0,335$)
- ✓ Turkey's CI image does not explain COB
- ✓ Germany's COM image explain COB ($\beta=0,246$)
- ✓ Germany's CI image does not explain COB
- ✓ China's COM image explain COB ($\beta=0,463$)
- ✓ China's CI image does explain COB ($\beta=-232$)

Increasing in COM image leads a rise in COB image for all three countries in the study. One point change in COM corresponds 0.335 , 0.246 and 0.463 points COB image increase in Turkey, Germany and China, respectively. The high beta coefficient of China can be attributed to the low COM image perception in this country. Conversely since the COM image is very high in Germany the increase in CBO image becomes low.CI does not affect COB directly.

Limitations and Future Research

The study was conducted only in Turkey and the sample size -122- was relatively small. The sample size can be enlarged and conducting data from other countries would be would increase the validt of the research. Also repeating the study for other sectors –not only white appliance sector- would lead to interesting findings.

Other variables -such as ethnosentricm- could be integrated to the model. Besides CI impact on COB can be analyzed with mediator variables such quality perception to investigate the indirect effect.

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