

INFLUENCE OF COUNTRY OF ORIGIN ON FOREIGN PRODUCT EVALUATION

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Abstract:

Consumers form their expectations (usually regarding the quality) based on the perceived image of a certain country. The original country of origin scale was developed in 1994 by Parameswaran and Pisharodi and had 40 items measuring general country attributes, general product attributes, and specific product attributes (automobile product category). This paper aims to highlight the role of the country of origin in shaping perceptions of the country and the manufactured products. The goal of the present research is to validate the COI scale for the Romanian market, in order to find out if it can be used as it was initially built by its authors or if it requires modifications. The research results led to the decision of keeping 37 items out of 40 and removing 3 items given that they were highly intercorrelated or insignificant.

Keywords: country of origin, country image, COI scale, product evaluation

1. Introduction

Country of origin (hereafter referred to as COO) is a pseudo-indicator used by consumers in the evaluation stage of the purchasing decision process. The country of origin effect represents any influence that the country of production, assembly, or country which was designed product has on consumer perception and behavior. It is a concept dealing with reputation of products. Lampert and Jaffe (1998) define country of origin as the impact of generalizations and perceptions about a country have on how an individual evaluates products and brands.

The influence of country of origin on consumer attitudes and evaluations of product and service offerings is becoming increasingly important as competition in the international marketplace intensifies (Hooley et al, 1988).

Several researchers have examined the effect of COO on consumers' overall evaluation of product quality, beliefs regarding individual attributes of a product, attitude towards brand, and behavioral intention (Agrawal and

Kamakura, 1999). Associations of the country with the products will depend on notoriety of the country, individual knowledge related to it, family products (some characteristics are relevant to certain countries), brand association transferability.

2. Literature review

Country image is a three-dimensional concept consisting of cognitive, affective, and conative components (Laroche et al, 2005). When a country's image has a strong affective component, its direct influence on product evaluations is stronger than its influence on product beliefs. When a country's image has a strong cognitive component, its direct influence on product evaluations was smaller than its influence on product beliefs.

Han (1989) found out that when consumers are not familiar with a country's products, country image may serve as a halo from which consumers infer a brand's attributes and which affects their attitude toward the brand indirectly through product attribute rating.

In contrast, as consumers become familiar with a country's products, country image may become a construct that summarizes consumers' beliefs about product attributes and directly affects their attitude toward the brand.

Papadopoulos (1993) posits that the image of an object results from people's perceptions of it and the phenomena that surround it.

Verlegh and Steenkamp (1999) found that country of origin has a larger effect on perceived quality than on attitude toward the product or purchase intention and that differences in economic development are an important factor underlying the country-of-origin effect. The country-of-origin effect does not differ between industrial and consumer purchasing, nor is it affected by multi-national production.

Consumers form their expectations (usually regarding the quality) based on the perceived image of a certain country. Still, consumers, based on personal experience or information from other sources, appear to have developed knowledge regarding the quality of products made in different countries, and might use COO as a summary construct rather than as an inferential cue to make judgments about the quality of brands (Agrawal and Kamakura, 1999).

Hsieh et al (2004) suggest that while consumers' attitudes toward corporate image and country image exert main effects on their brand purchase behavior, the effects of certain product-image appeals are moderated by sociodemographics and national cultural characteristics.

Diamantopoulos et al (2011) investigates the relative impact of COI and brand image as independent drivers, and as causally-linked drivers on consumers' intentions to buy specific US and Chinese brands.

Country of origin scale

Papadopoulos et al. (1988) were among the first to attempt to model the relationship between country beliefs, product beliefs, familiarity, and product evaluation and willingness to buy

The original COI scale developed by Parameswaran and Pisharodi (1994) had 40 items measuring, on a 10-point rating scale, general country attributes, general product attributes, and specific product attributes (automobile product category). Later they revised the scale and offered a new scale consisting of 24 items spread over six dimensions

Pareira et al (2005) have tested and revised the scale in the attempt to validate it with data from China, Taiwan, and India. The results revealed that the revised version of Parameswaran and Pisharodi's in the form of a 16-item, 5-factor measure can be usefully applied to help understand COI of products entering certain Asian countries, such as Taiwan and China, but the validity was not well established for India.

The aim of the present research is to validate the COI scale for the Romanian market, in order to find out if it can be used as it was initially built by its authors or if it requires modifications.

3. Methodology

Method

A survey research was conducted, based on questionnaire; we asked a sample to express their opinion regarding two countries, Germany and France, about their products, and in particular, about the cars manufactured there.

Sample unit

The sample was chosen from Faculty of Economics and Business Administration, 504 students both undergraduate and master, between 19-25 years old.

Measurement instruments

The country and its products were measured using Parameswaran and Pisharodi (1994) Country of Origin Image (COI), a scale composed of 40 items (see Table 1), measuring three dimensions – general country attributes (GCA), general product attributes (GPA), and specific product attributes (SPA). Each of the three constructs was measured using a 10-point rating scale anchored by “strongly disagree” and “strongly agree”.

Table 1

Country of Origin Image (COI) by Parameswaran and Pisharodi (1994)

Dimensions	Items
general country attributes (GCA)	friendly&likeable artistic&creative well educated hard working technical education achieving high standards raised standard of living technical skills similar political views economically similar culturally similar participates in international affairs
general product attributes (GPA)	unreasonable expensive luxury products meticulous workmanship imitations known mainly for industrial products sold in many countries not attractive intensely advertised frequent repairs wide range of models long lasting advertising informative difficult cu service cheaply put together high technology good value easily available prestigious products
specific product attributes (SPA)	good fuel economy exterior styling attractive workmanship good handles well little maintenance very comfortable difficult to get parts quality service made to last overall excellent

Source: Parameswaran R, Pisharodi RM., Facets of country of origin image: an empirical assessment, J Advert, 1994 pp. 43–61

Procedure

The validation process for our subscales comprises two phases. In the first phase we are going to run a reliability analysis for each subscale, in order to

assess their internal consistency. During the second phase, we will conduct a series of confirmatory factor analyses to see if the items in each subscale actually represent the same latent (unobservable)

construct. In other words, the first phase is an exploratory one, while the second phase we used a confirmatory approach.

4. Research results

We will present the results of the reliability analyses separately for the two

countries: France and Germany. For each country we run three analyses, given that we have three subscales (general attributes, product attributes, car attributes). So we performed six reliability analyses in total (see Table 2).

Table 2
Cronbach's Alpha scores for Germany and France

Country	GCA	GPA	SPA
Germany	0,752	0,787	0,817
France	0,822	0,814	0,816

For Germany, the *alpha* value for the car attributes is 0.817, indicating a very good internal consistency, while for the other two subscales the *alpha* is 0.752 and 0.787, indicating a good scale reliability.

For France, the *alpha* value for all the subscales is greater than 0.800, suggesting a very good scale reliability.

In the following section we will present the results of the second phase of our research. In this phase, we conducted a set of confirmatory factor analyses for both Germany and France. These analyses were performed with the help of the AMOS software.

For each country we defined three latent variables, namely: *general perception* (linked to 12 observed variables), *product perception* (linked to 18 observed variables), *car perception* (linked to 10 observed variables).

Since here we are only interested of the subscales validation, we will only report the goodness-of-fit scores, leaving out the regression coefficients. We will focus on two goodness-of-fit indicators:

- the root mean square error of approximation (*RMSEA*), which takes into account the error of approximation in the total population. In order to consider our model as being appropriate, this parameter should take a value less than 0.08 (ideally less than 0.05);

- the comparative fit index (*CFI*), which has values ranging from 0 to 1. A value over 0.90 indicates a well-fitting model, while a value between 0.70 and 0.90 indicates an acceptable fitting.

The first set goodness-of-fit scores for the "Germany" subscales can be inspected in Table 3.

Table 3
Goodness-of-fit indices for the "Germany" scale (initial model)

RMSEA	0.088
CFI	0.661

Both indicators show a poor fit in this initial stage: the *RMSEA* is greater than 0.08 and the *CFI* is only 0.661, well under 0.90. As a consequence, we must specify again our model (subscales) in order to get a better fit.

By further inspecting the AMOS output we noticed the following:

1. The regression coefficients for the observed variables "politically similar with Romania" and "culturally similar with Romania" were not statistically significant. Moreover, we detected a strong correlation between the two items, indicating a multicollinearity problem.

2. The regression coefficient for the observed variable “hard to find parts” was also not significant.

3. There are strong correlations between the following items:

- “friendly and likeable” and “artistic and creative”
- “well educated” and “hard working”
- “technical education” and “technical skills”
- “unreasonable expensive” and “luxury products”
- “not attractive” and “imitations”
- “intensely advertised” and “advertising informative”
- “frequent repairs” and “cheaply put together”
- “frequent repairs” and “difficult cu service”

• “cheaply put together” and “difficult cu service”

• “little maintenance” and “good fuel economy”

• “made to last” and “overall excellent”

We can conclude that these pairs of variables measure the same reality (are perceived of being closely related).

Based on these facts, we made the following decisions:

1. Remove the variables “politically similar with Romania”, “culturally similar with Romania” and “hard to find parts” from the scales.

2. Introduce the covariances between the variables above as parameters in the model.

The new analysis yielded the following results (Table 4):

Table 4
Goodness-of-fit indices for the “Germany” scale (final model)

RMSEA	0.065
CFI	0.830

The new model is not extremely well-fitting, but it represents a certain improvement of the initial model ($RMSEA < 0.08$, $CFI > 0.80$). Therefore, the

decision of removing three insignificant items from the scale seems to be correct.

For the “France” subscales, the first set of goodness-of-fit indicators are as follows (Table 5):

Table 5
Goodness-of-fit indices for the “France” scale (initial model)

RMSEA	0.097
CFI	0.632

This first model is obviously inadequate, so we must specify it again. The thorough analyze of the output led to the following conclusions:

1. While the regression coefficients for the observed variables “politically similar with Romania” and “culturally similar with Romania” were statistically significant, a very strong correlation between the two items was still identified. This correlations indicate important multicollinearity problems.

2. The regression coefficient for the observed variable “hard to find parts” was not significant.

3. There are strong correlations between the following items:

- “friendly and likeable” and “artistic and creative”
- “technical education” and “technical skills”
- “unreasonable expensive” and “luxury products”
- “not attractive” and “imitations”

- “intensely advertised” and “advertising informative”
- “frequent repairs” and “cheaply put together”
- “frequent repairs” and “difficult cu service”
- “cheaply put together” and “difficult cu service”
- “made to last” and “workmanship good”
- “quality service” and “overall excellent”

So these pairs of variables measure in essence the same things (are perceived of being closely related).

Given these facts, we made the following decisions:

1. Remove the variables “politically similar with Romania”, “culturally similar with Romania” and “hard to find parts” from the scales.

2. Introduce the covariances between the variables above as parameters in the model.

After performing these operations, the goodness-of-fit indices took the following values (Table 6):

Table 6
Goodness-of-fit indices for the “France” scale (final model)

RMSEA	0.072
CFI	0.820

The indicators in Table 6 are within an acceptable range ($RMSEA < 0.08$, $CFI > 0.80$), so we can conclude that this new model represents the data better than the initial one.

5. Conclusions

The above findings led to the decision of keeping 37 items out of 40 and removing 3 items given that they were highly intercorrelated or insignificant. Therefore, the scale should contain the following three constructs:

1. *General country perception*, composed by the following items: friendly&likeable, artistic&creative, well educated, hard working, technical education, achieving high standards, raised standard of living, technical skills, economically similar, participates in international affairs.

2. *Product perception*, measured with the following items: unreasonable expensive, luxury products, meticulous workmanship, imitations, known mainly for industrial products, sold in many countries, not attractive, intensely advertised, frequent repairs, wide range of models, long lasting, advertising

informative, difficult cu service, cheaply put together, high technology, good value, easily available, prestigious products

3. *Car perception*, composed by the following items: good fuel economy, exterior styling attractive, workmanship good, handles well, little maintenance, very comfortable, quality service, made to last, overall excellent

6. Limitations and future research directions

This study represents probably the first attempt to validate and adapt scale for the Romanian market. Its limitation consists mainly of the fact that it was applied only on students, a demographic category which is obviously not very representative for the entire Romanian population.

That's why further validation of the scales might be necessary, by performing the research in other segments (for example, employees or business people).

Despite all these limitations, this study provides the researcher an useful tool to assess product and car perception for any European country.

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