Country-of-origin and brand effects on customers' service evaluations
- **The case of international air travel   -**

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Abstract

Proposal

As services increase in importance globally, it is necessary for marketers to be aware of which factors affect customers' service evaluation. There is a tendency that the effect of Country-of-Origin (COO) is highlighted in the literature of product than service. This study aims to against the limitations and seeks to clarify the relative importance of COO and brand effect in service evaluation, and the interaction effect between COO and brand.

Methodology

2×2 full factorial design consisting of COO and brand information was used as survey instrument, and MANOVA test, as well as paired t-test were employed to data analysis.

Results

The results showed that perceived quality was more influenced by brand effect, however, perceived risk and behavior intention were more influenced by COO effect. Moreover, it has been clarified that a strong COO can compensate a weak brand, whereas, a strong brand cannot compensate a weak COO.

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Introduction

There has been tremendous world-wide growth in the services sector, leading to a substantial increase in economic contribution by services to most national economies. As services increase in importance globally, it is necessary for marketers to aware which factors affect customers' purchase behavior and service evaluation. Country-of-origin (COO) has been described by some researchers as "one of critical cue" in customers' decision making process. It has been cleared that extrinsic cue plays a more essential role, when intrinsic cue is not significant. In this point, COO serves as extrinsic cue and some researches claim that COO has "halo effect".

On the other hand, brand image is also treated to be an essential factor when customers make their purchase decision. A well-known brand, in some extent, is one of insurances of quality and has a high reliability. Brand plays a special role in service companies because strong brands increase customers' trust of the invisible purchase (Berry, 2000). Also, it has been testified that a sound brand can help companies to keep a good and stable long-term relationship with their customers (Riley and Chernationy, 2000).

However, there is limit research in comparing the effect of COO and brand, especially in the literature of service. Against these blank areas in previous studies, the present study seeks to answer the following questions:

- Which one plays more important role in service evaluation, COO or brand?
- Can a positive country image compensate for a weak brand and vice versa?

This study highlights on COO and brand effects on the literature of service and selects international airline service as research object. This study is organized into four sections: a review of the relevant literature; development of research model and hypotheses; a description of the research design, data collection and analyses; and the presentation and discussion of the results and their implications for international marketing.

Literature review

Country-of-Origin (COO)

COO effects have been defined in many ways in the literature. According to Ahmed (2001), COO effects can be approached by both information and affiliation. In the approach of information, COO provides cues to customers regarding the quality, dependability, and value for money of the product or service, when more specific information is not readily available (Han and Terpstra, 1988; Hong and Wyer, 1989). In this respect, COO may be perceived as a risk property (Cordell, 1993); Customers tend to perceived high risk if they purchase some products or use some services from the countries which have poor image. On the other hand, Customers tend to have one of securities if the products or services provided by the countries which have positive images.

The other approach is affiliation. According to Brunning (1997), COO cue relates directly

to one's group affiliation, such as national loyalty, and reinforces one's sense of national identity. In Brunning's (1997) study, it confirmed the importance of national loyalty as a component of the COO effects and indicated that the country attribute is second only to price in terms of relative importance in the air carrier choice decision.

In the present study, the first approach－information will be applied only. This study defines COO as one of important information when customers make their purchase decision.

Brand effects

Brand preference is explained by attitudes in 1970s which made up of perceptions of and values for product attributes (Bass and Talarzyk, 1972). Brand image sometimes differs from brand preference. Brand preference is people's affiliation which can be one of essential reason of loyalty researchers (Cobb-Walgren et al. 1995). However, brand image is people's impressions or feelings to a certain brand, such as exciting, luxury, dislike, and other backgrounds. Therefore, in this respect, it can say that brand preference is included by brand image.

This study emphasizes brand effects formed by customers' image to a certain brand. During the experiment of this study, respondents will not be informed detail information, for instance, brand name, but will be told the airline company's position in international airline brand ranking.

Perceived Quality

Quality can be defined and measured as belief statements or attribute performance (Churchill and Suprenant, 1982). Service quality has been viewed as both an overall, holistic evaluation of the service and a summary evaluation of the components of the service (Iacobucci, 1998). Moreover, some researchers argued that service quality is either industry or context specific (Babakus and Boller, 1992). However, numerous previous researches tend to believe service quality is an individual judgment defined by customer about the excellence or superiority of a service provider's performance (Adam Finn, 2005). In detail, the individual judgment is not objective but subjective evaluation which is called perceived quality.

This study will not take expectation as variance, but focus on customers' perceived quality during our experiment. Perceived quality is defined as one of judgments based on the feelings to a certain service.

Perceived risk

Perceived risk has been defined as the subjective expectation of a loss (Sweeney et al, 1999). Hampton (1977) was the first researcher to examine the influence of perceived risk on rating 27 products in three classes of perceived risk from nine different countries. The

findings indicated a general increase in perceived risk of products made abroad. Perceived risk relates COO and brand image closely. Numerous researches have clarified that a good country image or brand image can greatly decrease perceived risk, especially for the customers who have less knowledge or using experiences to a certain product or service. Moreover, some researches also suggest that customers tend to perceive less risk to national products than abroad ones (ex. Nes, 1981).

Perceived risk can be measure from financial risk, physical risk, emotional risk and what else. This study follows Sweeney et al's (1999) study and defines perceived risk as financial risk only.

Behavior Intentions

Zeithaml, Berry & Parasuraman (1996) presented a model to explain customer behavior intentions and they suggested that behavioral intentions can be captured by repurchase intentions, word of mouth, loyalty, complaining behavior and price sensitivity. A positive behavior intention always be treated as loyalty, however, some researches also show that positive behavior intention does not relate repurchase behavior certainly.

In the present study, behavior intention is approached by whether customers want to use the airline, in other words, willing to buy.

Hypotheses Development

The relative importance between COO and brand effects

The extrinsic cues most relevant to the airline industry are COO and brand. Here we are interested in the extrinsic cues used by customers to evaluate service and their behavior intention (Ahmed et al, 2001). Therefore, we wish to assess the relative impact of two extrinsic cues－COO and brand in service evaluation (perceived quality and perceived risk).

Concerning airline industry, most customers have little knowledge (ex. Service level, security, reliability, etc.). For this reason, the intangibility to airline service is significant, so customers tend to rely on other cues, such as brand reputation, airline company's mother country, word of mouth to help them make purchase decision and service evaluations. Furthermore, few customers are familiar with airline brand, and few customers choose airline based on brand ranking. In this respect, we expect that COO plays more important role in service evaluation. Therefore, hypothesis 1 will be as this follow.

- H1: COO is more important than brand in service evaluation

H1 (a): COO is more important than brand in increasing perceived quality;

H1 (b): COO is more important than brand in decreasing perceived risk;

H1 (c): COO is more important than COO in increasing purchase intention

The interaction between COO and brand effects

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Since consumers consistently perceive more risk in purchasing products originating in a country with a low image, a strong brand image should play an important role in their decision-making process (Ahmed et al, 2001). Moreover, a country with a strong image in a certain industry, customers who have limited knowledge concerning this field are likely to have affiliation to all products of this industry. On the other hand, a well-known brand can also bring a good image to the industry of country. Therefore, in this respect, hypothesis 2 will be as this follow.

- H2: Service COO and brand effect interact each other

H2 (a): A positive COO effect will compensate for a weak brand name;

H2 (b): A strong brand name will compensate for a negative COO effect

Methodology

Pre-test

Firstly, a pre-test was conducted from June to August 2011, using a focus consisting of 30 airline passengers that included 17 Japanese and 13 Chinese. Pre-test aimed to find the countries which is believed have high-level of service and low-level of service overall. In this point, this study practiced qualitative method to explore this literature. The author asked the people who cooperated to answer the questionnaire to fill the table of what the image you hold about to the country or area. The countries/areas showed in the table include Japan, China, Hong Kong, Tai Wan, Thailand, Singapore, Korea, the United Kingdom, France, German, the United States and Australia.

Secondly, respondents were asked to rate country's overall service quality on a seven-point Likert-type scale. As a result, China scored the lowest and the Japan scored the highest. Based on the results, we refined our research model and selected Japan and China as research object countries. Moreover, two brands－brand A and brand B, as supposed brands, are used in this experiment to clarify how COO and brand related each other. Brand A is supposed as five star airline brand and Brand B is supposed as a poor brand. This study does not apply for the real airline, as well as the name of airline. This is because respondents will also get the information of the mother country of airline company, if airline's name will be informed to them. Therefore, during the experiment, respondents were informed the two countries－Japan and China, as well as the two brands－Brand A (strong brand) and Brand B (weak brand).

Survey instrument (experiment)

This study follows Ahmed et al's (2001) research and applies for their measurement with some amendments. The questionnaire was in three parts (See Table1). The first part comprised a 2×2 full factorial design consisting of COO information (Japan and China), and brand information (Brand A and Brand B). No COO and no brand information were used as a control. Respondents were first shown a picture of generic airline with no information about

the brand or the country of origin. Then, those respondents were shown eight pictures of airline, in each of which the COO and/or brand name information was manipulated. It was emphasized that in all nine scenarios the airline were similar in terms of security, price, and route. Therefore, respondents can judge perceived quality, perceived risk and behavior intention only based on COO and brand. In the second part, respondents were asked the relevant importance of COO and brand. Moreover, respondents were asked to rate the importance of COO and brand respectively. The final part of the questionnaire gathered demographic data and information about the respondents' prior airline experiences.

- *Table 1: Survey Instrument* (PartⅢ has been omitted because of the limited space)

Part Ⅰ (each question with a picture)

No brand information & No COO information No brand information & Japan (strong) Brand A (strong) & Japan (strong) Brand A (strong) & No COO information Brand A (strong) & China (weak) No brand information & China (weak) Brand B (weak) & China (weak) Brand B (weak) & No COO information Brand B (weak) & Japan (strong)	- How do you perceived the quality of this airline if you use this service? - How risky do you perceive it is to purchase the service of this airline? - Assuming equivalent items (such as price, route, schedule, security), what is the probability of your purchasing the service of this airline?

Part Ⅱ

- Assuming equivalent of all items (such as price, route, schedule, security, etc.), which one helps you to make purchase decision?

  Country   Brand
    1   2   3   4   5   6   7

- Assuming equivalent of all items (such as price, route, schedule, security, etc.), how important about airline company's country for you?

  Not at all important   Very important
    1   2   3   4   5   6   7

- Assuming equivalent of all items (such as price, route, schedule, security, etc.), how important about airline company's brand for you?

  Not at all important   Very important
    1   2   3   4   5   6   7

Sample and data collection

Data were gathered in Faculty of Commerce, Doshisha University from 1st to17th, July, 2013. 152 students of this department took part in this experiment. 500 yen Book Card as reward was distributed to each student. Experiments have been conducted 15 times, and the time of every experiment is about 15 minutes more or less. During the experiment, the author showed each picture by Power Point Slide with some explanations. Respondents were asked to follow Power Point Slide and explanations, instead of fill questions by themselves. As a result, 141 completed questionnaires have been collected, almost evenly balanced between male (47%) and female (53%).

Analyses and results

The individual and relative effect of COO and brand effect on service evaluation

A MANOVA test (see Table Ⅱ) examined the individual effects of COO and brand on service evaluation (perceived quality, perceived risk and behavior intention), and the interaction of COO*Brand on service evaluation. Both COO and brand, individually, had a significant main effect on all three component of service evaluation ($p<.001$). In the case of perceived quality, the F test indicated that the differential effect for brand was greater than that for brand. However, in the case of perceived risk and behavior intention, COO effect was significantly greater than brand effect ($p<.001$). Moreover, there was significant interaction effect between COO and brand on perceived quality ($p<.05$) and behavior intention ($p<.001$), nevertheless, the interaction effect is not significant ($p>.05$).

- **Table Ⅱ:** *the individual effect of COO and brand on service evaluation*

Main effects	df	MS	*F*-value
Country of origin (COO)			
Perceived Quality	2	472.828	460.591***
Perceived Risk	2	189.667	85.282***
Behavior Intention	2	695.6887	524.5746***
Brand			
Perceived Quality	2	675.656	658.170***
Perceived Risk	2	140.530	63.188***
Behavior Intention	2	491.5705	370.662***
COO*Brand			
Perceived Quality	4	3.134	3.053 (0.016)
Perceived Risk	4	7.989	3.592 (0.06)
Behavior Intention	4	19.9606	15.05102***
Note: ***$p<.001$			

These two series of paired comparison tests indicate that both COO and brand have differential effect on product evaluation. To compare the relative effects of COO and brand, three regression analyses were performed, with COO and brand as the independent variables in all case and perceived quality, perceived risk, and behavior intention as successive dependent variables (see Table Ⅲ). In all cases, the regression coefficients for COO and brand were positive and statistically significant ($p<.001$). For perceived quality, the effect of brand was greater (.611), but for perceived risk and behavior intention, COO seemed play more important role. Thus, the data indicated that COO and brand affect different aspects of product evaluation, providing support for H1 (b) (c).

- **Table Ⅲ:** *the relative effect of COO and brand on service evaluation*

	Unstandardized coefficients		Standardized coefficients	
	B	Std. error	Beta	*t*-value
Perceived quality				
(Constant)	3.996	.041		97.853***
COO	1.044	.050	.506	20.868***
Brand	1.261	.046	.611	27.484***
Perceived risk				
(Constant)	3.833	.038		95.554***
COO	1.112	.042	.552	20.113***
Brand	.965	.053	.490	17.347***

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Behavior intention				
(Constant)	3.925	.037		106.650***
COO	1.282	.046	.725	23.354***
Brand	1.112	.032	.653	26.355***
Note: ***p<.001				

The interaction effect between COO and brand

Paired t-tests were employed to clarify whether a strong COO would compensate for a weak brand and a strong brand would compensate for a weak COO. In the first test (strong COO vs. weak brand), the service evaluation rating for Brand B (weak) were compared according to whether Brand B had no stated COO or had Japan as COO. The results (see Table IV) indicated that, in the case of perceived risk and behavior intention toward service measures, a Japan COO rates more highly than China or no stated country (p<.000), however, it seemed Japan COO cannot compensate weak brand in the case of perceived quality, then H2 (a) can be accepted partly.

In the second test (weak COO vs. strong brand), the service evaluation ratings for Brand A (strong) were compared according to whether Brand A had no stated COO or had China as COO. In all cases, the tests of difference were significant (p<.001), but the difference in mean ratings was greater between the Japan and China as COOs than between the China and no stated COO. The results indicate that a strong brand name does not compensate for weak COO, then H2 (b) cannot be accepted.

- **Table IV:** *The interaction between COO and brand effect*

	Paired differences		
Brand and COO interaction	Mean	Std. error mean	*t*-test
Brand B and COO			
Perceived quality			
Brand B with no COO vs. Brand B with Japan	-.432	6.23E-02	-1.925***
Brand B with Japan vs. Brand B with China	.763	.082	2.003 (.13)
Perceived risk			
Brand B with no COO vs. Brand B with Japan	-.386	6.25E-02	-7.873***
Brand B with Japan vs. Brand B with China	.525	4.21E-02	9.325***
Behavior Intention			
Brand B with no COO vs. Brand B with Japan	-.422	5.23E-02	-7.767***
Brand B with Japan vs. Brand B with China	.588	4.48E-02	6.257***
Brand A and COO			
Perceived quality			
Brand A with no COO vs. Brand A with China	-.102	5.30E-02	-4.453***
Brand A with China vs. Brand A with Japan	-.203	7.04E-02	8.320***
Perceived risk			
Brand A with no COO vs. Brand A with China	-.032	7.32E-02	-5.676***
Brand A with China vs. Brand A with Japan	-.421	6.03E-02	7.328***
Behavior intention			
Brand A with no COO vs. Brand A with China	-.054	3.22E-02	-5.232***
Brand A with China vs. Brand A with Japan	-.350	3.49E-02	6.732***
Note: ***p<.001			

Discussion and implications for international marketing

This study testified the relative importance of COO and brand effect on service evaluation, and the interaction between COO and brand effect. The results of data analysis showed that

perceived quality is little influenced by COO effect, however, perceived risk and behavior intention seemed to closely relate to COO than brand effect. It means that in the case of airline service, customers take brand name as more important thing when they evaluate service quality. Conversely, when customers evaluate perceived risk and behavior intention, they tend to be more influenced by airline company's mother country. These results can be explained that strong COO provides some securities or assurances to customers, and it is more reliable, although perceived quality is not high enough. Moreover, compared with high quality, customers tend to highlight on avoiding risk and choose the airline with they believe having less risk.

About the interaction between COO and brand effect, the results indicate that strong COO can help compensate a weak brand name, but it does not work conversely. It means that customers pay more attention to which country the airline belongs to rather than how position the airline is in. In the case of airline industry, few customers concern about the airline brand ranking, but choose the airline with a good COO. Even an airline' brand is not strong enough, the airline's mother country still can be a good reason to make purchase. However, as customers are not familiar with airline's brand, even a strong airline brand, it still cannot change the whole image of the country about overall service quality.

This study contributes to international marketing, especially for how customers evaluate service with COO and brand. Based on the results of the present study, COO is treated as very essential factor in evaluating service. It is little hard to airline companies to increase their evaluations immediately, if they belong to the country which does not have a good image in service. Nevertheless, they could promote the country's image in service and try to change the negative image in the long-term strategy. Also, building a strong brand is still critical thing for airline companies, because customers believe a well-known brand service will provide higher service quality. Therefore, the perceived risk could be deceased and purchase intention could be increased.

Limitations of this study

As most respondents were Japanese, it cannot avoid some bias in evaluating national airline service and foreign airline service. It can be said that most Japanese are likely to use Japanese airlines, because Japanese customers are proud of their service and believe service in Japan is better than other countries. Furthermore, this study focused on only one service industry－airline industry. It cannot get the conclusion that other service industries are fit for the results. Therefore, in the future study, it should involve more respondents with different nationalities and broaden more service industries (such as hotel service) to clarify the relative effect of COO and brand.

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