COUNTRY OF ORIGIN EFFECT AND PERCEPTION OF INDIAN CONSUMERS

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Abstract
Country of origin or nation branding is one of the main arenas in the field of marketing which is gaining its importance in today’s era. With more and more companies entering into the global market the consumers are now looking for more options for a particular product. With so many options available in the market the consumers are now giving preference to the country of origin of the product. The research is aimed to measure the perception of the Indian consumers on the country of origin effect on product preference. The research would also relate the consumer perception about the country of origin and the product quality. The statistical analysis resulted into three factors which were named as Decision Variables, Quality Variables and the Price Variable. The analysis also showed that Indian consumers perceive that the quality of cars in developed countries like USA is much better than their own country i.e. India. The findings suggest that the Indian consumers are positively inclined to the country of origin effect and prefer to buy imported products.

Keywords: Country of Origin, Preference, Product Quality and Perception.

Introduction
The biggest impact of globalization in the Indian economy has been the availability of foreign products and services to the Indian customers. Today Indian markets are flooded with products and services of companies which are from foreign nations. The Indian manufacturers are today facing stiff competition not only from their Indian colleagues but also foreign players. On the other hand, today the options for consumers are greater than ever. In almost every kind of requirements, the consumers have more than one option. More importantly, they have the choice to choose which product to buy- Indian or International depending upon the product characteristics.

Martin & Eroglu, 1993 has defined “Country-image is the total of all descriptive, inferential and informational beliefs that a consumer has about a particular country .Both current and past
images of sourcing countries play a role in determining brand and product perceptions”. For example, the perceived image of a product made in a country having a strong image (USA) and brand image (GE) may deteriorate by sourcing production in countries with weak images such as the emerging economies in Eastern Europe (cf. Brodowsky, Tan, & Meilich, 2004; Nebenzahl & Jaffe, 1996). Selecting a country of manufacture has become a critical decision variable for managers of global companies. They may decide to design a product in one country and manufacture it in another.

Given this scenario, the concept of Country of Origin effect is gaining importance among the marketers and researchers on buyer behaviors. There is a long on-going study on the broad subject of whether the country of origin of a product plays any part on determining the acceptance of that product in the market.

The Country of Origin effect is an extrinsic product attribute which informs the customer about the country where it was made. It also helps the consumers to form a perception about the price, quality of the product. The country image stereotype plays an important role in generating the Country of Origin effect. According to country-of-origin effects, positive country reputation can influence international publics’ behaviors to purchase products and brands made in the country. The image of the country plays an important role in the distribution and sales of the product in another country. The consumers while evaluating the products evaluate the different attributes, the price, and durability along with the Country of Origin. A product with a strong and positive country image has a fair chance of being acceptable by the consumers easily as compared to the product from a negative country image. Lee and Lee (2009) found that the Country of Origin effect had a less influence on the consumers who were equipped with high product knowledge. They also concluded that consumers with high knowledge would rely less on Country of Origin to choose and evaluate between the products.

Multi cultural competence helps in understanding how the country of origin does have an effect on the customers mind. The products from developed and developing countries create different images among the consumers. Many of the consumers are attracted by the “Made In …..” label.
whereas in certain cases though the country of origin is not favorable but the brand forms a strong image among the consumers.

**Research objective:**
From the above discussion it is evident that Country of Origin is gaining its importance in the field of marketing. Many studies have been conducted to find out what are the factors which give rise to the country of origin effect, how to measure the country of origin effect in different cultures. Studies have also concluded that brand name effect and the nature of the country of origin has a relationship and helps in forming perceptions in the mind of the customers.

The main objective of the research would be to investigate the Indian consumer’s perception on the country of origin effect on product preference and consumer behavior of the Indian consumers. The second objective of the study would relate to the consumer perception about the country of origin and the product quality. The consumers will rate five countries based on their perception about the quality of automotives being manufactured in these countries.

**Literature Review**
The study of Country of Origin effect goes back to 1970 when Nagashima (1970) in one of the first studies on country image perceptions surveyed Japanese and US business people on products arising from the other country. He had defined country image as the picture, the reputation and the stereotype that businessmen and consumers attach to a specific country. This image is created by variables such as products, national characteristics, economic and political backgrounds, history and traditions. Similar to Nagashima, Narayana (1981) defined country image as “the aggregate image for any particular country’s product refers to the connotative field associated with that country’s product offerings, as perceived by consumers”.

From a more marketing perspective, country image has been defined by some researchers as consumers’ general perceptions about the products that are being manufactured in the given country (Bilkey and Nes, 1982; Han, 1989). Romeo and Roth (1992) has defined country image as “Country image is the overall perception consumers form of products of a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses.”
Study on Country of Origin effects have included customers’ perceptions about products originating from different countries and regions. Hong and Wyer (1989) studied country favorableness by the parameter of a country being known for its high or low quality products. Kramer et al. (2008) had studied that impact of competent versus warm country of origin on consumers. Jo (2005) in her study has found that Country of Origin acts as dominant quality cue and brand preference construct. Based on their study Supanvanij and Amine (2000) have concluded the branded product with an unfavorable country of origin image does not lose its advantage compared to the branded product with a favorable country of origin image. The non branded product with a favorable country-of origin image can offset the disadvantage of not being the branded product. From a similar kind of research a similar type of conclusion was drawn by Gaedeke, (1973) where he found that Country of Origin is not a major factor for a well known branded product.

In addition to studies which directly analyzed the country of origin effects on consumers, there have had also been studies that sought to find issues resulting in country of origin effect (Maheswaran and Chen, 2006; Elliott and Cameron, 1994) and also studies have been made on multicultural competence on brands and their country of origin effects (Peng and Zou, 2007; Lee et al, 2005).

Research has shown that there are reasons for the Country of Origin effect to occur. Schooler (1971) found that socio economic difference among countries especially the differences in technology capability and product quality between developed and developing countries gives rise to the Country of Origin effect. Nagashima (1971) found out that consumers tend to have a relative preference to products from their own country or may tend to have a relative preference for aversion to certain products that originate from certain countries due to their country image stereotypes.

Multi cultural competence has a moderating role to play in the Country of Origin Effect. Peng and Zou(2007) found that when domestic and foreign products are identical on attributes, domestic products get more positive evaluation than foreign products and favorable brand of
origin leads to more positive than less favorable brand of origin. Consumer perception of a country’s image and product price are among the key variables that determine brand-image. A more positive country of manufacture image generally results in a more positive brand-image. The high-origin country-image will enable the firm to maintain its high-quality brand-image until the brand reaches the stationary value point.

Studies have found out that Country of Origin is much more complex as compared to the uni dimensional concept. Parmeshwaran and Pisharodi (1994) developed a multidimensional scale which has become the foundation of most Country of origin effect. Maheshwaran (1994) found that novices often use country of origin to evaluate a new product and give minimal consideration to product attributes. Hong and Wyer (1990) found out that in many developing countries, consumers place higher value on products that come from advanced countries.

Han and Tepestra (1988) in their paper “Country of Origin Effects for Uni-National and Bi-National Products” found out five dimension of country image. They are: technical advancement, prestige, workmanship, economy and serviceability. Many studies have been conducted on the developed nation in this front. Ghazili, Othman, Yahya and Ibrahim (2008) in their paper “Products and Country of Origin Effects: The Malaysian Consumers’ Perception” found out that the Malaysian consumers are more inclined to the products from the developed nations and attach a preferable perception for these countries. The study also revealed that the average Malaysian consumers do not take into consideration the country of origin image while taking decision for their purchases.

Wicker (1969) reviewed 31 studies covering a wide range of subject populations, verbal attitude measures, overt behavior measures, and attitude objects. He concluded that "taken as a whole, these studies suggest that it is considerably more likely that attitudes will be unrelated or only slightly related to overt behaviors than that attitudes will be closely related to actions" (p. 65). McGuire shares this view; after studying over a dozen reviews of empirical findings he concludes that only within quite limited circumstances do attitudes account for more than 10% of behavioral variance (1985).
Susan in her paper tested the assumption that consumer attitudes are accurately reflected in consumer behavior and to assess the consistency of consumer attitudes with consumer behavior following the 538 purchase of an apparel product. Polls and surveys attempted to measure consumer attitudes toward imported versus domestic apparel in the United States and concluded that U.S. consumers are influenced by a garment’s country of origin, prefer American-made apparel, and find it to be of superior quality.

Scott S. Liu and Keith F. Johnson (2005) conducted an experiment was conducted to test the hypothesis that country stereotypes can be spontaneously activated by the mere presence of country-of-origin (COO) information in the environment, and they may influence product judgments even when consumers do not intend to base their judgments on COO. The results provide converging evidence that COO effects occurred automatically and contributed to product evaluations without participants' intention or control.

Consumer perception of a country’s image and product price are among the key variables that determine brand-image. A more positive country of manufacture image generally results in a more positive brand-image. The high-origin country-image will enable the firm to maintain its high-quality brand-image until the brand reaches the stationary value point.

Scope and Coverage of the Study
In this study the product quality aspect of nation branding has been taken into consideration as this is one of the most researchable areas in the field of marketing.

Research Methodology
This study is an exploratory research to find out the perception of the country of origin effect and also the factors leading to the concept.

Questionnaire
The study aimed at analyzing the customer’s perception regarding the country of origin effect and the quality of the product. It was also aimed to find out the factors for the country of origin and also to rank the products from different countries as per the perception of the customers.
The questionnaire used in the study has been adapted from Darling and Wood (1990) and the product dimension of Hans and Terpstra (1988) has been replicated. The questionnaire consisted of five sections but for the shortness of time duration of the research only two sections have been taken. The first section consists of 14 statements which the perception of the Indian consumers towards the country of origin effect are measured and also helps to indicate their purchase behavior. In the second section the respondents were asked to rank five countries based on the quality of the product especially for the automobile segment.

**Sampling**

It was decided that the study would be carried out in the city of Delhi, Jaipur, Kolkata and Mumbai. The consumers were selected from these cities as the consumers are more aware about the products and the country of origin effect. This was done using the concept of Convenience Sampling Method.

A sample of 200 respondents was taken into consideration and the response rate was 78%. All the questionnaires were self administered. The respondents were from various backgrounds namely: service class, businessman, students, professors etc.

**Statistical Techniques Used**

The data collected through the questionnaires were analyzed using the following techniques.

- Univariate statistical technique – the measures of central tendency namely the mean was used to measure the customer perception about the country of origin effect and also about the perception about the product quality.
- Multivariate statistical technique – the factor analysis was used to find out the different dimensions of the country of origin.
- The above analysis was carried out using SPSS version 17.0 software.

**Data analysis & Research Findings**

The data collected was analyzed for the following three categories:

- Category I: Customers perception on different factors of country of origin effect
- Category II: Customers perception on the country of origin effect.
• Category III: Customers perception on the product quality for the different countries.

Findings on Category I: Customer’s perception on different factors of Country of Origin Effect

The respondents were asked to rate the following items in Table 1 on a five point Likert scale. The following items were used to measure the inclination of the Indian consumers towards the country of origin effect. Factor analysis was performed on the explanatory variables with the primary goal of data reduction. The principal component method, using varimax rotation with Kaiser Normalization, reduced the 14 variables to three factors having Eigen value greater than 1.0. For the purpose of interpretation each factor was composed of the variables which loaded 0.40 or higher on that factor. The rotated component matrix values for the three factors are presented in Table 1. The three factors contained eight, three, three variable respectively.

Table 1: Measuring Country of Origin Effect

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>When buying expensive items such as a car, TV or refrigerator, I always seek to find out what country the product was made in.</td>
<td>.650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel that it is important to look for a country of origin information when deciding which product to buy</td>
<td>.612</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If I have a little experience with a product, I search for country of origin information about the product to help me make a more informed decision</td>
<td>.676</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I refuse to purchase a product without knowing its country of origin</td>
<td>.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When I am buying a new product, the country of origin is the first piece of information that I consider</td>
<td>.760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find out a product’s country of origin to determine the quality of a product</td>
<td>.606</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To purchase a product that is acceptable to my family and my friends, I look for the product’s country of origin</td>
<td>.694</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
I look for country of origin information to choose the best product available in a product class | .729 |
To make sure that I buy the highest quality product or brand, I look to see what country the product was made in | .599 |
When purchasing a product, I believe country of origin will determine the technological sophistication of the product | .768 |
When buying a product that has a high risk of malfunction, for example a digital camera, a person should always look for the country of origin | .709 |
A product’s country of origin does not determine the quality of the product | .558 |
It is less important to look for country of origin when buying a product that is less expensive such as a shirt | .818 |
Seeking country of origin information is less important for inexpensive goods than for expensive goods | .782 |

| Eigen values | 5.812 | 1.717 | 1.214 |
| % of variance | 41.515 | 12.263 | 8.671 |
| Cumulative variance | 41.515 | 53.778 | 62.449 |
| Cronbach Alphas | .888 | .724 | .589 |

Factor 1 seemed to capture variables which were related to the decision making while choosing to buy a product indicating **Decision Making** dimension. Factor 2 was defined as a representation of the consumer’s belief that for buying best quality product the county of origin plays an important role which indicated the **Quality** dimension. Factor 3 represented consumer’s perception for the inexpensive products indicating the **Price** dimension.

**Findings on Category II: Customers perception on the country of origin effect.**

The perception of the consumers on the Country of origin effect was measured by calculating the mean of the 14 variables.

Table 2: Perception of Customers
<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>When buying expensive items such as a car, TV or refrigerator, I always seek to find out what country the product was made in.</td>
<td>156</td>
<td>3.3205</td>
</tr>
<tr>
<td>I feel that it is important to look for a country of origin information when deciding which product to buy</td>
<td>156</td>
<td>3.1667</td>
</tr>
<tr>
<td>To make sure that I buy the highest quality product or brand, I look to see what country the product was made in</td>
<td>156</td>
<td>3.3013</td>
</tr>
<tr>
<td>If I have a little experience with a product, I search for country of origin information about the product to help me make a more informed decision</td>
<td>156</td>
<td>3.2244</td>
</tr>
<tr>
<td>I refuse to purchase a product without knowing its country of origin</td>
<td>156</td>
<td>2.9038</td>
</tr>
<tr>
<td>When purchasing a product, I believe country of origin will determine the technological sophistication of the product</td>
<td>156</td>
<td>3.5833</td>
</tr>
<tr>
<td>When I am buying a new product, the country of origin is the first piece of information that I consider</td>
<td>156</td>
<td>2.9551</td>
</tr>
<tr>
<td>A product’s country of origin does not determine the quality of the product</td>
<td>156</td>
<td>2.9487</td>
</tr>
<tr>
<td>When buying a product that has a high risk of malfunction, for example a digital camera, a person should always look for the country of origin</td>
<td>156</td>
<td>3.5769</td>
</tr>
<tr>
<td>It is less important to look for country of origin when buying a product that is less expensive such as a shirt</td>
<td>156</td>
<td>3.4231</td>
</tr>
<tr>
<td>Seeking country of origin information is less important for inexpensive goods than for expensive goods</td>
<td>156</td>
<td>3.5385</td>
</tr>
<tr>
<td>I find out a product’s country of origin to determine the quality of a product</td>
<td>156</td>
<td>3.3910</td>
</tr>
<tr>
<td>To purchase a product that is acceptable to my family and my friends, I look for the product’s country of origin</td>
<td>156</td>
<td>3.1731</td>
</tr>
<tr>
<td>I look for country of origin information to choose the best product available in a product class</td>
<td>156</td>
<td>3.1410</td>
</tr>
</tbody>
</table>

The statistics showed that the consumers took the country of origin into consideration for buying the expensive products which is evident from the mean value of 3.3205. The country of origin
plays an important role while making a decision for buying a product. Out of the 14 variables 8 variable are grouped under the one component. It is important to look for a country of origin information when deciding which product to buy is also supported by the value of 3.1667. The consumers feel that the country of origin helps them to find a product with highest product quality. They feel that the products from the underdeveloped countries are not high in quality as compared to the products in the developed countries.

The products which require high information search while taking decision for buying are looked upon for their country of origin as the nation from which it belongs helps to provide information regarding the quality, durability, longevity and the sophistication of the product which is very much evident from the mean value of 3.224. The consumers having little experience on a particular product would rely on the country of origin information for the purchase of the product.

The consumers in India are now looking forward towards the country of origin as the main information for the purchase of the product. The consumers also refuse to buy the product where in they are not able to gather the information related to the country of origin which is supported by the mean value of 2.9038.

India being a country with high power distance which means that the distribution of power among the family is unequal leads up to the condition where the head of the family takes the decision for purchasing a product for the family. The consumers also depend on the views of the family and friends for making decisions while purchasing a product. The value of 3.1731 leads up to the conclusion that for buying a product which is acceptable by the members of the family and for friends the country of origin plays a significant role.

Products having high risk of malfunctioning and with high technological sophistication are one of those products whose country of origin is important information which is looked upon by the customers for making decision on the purchase of the product. The mean value of 3.5769 shows that the consumers agree to the fact that the countries with high technological sophistication and high economic development are the countries on which the consumers can depend for buying the product.
**Findings on Category III: Customers perception on the product quality for the different countries.**

The respondents were asked to rank the above countries on the perceived product quality of Cars which were produced in the following countries.

Table 3: Ranking of Countries

<table>
<thead>
<tr>
<th>Name of Countries</th>
<th>Number of Respondents</th>
<th>Mean</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>156</td>
<td>2.3269</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>156</td>
<td>2.3333</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td>156</td>
<td>2.5833</td>
<td>3</td>
</tr>
<tr>
<td>Korea</td>
<td>156</td>
<td>3.0385</td>
<td>4</td>
</tr>
<tr>
<td>India</td>
<td>156</td>
<td>3.5705</td>
<td>5</td>
</tr>
</tbody>
</table>

The country with highest mean suggested perceived poor product quality while the lowest meant highest product quality. From the above statistics it is clear that USA ranks first with a mean of 2.3269. While Japan which is known for its technological leadership in innovation is in the second position, followed by Germany with a mean value of 2.5833. Korea is in the fourth rank having a mean of 3.0385. India has been ranked as the country with the poorest product quality for the car segment which suggests that the Indian consumers perceive that the products in the automobile segment are better for the developed countries as compared to their own country.

**Discussion**

From the above statistics it is evident that the consumers in India attach great importance to the Country of Origin of the products. The study concludes that Indian consumers perceive that the product quality is determined by the “Made In” label. The products from the economically developed nations have high product quality while those from the less developed or developing economies such as India, Bangladesh, Sri Lanka, China etc. do no have high product quality. This statement is also supported from the findings in Table: 2 where India has been ranked as the country with lowest product quality.
The findings also suggest that the country of origin effect is gaining its importance amongst the Indian consumers for the purchase of the expensive and highly sophisticated products such as laptops, mobile phones etc. In a country like India where the culture of brotherhood is more significant consumers buy product mostly on consultation and references from family and friends. The value of 0.694 shows that for referring a product to members of the family and friends the country of origin for a product has an important role to play.

The research has also concluded that the Indian products are perceived as the lowest product quality which means that they are keener to buy foreign products which are imported to our country. The consumers are ready to buy only low cost indigenous products like boy toiletries, food product etc. They are more biased towards the imported products which is very much significant from the Quality and Price factor.

Other important findings from the study suggest that the people belonging to the middle class and lower middle class segment of the economy attach more significance to the value for money, product attribute, product quality and the durability of the product instead of the country of origin effect.

The countries like USA, Japan are making their foray into the Indian economy by launching more and more product in the market according to the taste and preference of the consumers. This has led to reduction in the market share of companies of the Indian origin. The marketers should give more importance to the product quality, attributes and to the services provided by the product if they are of less technological sophistication and have a negative or low country of origin attached to them. But on the other hand if the marketers stress more on the country of origin for the products which are made in the developed nations and are of high technological sophistication and have high risk of malfunctioning.

The buying behavior of the Indian consumers is rapidly changing as they are changing their choices for buying the products. Many brands from the foreign countries have successfully positioned themselves in the minds of the consumers. The clothing industry has seen a huge revolution with the entry of the brands like Peter England, Flying Machine, Lee Cooper etc. the
consumers now prefer to buy branded clothes as they perceive that the clothes made by these brands are better as these brands owe their origin to foreign lands.

Country of origin in this dynamic and volatile environment has a major role to play in the establishment and sustenance of the brands in India. The brands which owe their origin in the developed economies are highly accepted and preferred brands by the Indian consumers. But on the other hand if a brand is from a less developed country such as Bangladesh, Pakistan, the brands have to face a tough competition for their stability and sustenance. They have to invest a huge amount of time and labor for the promotion and marketing activities to establish themselves in the market. The Indian brands like Onida, Vimal, Orpat are fading away from the minds of the customers whereas the companies like Sony, Levis, Nokia are making a strong bond with the customers.

The automobile industry has also undergone rapid change. The indigenous company like Premier has lost its market share to the foreign players. With the globalization and privatization strategy in 1999 the foreign players like Toyota, Chevrolet, Mercedes, Honda have made foray into the market and are have made a strong position in the minds of the customers. Maruti Suzuki, Tata motors are trying hard to compete with the international players. The high income group in India would like to own a BMW or a Volkswagen instead of owning a high end car from Maruti of Tata Motors. Japan a country with high technological sophistication and innovation skills tops the list for being preferred as the country with highest product quality in the automobile segment.

**Research limitations**

The study suffered from the following limitation:

- Geographical limitation: the study has been carried out in and around Delhi, Jaipur, Kolkata and Mumbai.

**Further research:**

The study was exploratory in nature and suffered from certain constraints and limitations such as geographic limitation (i.e., only the metropolitan cities), Country of Origin effect taken in a limited sense (i.e., neglecting the multifacets of Country of origin effect). Nevertheless, the above study leaves an immense scope for carrying out further research in the following areas:
• To carry out similar study from the marketers perspective and comparing that with the customers’ perspective
• To carry out study on other aspect of country of origin effect
• To carry out studies in other geographic areas i.e., in other metros and in the rural areas to find out whether there is any significant difference in the behavior of the customers who are geographically separated.
• To carry out more detailed study considering the multi facet dimension of Country of Origin effect.
• To study the effect of the Country of Origin effect on the service industry.

Practical Implications
The research concluded that the Indian consumers attach great importance to the country of origin of the products. Indian consumers perceive that the product quality is determined by the “Made In” label. The product with high sophistication and high risk of malfunctioning are looked upon for the country of origin for their quality. The consumers form the middle class and lower middle class of the economic class attach more importance to value for money, product quality and the durability of the product instead of the county of origin of the product.
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