Abstract. This paper envisages to analyze theories related to the study of the Country of Origin Effect (COE), specifically in relationship with two types of products: tangible goods and services. It starts from the growing international character of different types of products and from the necessity that companies with international activity to consider the COE concepts when deciding on their competitive advantages. The paper looks at theories on COE for the so-called hybrid products, both for tangible goods and intangible services. Further, it illustrates the existing similarities and differences between the concepts, emphasizing on corresponding consequences for international marketing decisions.

Keywords: country of origin effect, hybrid products, international hybrid services, international marketing.

THE ANALYSIS OF CONCEPTUAL TOOLS FOR THE STUDY OF COUNTRY OF ORIGIN EFFECT FOR HYBRID OFFERINGS

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1. Introduction

The large increase in international trade and in the internationalization of companies, that took place in the last years resulted in a wider presence of products with different national origins in many markets of the world. It is also largely acknowledged in the literature that the country of origin serves as a cue from which the consumer appreciates the products’ attributes. The country of origin is used by consumers to evaluate the product’s quality and performance (Khan and Bamber, 2008). In recent times, products do not belong anymore to just one country. The fact that companies decide to manufacture products in other countries for cost reasons determined the existence of products that have more origins than just one country. In this context it is useful to study how the use of COE as a criterion in the product’s evaluation relates to the multiple origins of different products, and how companies can use it at their advantage, as it is considered that the country of origin image has become one of the key factors in creating and maintaining competitive advantage (Vrontis and Thrassou, 2007).

2. Defining country of origin effect

The importance that the origin of a product has, when the product is sold internationally, in terms of both possible positive or negative effects, suggests that the aspect has to be carefully monitored by companies. But first what is the country of origin effect (COE)?

The country of origin effect on consumer perception and buying decisions has been of interest for a long time to marketing researchers. The topic has drawn attention in the literature since the 1960s. Among the first authors who studied the subject were Schooler (1965) and Reierson (1966). Schooler (1965) was the first to initiate the country of origin effect research, focusing on determining whether the construct of the country of origin effect actually existed or not. He found that there is a COE and he defined it, as referring to when consumer rely on country of origin information as a basis to judge the quality of a product. Reierson (1966) indicated the need for the country of origin research to take into consideration the nature of national stereotypes. He found that the country of origin effect was present for general products, classes of products and specific products. A few years later, Nagashima (1970, 1977) focused on the dynamic rather than static country image, by conducting longitudinal studies. In the meantime, numerous studies have been conducted about the country of origin effect focusing on different aspects of the COE, different types of products and different countries and regions of the world (Heslop and Papadopoulos, 1993; Laroche, Papadopoulos, Heslop and Bergeron, 2003; Poon, Evangelista and Albaum, 2010). These studies also tried to define and re-define the COE. More recently Johansson (2000), defined the COE as being “the picture, the reputation, the stereotype that businessmen and consumers attach to products from a certain country” and Verlegh and Steenkamp (1999) emphasize the affective character of the
process by defining the country of origin as a stereotype-driven attribute that links the product to positive and/or negative emotional associations with particular nations.

It was considered that defining the concept of country of origin effect became more difficult in the last years, due to the increasingly intensified global economy. The emergence of products with multi-country affiliations questioned the relevance of the country of origin effect as a conceptual construct. Therefore, in recent years, the COE concepts have been revised, so that to incorporate the multi-national character of many existing physical goods and services. The next section will look at how the country of origin effect for hybrid or multi-origin products, has been described for two product categories: physical goods and services.

3. COE for international hybrid products: goods versus services

Today many companies have the ability to source different aspects of the production process internationally, depending on factors such as costs and quality. The globalization process includes global sourcing and global manufacturing, that determined in the last decades that numerous products to have multinational origins. These products are referred to in the literature as hybrid products (Hulland, 1999; Ettenson and Gaeth, 1991). Hybrid products and hybrid services are products and services whose different production aspects are located in different countries. They have more origins than just one country, according to the places in which each activity took place. In the light of the multi-origin of hybrid products or services, the COE will have a different influence on consumer’s opinion and behavior. However, given the differences in the characteristics of the physical products and the services, the COE for hybrid products will be different from the COE for hybrid services. The next sections analyze the conceptual models for the COE for hybrid products and for hybrid services, concluding with a comparison between them.

3.1. The COE for hybrid tangible products

The emergence of hybrid, bi-national and multi-national products brought about the reconsidering of the COE concept. In this context, different authors redefined the COE and decomposed the country of origin for tangible products in a number of sub-dimensions or subcategories, such as: country of parts; country of assembly, country of design, country of manufacture, country of brand (Chao, 1993; Insch and McBride, 1998; Hulland, 1999). Chao (2001) defines the country of origin for hybrid products as being a complex and multi-dimensional construct that comprises elements such as: Country of Design, Country of Brand, Country Manufacture, Country of Assembly.

Initially, the COE referred to the country in which the product was designed on the one hand and also made in or manufactured on the other hand. In the past many companies that originated from one country would conceive and produce their products in their own country. Therefore, the COE was the country in which the product was designed and where the final assembly of the product took place, the
country that appeared on the “made-in” label. Given the fact that in the last decades the globalization process determined companies to delocalize their production in other countries, one product can have part components that are manufactured in more countries and the final assembly to also take place in a different country.

Consequently, nowadays there are several concepts, related to the COE, that depict different situations related to the production of the product in more countries:

− the Country of Manufacture (COM) refers to the country in which the product is manufactured up to the final stage, the country in which the end product is obtained. It can be considered the country in which the final packaging takes place and were the final product is marked (Insch and McBride, 1998).

− the Country of Part Components (CPC) refers to the countries where only parts of the product are manufactured. These can be part components to be incorporated in the final product. The distinction is made especially for products with higher degree of technical complexity for which the role of different part components for the quality of the final product is perceived to be high. Automobiles and computers are good examples. Many multinational companies, especially those whose production contain labor intensive processes, outsource their part components in order to diminish their costs. When product components are outsourced to generate cost savings, usually it is done in developing countries where labor costs are lower than in developed countries. This delocalization process, can affect the image of the final product. Therefore, the CPC is also considered by the consumer when evaluates products (Chao, 1993).

− the Country of Assembly (COA) refers to the country in which the assembly of the product took place, given that part components have been produced in other countries. It can be a country in which the various parts are assembled, where the product is partially or fully assembled, and not necessarily always ready to be sold to the final consumer (Insch and McBride, 1998).

− the Country of Design (COD) refers to the country in which the product is designed and developed (Jaffe and Nebenzahl, 2001).

− the Country of the Brand (COB) is the country that consumers usually associate with a product or brand, irrespective of where it was actually manufactured, it is the country to which consumers perceive the product to belong to (Thakor and Kohli, 1996). Hulland (1999) instead consider the COB is to be determined for each brand by identifying the home country for the companies owning the brand. The literature does not agree on how different concepts to be defined, multiple different description being available.

An illustrative example of an international hybrid product is the automobile. The automobile traditionally was designed in the country of origin of the mother company. But it can contain part components originating from various countries. These components are shipped on to be assembled by a company’s subsidiary located in a certain country where cost savings can be made. Nowadays even the design process of the process can take place virtually anywhere.
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Such multi-origin products can create confusion regarding which label to attach to the product to convey country of origin, given that different activities related to the product, take place in different countries.

3.2. The COE for hybrid intangible services

In the case of services, companies can offer international services produced in one country and/or international services produced in more countries. The general concept of COE for services depicts the situation in which the service is produced completely in one country and this country is the one that influences the consumer behavior. Services also represent another product category that can be obtained at international level and that can have multi-national origins. For services as well, the COE can be decomposed in subcomponents when they are produced in more countries. However, given the specificity of services, the subcomponents of the COE will be different in the case of services, as compared to tangible goods.

Veale and Challen (2010) proposed a model for the study of COE for services that have an international character. They defined a number of dimensions of the COE in the case of international services that apply especially to services with a hybrid and multinational character: country of brand, country of service delivery, country person image, country of training image. The components can be described as following:

− the Country of the Brand (COB) refers to the country to which the service provider is perceived to belong and/or the country to which the brand of the service is perceived to belong.

− the Country of Service Delivery (CSD) refers to the country where the actual service is delivered, country that might differ from the country from which the company originates.

− the Country of Person Image (CPI) refers to the country of birth of the person who provides the service. It is known that the service provider and the customers participate together in the service delivery process and they are seen as being “inseparable” (Veale and Challen, 2010). The stereotypical image of the cultural traits of a person belonging to a particular country, can influence either positively or negatively the perception on the quality of the provided services and consequently the consumer’s choice. Nicolescu (2011a) exemplified the concept for higher education services, pointing out that if a country is perceived as being strong in features that are required for a good teacher (fairness, empathy, responsiveness), this can influence positively the image of educational services from that country and the other way around.

− the Country of Training Image (CTI) refers to the country in which the service provider, the person who delivers the service has been trained in. This is an important element of the COE, as the perceived quality of the service is linked with skills and the expertise that the provider is seen as having and they are also influenced by the training the person went through. COE is also dependant on the image of the country in which the person was trained.
An illustrative example of a hybrid service is the banking service. A bank can have its origin and its name branded in a country and can deliver the service in another country by opening up a subsidiary in the foreign country. A French bank (COB) can open operations in USA (COSD). In USA, the bank can hire employees who are foreign citizens and therefore will have a certain country person image (CPI) that in turn can be modified by the training that the foreign person had in another country than his own birth country (CTI).

The deconstruction of the COE for hybrid international services contributes to the understanding of how each component influences the consumers’ expectations on service quality and how they are combined by consumers when evaluating international services.

3.3. Analysis of the COE for hybrid products versus the COE for hybrid services

It was observed that the COE of hybrid international products and of hybrid international services can be decomposed in different ways according to the specificity of tangible products and of the intangible services. Table 1 illustrates the constructs of the COE for hybrid products and the ones for the hybrid services that are offered at international level.

Table 1

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<tr>
<th>Hybrid products COE</th>
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<td>Country of Design (COD)</td>
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<td>Country of the Brand (COB)</td>
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<td>Country of Manufacture (COM)</td>
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<td>Country of Assembly (COA)</td>
<td>Country of Person Image (CPI)</td>
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<tr>
<td>Country of Part Components (CPC)</td>
<td>Country of Training Image (CTI)</td>
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The study of the sub-components of the COE for hybrid products and services shows that there are a number of similarities and differences between the two models of decomposition. In terms of similarities it can be noticed that both models for products and for services comprise more sub-components, as they can be decomposed in more constructs. Some of those components are the same, the country of brand (COB) for instance. However, many components differ according to the type of product. In spite of the differences, it can be obtained a certain type of equivalence between the sub-components of the products’ and services’ COE elements.

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Some of the main observations from the study of the two conceptual models are:

− the country of design and the country of brand for products can be assimilated with the country of the brand for services
− the country of manufacture for products can have an influence as such, when the product is totally manufactured in a country or it can be further decomposed in the country of part components and the country of assembly, when locations of these two activities differ.
− the country of manufacture (as such or formed of the country of assembly + the country of the part components) can be assimilated with the country of service delivery for services.
− the country of person image and the country of training image for the service provider can be assimilated with the country of part components in case of products, as they are parts that contribute to the service formation.

For both hybrid tangible products and hybrid international services, the general overall COE and the COE on sub-components have a high significance in forming the opinions and the expectations of consumers on the products’ quality (Pecotich and Ward, 2007) and consequently they have to be considered by companies when making international marketing decisions.

4. Discussion on the use of the COE conceptual models for hybrid offerings

It was noted the existence of two conceptual models for the study of the COE for the hybrid physical goods on the one hand and for hybrid services on the other hand. Both models illustrated that COE had a number of sub-components for each type of product. However, not all sub-components of the two models intervene for all types of hybrid products or hybrid services when they are evaluated by consumers (Nicolescu, 2011b). It is expected that according to a number of elements (such as the type of product or service, the consumer characteristics, the national stereotype of the countries involved), some sub-components of COE to have a higher influence than others on consumer evaluation.

There were a few studies that tried to investigate a number of aspects that might give us indications on which of the subcomponents of the COE have higher influence on consumer’s opinion and behavior, but their overall results are inconclusive. The relationships between the different origins of a product are seen in various ways according to the findings of different studies.

The most studied relationship was the one between the country of brand (COB) and the country of manufacture (COM) for tangible hybrid goods. Goudge and
Ivanov (1999) found that the strength of a powerful global brand name is insufficiently strong to reduce the negative impact of country of origin of a developing country (Bratianu, 2011a). Similarly, other authors also found that the negative evaluation of products manufactured in less developed countries was not overcome by a well-known brand name (Ahmed et al., 2004; Clark, Owens and Ford, 2000). Haubl (1996) discovered that the unfavorable “made in” images of automobile country of manufacture have a significant impact on consumer’s perception, even in connection with a very strong brand name. Consequently, the sourcing country is seen as having a more powerful effect than brand name country on consumer evaluation of bi-national or multi-national products. This phenomenon could be explained as a result of the cognitive knowledge – emotional knowledge dynamics (Brătianu, 2011b; Brătianu and Orzea, 2009).

Others however, have different opinions. For instance, Thakor and Kholi (1996) consider that brand origin (COB) is a more important factor in determining the consumers’ perception on product quality than is the country of origin effect (COE) at a general level. Pecotich and Ward (2007) also remark that a familiar brand that has a positive association with the country of origin of the brand can neutralize the negative effect often linked to developing countries. Mort and Duncan (2000) found in their research that for Australian consumers the “owned by” cue (the COB) is slightly more important than the “made in” cue.

Some of the consequences of the above described consumers’ perceptions, for international marketing strategies can be:

− the way how COB and COM are perceived by consumers is important because companies tend to manipulate brand names to suggest particular origins and to create certain country of brand effects (COB) and the success of such strategies depends on the influence of these two elements on consumer behavior.

− the fact that consumers use as different cues, both the COB and the COM to evaluate products, on the one hand and that there are differences in the results of different studies between the prevalence of either the COB or the COM, on the other hand, makes us think that companies can address consumers differently. They can form different market segments based on the cues consumers value more and address differently consumers for whom COB is the primary cue as compared to consumers for whom the COM is the primary cue when evaluating hybrid products.

− for those products for which the sources of part components (CPC), the country of assembly (COA) or the country of manufacture (COM) is proved to significantly affect the consumers’ perceptions, companies have to consider those aspects when deciding to relocate expensive manufacturing processes in developing countries where the cost of production is much lower. It is the case of technically complex products. For these, the company has to weigh the benefits and risks of relocating the production in terms of cost of production, quality standards of products produced and country image consumers’ perceptions.

− the fact that a hybrid product has more country origins (design, part components, assembly, brand origins) could make the consumer to associate the product with any of those countries. Therefore, there is the need to know what is the
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country of its’ choice and possibly to distinguish between the different components of COE when addressing the consumer, accordingly with the component that he perceives positively.

In the case of hybrid services, studies are even scarcer. The limited number of opinions that has been expressed in relationship with international hybrid services forwards the idea that the country of service delivery (CSD) might have a higher influence than the country of the brand (COB) on consumer’s evaluation of the service. It was the case of international tertiary education that offers hybrid or bi-national services via offshore campuses, developed by higher education institutions in other countries (Srikatanyoo and Gnoth, 2002). They consider that higher education institutions may diminish their images if they locate their offshore campuses in countries that have un-favorable images. Similarly, Pecotich et al. (1996) could not identify a significant brand effect on the consumers’ purchase intentions for two service classes, airlines and banking services, suggesting that in a service setting, consumers tend to consider the country-of-origin cue as more salient in influencing purchase intentions.

Veale and Challen (2010) studied in Australia the influence of the country person image (CPI) and of the country training image (CTI) in the case of high technical (physiotherapist) and high personal (nanny) service types and found out on the one hand that the CPI has a high influence in the evaluation of services and on the other hand that a positive country of training image (CTI) can compensate for a negative country of birth (CPI).

Also in the case of services, the different components of the COE’s construct for hybrid services have different influences on consumer’s evaluation.

The way in which different components of the COE for both products and services participate in the consumers’ evaluation, is also influenced by other external factors that need to be studied:

1. some related to the consumer (for instance, ethnocentrism, animosity and familiarity with the country – Torres and Gutierrez, 2007);
2. some related to the actual image of the influencing country, the existence of stereotypes about that particular country (in terms of technical advancement, prestige, workmanship, economy and serviceability – Han and Terpstra, 1988);
3. some related to the product (conspicuous products or not, simple/complex products, low involvement/high involvement products).

Terpstra and Sarathy (2000) also consider that the COE depends on a number of elements that can be categorized in 3 groups: individual factors, product-market factors, environmental factors. All three factor categories contribute to the country-stereotyping effect that further on has an influence on the consumer evaluation and behavior.

It can be summarized that the relationships between different component elements of the COE of the multi-origin products and services offerings, are not clearly cut. The aspect has not been sufficiently studied up to now. Therefore, the
prevalence of one component or another as influencer of the consumer’s opinion or behavior needs to be further studied, so that to assist companies in deciding what to support as competitive advantage and what to emphasize in their promotion activity.

4. Conclusion and further research

There are a number of conclusions that can be drawn based on the analysis of the conceptual models for the study of COE for hybrid products and services:

1. The literature shows that country of origin effect is a multidimensional construct that comprises more subcomponents for both tangible goods and services that have an international hybrid character. COE has been de-constructed and new conceptual models emerged.

2. There are similarities and differences for COE concepts for hybrid products and services. Both concepts comprise a number of sub-components and each such subcomponent can have a different country of origin and therefore a different influence on consumer behavior. There are some common subcomponents in case of both hybrid products and services, such as the country of the brand (COB).

3. The different subcomponents of COE for hybrid products and services can have contradictory influences on consumer behavior. It is not clear which component has the prevalent influence. Results of studies and opinions in the literature are contradictory. There is the need for further research to identify if there are generally acceptable priorities of influence.

4. The prevalence of one element or another of the COE components differ according to a number of factors: a) the type of product: for instance, simple vs. complex products; b) the consumer characteristics and the priorities consumers have and others. There is therefore the need for customized product specific studies in order to make documented international marketing decisions.

5. There are no generally applicable rules to illustrate how components of COE for hybrid products/services impact consumer behavior. There is a large number of factors that can influence the relationships between COE components for hybrid offerings. Some types of influences have been identified, but for each type of product/service elements of COE in their relationships with the other factors can have different impacts on consumer behavior.

Knowledge of the influence the country of origin effect and its’ components have on consumers significant consequences for the effectiveness of marketing strategies in foreign markets and for either exploiting the existing levels of customer satisfaction with foreign products or finding counteracting strategies, when the consumer is not satisfied with foreign products.

The present study has the limit that analyzed the two conceptual models at theoretical level using the comparison research method. The practical application of the models has been exemplified via results of other studies, but no empirical research has been exemplified here. However, the number of studies identified is also limited and in the context in which there is obviously a high influence of the COE and its subcomponents on consumer opinions and behavior, there is the need for further
empirical studies to get more insight into the issue. One possible direction for further study can be to organize customized, product adapted relevant studies to illustrate how different subcomponents of the COE for hybrid offerings contribute to the customer’s opinions and behavior. Results can be a very good basis for marketing decision making in international companies.

References


