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The Effect of Country-of-Origin on the Customers' Perception of Product: A Literature Review

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Abstract. Customer purchasing is considered a very complex process because it is influenced by many intrinsic and extrinsic cues. The extrinsic cue of country-of-origin (COO) also known as a “Made in” label is found to have a significant role in customers' purchasing decisions. The country-of-origin growing popularity is in a large part attributed to the world trade globalization that enabled the free movement of goods between different countries providing the opportunity for buyers to have access to the numerous products produced in different parts of the world. It has been noted that the “Made in” label comes into play especially when consumers lack other important information about the product and then they tend to address products' quality based on the country in which the particular product is produced. Based on the qualitative methodology the main purpose of this paper is to provide students and scholars with an overview of the existing literature related to the effect that country-of-origin has on consumers' purchasing decisions and their perception of product quality based on the “Made in” tag. The paper will also propose directions for future research.

Keywords: COO, Product quality, Quality perception, Made-in

1 Introduction

The importance of the country-of-origin as one of the factors influencing the evaluation of products by consumers is not something new. Studies in this field began about six decades ago when researchers, in addition to other factors that influence purchasing decisions, began to study also the factor known as the country-of-origin or “Made in” label. The popularity of this factor increased especially with the globalization of the economy with products from different countries breaking the borders of

their countries and becoming accessible to consumers worldwide. It was this globalization that led some of the most developed countries to use the country-of-origin as a competitive advantage, emphasizing this factor as something that distinguishes them in quality as well as acting as a piece of useful information in customers' purchasing decisions.

Therefore, in today's world when customers make their purchasing decisions except for other cues such as brand or price, they take into consideration also the country-of-origin as an important factor when evaluating and deciding which product to choose (Fetai et al, 2017). There is a general opinion in customers' minds regarding the products that come from a specific country and which in their heads have a reputation of quality products such as French wine, Japanese electronics, German cars, what makes these products considered as high quality compared to other products only based only on their country-of-origin. Agrawal and Kamakura (1999) found that depending on the positive or negative perception that customers create about a specific product or country they may form a general opinion toward all the products coming from that specific country.

The growing popularity of this cue prompted researchers to examine different aspects of the country-of-origins influence on different aspects such as quality perceptions (Choi & Lee, 2011; Krupka & Malogorski, 2021; Kalicharan, 2014) purchasing intention (Rezvani et al. 2012; Ghalandari & Norouzi, 2012; Yu, et al., 2013, Yunus & Rashid, 2016), and purchasing decision (Godey et al., 2012; Krupka & Arežina, 2017, Javed & Hasnu, 2013; Shirin & Kambiz, 2011) as well as other numerous aspects.

The purpose of this paper is to provide an overview of the existing literature related to the effect that country-of-origin has on consumers' perception of product quality. In addition, the paper will also provide the importance of this cue and will distinguish which countries are more likely to promote the country-of-origin in international marketing and for which product categories the country-of-origin is more important during the quality evaluation by the consumers.

The paper is organized as follows: the next section presents the literature review that covers the development of country-of-origin research, followed by the definition of country-of-origin, then a section where the impact of COO on customers perception of quality will be presented. Finally, the paper will end with a conclusion and recommendations for further research direction.

2 Literature review

2.1 Background of County-of- origin

Country-of-origin is not a new phenomenon. Its importance can be traced back to World War I when the winning states to punish Germany as a losing country forced it to put a tag in English language "Made in Germany" on all its export products. This

was done with the intention that consumers of other states could distinguish products coming from a former enemy state. Although the original idea of using “Made in” tags was done for other purposes, consumers began using these signs to distinguish the quality of products from different states. As a result, not long after the war, German products began to be perceived as very qualitative (Cai et al., 2002).

Increasing consumer awareness of the product of origin has made this phenomenon a topic of study for many decades. According to Rezvani et al., (2012) customers create different perceptions based on different cultures and histories resulting also in different product evaluations coming from specific countries.

Even against the existence of the country-of-origin labels, before 1960 the products' price and brand were the main extrinsic cues that were used to evaluate the quality of a certain product (Rezvani et.al 2012). The country-of-origin as a factor used to evaluate a product quality started to gain the scholars' attention during the early 1960s (Sohail, 2005). Schooler (1965) was the first to study the impact that the country-of-origin has in the customers' opinion regarding a product. Nagashima (1970) was among the first scholars who defined the “made in” image as *“the picture, the reputation, the stereotype that businessmen and customers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions”* (Nagashima, 1970. p.68)

The real popularity of the country-of-origin was noted during the 1960s and 1970s when the COO was also added to the list of external cues (Pharr, 2005; Thakor and Lavack, 2003). Since that time there were thousands of studies conducted on country-of-origin effects and its impact on the perception of product quality (Elliott and Cameron, 1994; Chao, 1998; Grunert, 1997, Hoffman, 2000; Saran and Gupta, 2012; Han and Qualls, 1985; Kalicharan, 2014).

Based on the high number of studies related to this topic, Dinnie (2004) conducted a study of the literature covering this field for the period from 1965 to 2004 and found that there were three main periods in the development of country-of-origin research. The first period covers research from 1965-1982. The main characteristic of this period was that country-of-origin has started to be studied as the only product cue and then moved forward towards more composite investigations by incorporating COO cue amongst other product cues as price, brand name, and others. The second period covered the years 1983-1992 when the research on country-of-origin increased. The studies in this research started to question the previous research findings by claiming that the earlier studies had overestimated the COO especially when it was studied as a sole cue without taking into consideration other product cues such as price and quality. The last period covers the year 1993-2004 and is characterized by a spread of different streams of study. The studies from this period have suggested the country-of-origin should also be studied in a service sector and not only on the physical products.

2.2 The definition of country of origin

In literature, country-of-origin is generally defined as the country where the product is produced. Johansson et al. (1985) define the country-of-origin “*as the country where corporate headquarters of the company marketing the product or brand is located*” (p.389). Typically, this is the home country for a company. The COO studies can be broadly distinguished into two main categories; one that has to do with the customers approach against products from different countries and, the other that deals with the domestic country bias (Auger et al., 2010) which can be defined as the customers' preference of buying domestic products over the products coming from other countries (Balabanis and Diamantopoulos, 2004). The domestic country bias is often linked to the phenomenon known as ethnocentrism that represents the obligation and ethics of buying domestic products (Shimp and Sharma, 1987). Another definition of the product's country-of-origin is given by Al-Sulaiti and Baker (1998) who define the COO as “the country of manufacture or assembly” (Al-Sulaiti and Baker, 1998 .p.150). They further describe that COO refers to the final point of manufacture which can be the same as the headquarters for a company.

Many authors refer to the country-of-origin as the “Made in”. Nevertheless, the definition of country-of-origin is not an easy task especially in this globalized era and the growth of multinational companies where one product can be designed in one country, manufactured in another, and then assembled in a completely different country). For example, even though Sony is a Japanese manufacturer., some of its products are assembled outside Japan therefore the products that are assembled in Singapore would be symbolized as “assembled in Singapore” whereas the ones that were assembled in Japan would be denoted as “made in Japan” (Al-Sulaiti and Baker (1998).

Because of this complexity, there are at least five COO dimensions that make the original country-of-origin hard to be defined, such as; Country-of-design (COD), Country-of-assembly (COA), Country-of-parts (COP), Country-of-manufacture (COM) and, Country-of-brand (COB) (Table 1).

Table 1: COO Dimensions

| | |
|-------------------------------------|--|
| (COD) Country-of-design | When R&D are in different country from the country of production |
| (COA) Country-of-assembly | Low reputation countries move the assembly process in countries with higher reputation |
| (COP) Country-of-parts | Companies give importance to the country of raw material |
| (COM) Country-of-manufacture | Companies produce their product in countries different than their COO |
| (COB) Country-of-brand | The country where brand is from. |

Source: Vianelli and Marzano (2012)

These dimensions make it pretty difficult for a customer to identify which is the original COO of a specific product, while companies on the other side use these dimensions as an opportunity to emphasize whichever dimension, they find more appropriate depending on the on different markets. For example, the electronics brand Apple, use COD ('County-of-design') to diminish the possible negative effects related to the country of assembly (COA), which for most of its products in China (Aichner, 2014).

2.3 The impact of COO on product evaluation

Product quality is described as the degree to which products meet the expectations of customers (Smith and Wright, 2004). To evaluate the products' quality, customers often rely on many external cues such as brand, price, and COO (Kalicharan, 2014). The many studies in this field found that COO has an impact on quality perception, but this impact depends on the different product categories.

It is believed that the effect that COO has on quality perception is linked to customers' knowledge about the country where products come from as well as the level of development of that particular country (Roth and Romeo, 1992). Therefore, the belief that quality products are made in developed countries is based on the image that customers create in their minds regarding specific countries (Malogorski, 2019). This is confirmed also in a study conducted by Thakor and Katsanis (1997) who found that customers believe that the more developed country is the better-quality products are. Nevertheless, even though customers often tend to link the product quality to the level of development of the country this is not always the case because there are products that are made in less developed countries and still have a reputation of a high-quality products. Such an example is the Afghanistan rugs that come from undeveloped country and still are perceived as very high-quality products and are known worldwide (Malagorski, 2014).

Ethnocentrism is a term that is very often linked to the COO and, represents the moral and responsibility of buying homemade products (Watson and Wright, 2000). It is also found that the impact of COO differs depending on the type of the product (Kotler, 2002). The impact of COO is more pronounced in high involvement products (Li and Wyer, 1994) than it is in low involvement products because of the low financial and pleasure-seeking value for the consumer (Ahmed et al, 2004). When buying low involvement products COO does matter, but when other cues as brand and price are present the impact of COO weakens, and brand becomes a more important factor (Ahmed et al, 2004).

3 Conclusion and further research direction

This paper aimed to provide an overview of the existing literature related to the effect that country-of-origin has on consumers' perception of product quality. Based on the extensive literature review it can be concluded that COO impacts the customers' perception of product quality. But it is important to mention that COO does not have the same importance in all product categories. The COO effect is more notable in high involvement products rather than in low involvement products. In addition, the review of the literature showed that the products that come from developed countries are more likely to be evaluated as qualitative based on the general image that customers have of the country. Based on the results from the related studies it can be concluded that less developed countries do not have to be always concerned because there are cases when even though the country-of-origin is not developed there are products coming from that particular country that are considered highly qualitative. Finally, even though that the COO is shown to be very important, still there are also other cues that people consider when perceiving quality about products.

Further research should consider ethnocentrism and materialism as a factor determining the COO and quality perceptions on products.

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