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The country of origin effect – Key issues and future direction

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Summary

The country of origin effect (COE) has been a central topic in scholarly international marketing literature for over half a century, but the concept seems to have stubbornly resisted all attempts at providing an encompassing account of how it comes to affect consumers in practice. Through an approach which treats COE as a perceptual phenomenon that is contingent on various psychological mechanisms this conceptual work revisits some three central theoretical issues of COE research and attempt to ferret out tentative means of addressing some of these long lived problems that have been identified in the literature to date.

Keywords: Country of origin, place, memory, judgement and decision making, international marketing.

Introduction

The COE effect is generally thought of as a phenomenon that occurs when consumers infer that the characteristics of a country transfers onto a product (Bilkey and Nes, 1982; Verlegh and Steenkamp, 1999; Pharr, 2005), a brand (Keller, 1993; Holt et al., 2004) or even a service (Javalgi et al., 2001; Thelen et al., 2010). In other words, if a particular country is associated with, a particular trait, the consumer will be inclined to think that the products, brands or services from that country will, if not share the trait, at least somehow be affected by it. This phenomenon is generally thought of as having been the object of scientific inquiry since the 1960s, with either Ernst Dichter (1962) or Robert D. Schooler (1965) typically being credited with having started the systematic study of the effect in the literature. The practical relevance of this phenomenon is not difficult to fathom, as it would indicate that marketers could use the country-of-origin as a pre-packaged quality indicator. In a world where differentiation has become increasingly difficult to achieve (Baker and Ballington, 2002) and where the consequent costs of brand development have skyrocketed (Bluemelhuber et al. 2007) the appeal of the country-of-origin effect is rather
clear. Yet in spite of its inquiry and apparent practical managerial relevance and resounding proliferation as a field of scholarly inquiry, having been referred to as the most studied aspect of international marketing (Tan and Farley, 1987), with numerous scholars vouching for its pivotal role as a factor in international marketing efforts (Johansson, 1993; Peterson and Jolibert, 1995; Batra et al., 2000; Papadopoulos and Heslop, 2002; Magnusson et al., 2011) and having generated in the excess of 800 scholarly articles to date (Usunier, 2006), the COE is often claimed to be undertheorized (Nebenzahl et al., 1997) and its practical relevance is sometimes described as uncertain (Samiee, 1994; O’Shaughnessy and O’Shaughnessy, 2000; Samiee et al., 2005; Samiee 2011; Usunier, 2006; 2011). In the present work we will explore some key issues that constitute a frontier of the understanding of the effect, in the hope of arriving at a clearer understanding of how the COE could be more precisely understood. These issues, in the end of our argument, will lead to a proposal for a redefinition of the effect. The questions the present work seeks to address are listed below.

- How is the effect sourced, and what is an appropriate delineation of this construct?
- What is “origin” in the context of the COE?
- How are consumers influenced by the COE in their decision making from a psychological perspective?

Arguments pertaining to these three issues will be presented in three short chapters, followed by a concluding note. We begin with the issue of how to make sense of the construct from which the COE is generally believed to be sourced – the country image, and the means of this “sourcing” origin itself.

Country image and origin – facets and delineation

It seems like an inevitable conclusion that a phenomenon labelled the country-of-origin effect would be highly contingent to country image. One of the historically most central contributions to this concept is that of Akira Nagashima who described image as “ideas, emotional background and connotations associated to a concept” (1970; 68), and explained how these ideas come to transfer to products through the vehicle of being “made in” a specific country. Notable developments of how the construct of country image has been used in the literature to date include among other contributions the development of a scale to measure it (Martin and Eroglu, 1992). Its division into country image and product country image (Zeugner-Roth and Diamantopolous, 2009), to distinguish between notions of a country writ-large and those that are more directly relevant to product evaluation. The further division of the concept into basic origin image, product origin image and category origin image (Josiassen et al. 2013) to account for the potent moderating effect evoked by product categories.

Product categories is a crucial problem for understanding the COE. There is a very large number of scholarly publications that deal with this issue at length (Wang and Lamb, 1983; Roth and Romeo, 1992; Verlegh and Steenkamp, 1999; O’Shaughnessy and O’Shaughnessy, 2000;
Usunier and Cestré, 2007; Thanasuta et al., 2009), and it appears as if recent studies that compare the effect evoked by a general country image versus the effect related to some interrelation between country image and categories conclude that product categories generally play a central role in determining the influence evoked by a COE (Josiassen et al., 2013; Andéhn et al., 2015). Country image, it seems, operates along a continuum of how it applies to the evaluation at hand, influencing consumer judgment through a simultaneous effect of its attributed meaning ranging from what is general to what is pertinent only for the specific context of the evaluation.

This appears to be a feasible explanation of how a country image could affect evaluation. But to what does country image in particular owe this ability to influence consumer evaluation? Are countries really a category of constructs that hold some particular power in the context of evaluation? The answer to that question appears to be no. Indeed there has been several studies that have found that COEs can indeed be sourced from regions (Orth et al., 2005; Van Ittersum et al., 2003; Rasmussen and Lockshin, 1999) or cities (Lentz et al., 2007). Some authors have made the argument that it is not countries but places that represents the appropriate level of abstraction in the context of the country of origin effect (Josiassen et al., 2013; Andéhn, 2013). Given these observations it seems like the time has come to forgo the use of the term “country” in country of origin in favor of the more encompassing and appropriate term “place”.

“Country” may not be the only term that has appears to less than optimal when describing the situation in which a COE occurs. Arguably “origin” is a potent indicator of linkage between place and some consumable object, but this origin is not contingent on some objective means of establishing this linkage beyond what the consumer perceives it to be (Thakor and Kohli, 1996; Thakor and Lavack, 2003; Josiassen and Harzing, 2008; Magnusson et al. 2011). Indeed “origin”, as it pertains to the situation of a COE, may be better labeled “association” as even a misidentified origin may result in a potent COE (Magnusson et al., 2011). In turn this would collapse any division of origin into for instance country-of-assembly, country-of-design or country-of-manufacture (cf. Insch and McBride, 1998) into a simple matter of how well these various aspects would represent a proxy for which country consumers actually associate to a given product, good or service.

Judgment, decision making and the COE

In their seminal review of the literature on COE Verlegh and Steenkamp (1999) made a central observation; The overwhelming majority (albeit with a few exceptions (cf. Liu and Johnsson, 2005)), of studies on the country-of-origin effect have focused on consumption situations where cognitive elaboration, or where the consumer is made to consciously consider the implications of a certain origin, occurs. This observation is corroborated by Bloemer et al. (2009) who clearly distinguish between consumption situations which may trigger cognitive elaboration and those that do not, expressively stating that the extant theories of COE encapsulates only the former of these two consumption situations.

If consumers are thought to always consciously deliberate their consumption decisions the argument that country-of-origin effects are irrelevant, based on poor origin recognition accuracy
(Liefeld, 2004; Samiee et al. 2005), or that consumers do not report using country-of-origin as an important cue in product evaluation (Balabanis and Diamantopoulos, 2008) appears entirely reasonable. However, conscious elaboration may not be the norm in consumption situations; in fact, mounting evidence suggests that most consumer decision making occurs without conscious deliberation. Decision making, it seems, should be thought of as the result of primarily unconscious processes (Fitzsimons et al., 2002).

The subject of how humans make decisions has been a core concern of psychologists for a very long time. Within the context of economics the decision maker was, in the early days of the study of decision making, thought of as being a rational actor, or as a natural statistician concerned with utility maximization (Peterson and Beach, 1967), who would remain rational unless mislead by his base instincts and emotions. This conceptualization of the “rational man” was put to rest in favor of a “bounded rational man” by Herbert Simon (1955). He identified several constraints in human decision capabilities that would render absolute rationality unfeasible. Building on the works of Simon, scholars from different fields continued to identify situations in which human decision-making would be guided by heuristics, or shortcuts in reasoning, which would prevent rationality geared towards utility maximization (Kahneman and Tversky, 1979; Tversky and Kahneman, 1981). This rather pessimistic outlook on human decision making capabilities did not remain unopposed, as some scholars have noted that the heuristics employed in human decision making situations actually serve to help make rather good decisions if the time constrains and other factors that surround decision making are considered (Gigerenzer and Goldstein, 1996; Gigerenzer and Brighton, 2009).

Parallel to this development, the idea of a rational mind and an irrational emotional body, came under criticism in favor of a view of emotions as playing a vital role in the decision making process (Zajonc, 1968; Damasio, 1994; Bechara et al., 1996; LeDoux, 1997). One important role of emotions appears to be to allow the our conscience to access the vast processing capabilities of the unconscious systems in the form of emotional feedback derived from an unconscious analysis (Bechara et al., 1996; Lehrer, 2010) it has also been suggested that even these unconscious analyses make use of so called heuristics (Gigerenzer, 2007) or logical shortcuts like halo effects which is a common means of conceptualizing how a COE influences behavior (Han, 1989).

This proposed role of emotions also offers a tentative explanation of how humans can make complex decisions given the constraints of our conscious processing capabilities. One early study of the processing capabilities of the human conscience indicated that humans are only capable of handling about seven pieces of data simultaneously (Miller, 1955), and more recent studies have suggested that this modest capability may be even more limited than Miller proposed (Dijksterhuis and Nordgren, 2006). In contrast, the unconscious processing system has been shown to have the capacity to process enormous quantities of data (Dijksterhuis et al., 2000; Dijksterhuis and Nordgren 2006), which suggests that decisions, to large extent, occur beyond our conscious awareness (Bechara et al., 1996; Bargh, 2002).

It would seem then, that human learning and subsequent decision making is an integrative process between the conscious and the unconscious systems, with one sometimes guiding the other (Whittlesea and Wright, 1997; Baumeister et al., 2011). Thus, human decisions are not only the results of conscious deliberative processes but rather far more complex. In the context of Verlegh and Steenkamp’s (1999) as well as Bloemer et al.’s (2009) observations that COE
research has focused almost exclusively on consumption situations in which cognitive elaboration is likely to occur, the brief overview on the advances in the understanding of human decision making based on contemporary psychological research presented above, exposes a palpable gap in the country-of-origin effect literature.

Conclusions

The present paper argues that it is ill-advised to assume that the country-of-origin effect is irrelevant as a marketing phenomenon based solely on the observation that consumers generally perform poorly in unassisted brand origin recognition tests (Samiee et al., 2005). First, as Magnusson et al. (2011) showed, misidentifying a brand’s origin does not necessarily mean that a country of origin effect will not occur; but, rather that the determining factor of a brand’s origin, as it pertains to the country of origin effect, is the consumer’s perception of it. If, for instance, a consumer believes that Samsung is Japanese, it is possible that this consumer’s judgments of Samsung will be affected by how the consumer feels about Japan. Magnusson et al. (2011) did not only show that even a “misidentified” origin matters but, by extrapolation, also provided strong support of a view of the country of origin effect that is derived entirely from the perceptual world of consumers. This is in opposition to the actual geographical location of corporate headquarters, manufacturing facilities or any other factor in the world beyond the consumer’s perception. These findings have far reaching implications for the conceptualization of the country of origin effect, as well as calling for a re-evaluation of the meaning of the generally poor performance on BORA tests for the relevance of the country of origin effect phenomenon.

The second requirement, about consumer’s conscious deliberation, is also questionable. Indeed, it appears to be incongruent with the general direction of the findings of recent psychological studies, which have emphasized the importance of unconscious processes in the formation of consumer attitude and decision making (Fitzsimons et al., 2002). An extrapolation of the results of these studies would indicate that consumers can, not only unconsciously attribute meanings to entities such as countries, but can also be affected by these attributed meanings whilst making decisions or forming attitudes towards entities such as brands. As a result, the COE may be seen as a phenomenon that bears a great similarity to a stereotype-induced bias in the sense that it is learned, activated and influences decisions without the knowledge or control of the decision maker.

COE indeed has the potential, as suggested in earlier studies, to influence the formation of consumer attitude and their decision making, the question that arises then is two-fold: what makes countries (or perhaps places, writ large, as recent studies on region- and city-of-origin effects suggest (Rasmussen and Lockshin, 1999; van Ittersum et al., 2003; Orth et al., 2005; Lentz et al., 2007)) such potent purveyors of meaning and, how can the commercial relevance of place image be understood? Future studies on the topic of country-of-origin effect would do well to attempt to ground their propositions in theory in relevant fields and not shy away from drawing on advances made in, for instance, psychology and geography as a means of making sense of the COO effect phenomenon. The “self-referential” trend in COO research, as identified by Usunier (2006), is a hindrance in the advancement of understanding this phenomenon and a widening of the scope seems most appropriate if the field is to make meaningful progress in the near future.
References


