

# Impact of Country-Of-Origin Image on Brand Equity: A Study on Durable Products in India

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## Abstract

Country of origin is an important cue to influence consumers' perception of a brand as reported and documented by the literature. This paper tries to identify the effects of brand's country-of-origin image on the formation of its brand equity. To satisfy the objective the brand equity of some durable brands in India was examined. Three contributory dimensions of brand equity i.e. brand awareness; brand loyalty and brand distinctiveness were refereed. Random probability sampling was incorporated to collect the data from the respondents. Multiple regression analysis was conducted on brand equity dimensions which show that brand's country-of-origin image positively and significantly influences dimensions of brand equity. Again the brand's country-of-origin image influences brand equity, either directly or indirectly, through the mediating effects of the three dimensions. The study further suggests that marketers should put give more emphasis in developing brand awareness for their products and the superior image of brand's own country should be properly promoted so that the brand image will be enhanced.

**Keywords:** *Country of origin; Brand equity; Regression; Durable goods; India.*

## 1. Introduction

The relative influence of Country of origin (hereafter referred to as COO) of brands on consumer perception has drawn significant attention since 1960's (Schooler, 1965; Ditcher, 1962) and has been one of the most researched issues in the marketing discipline (Peterson and Jolibert, 1995; Papadopoulos and Heslop, 2002). Several research works (Leifeld, 1993; Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999) have concluded that COO has a strong influence on consumers' brand evaluations and consumers prefer to use COO as a factor to make decisions about the product quality. Consumers tend to develop a product-country image through information gathered from either personal experience or via other sources (Johans-son and Thorelli, 1985). These images are of quality of particular products especially related and connected to different countries for example Swiss watches German automobiles, Japanese electronics, US appliances etc.

According to Ahmed et al. (2002), COO affects consumer perceptions as a purchasing cue for indicator of quality, as symbolic and emotional connection to consumer and as a link with consumer's social and personal norms. At the same time in support of consumers' perception of superior quality based on COO, one would expect such COO effects to influence the firms' pricing decisions (Agrawal, 2004). Brands with a favorable COO image are generally better accepted by the customers than brands from countries with less favorable image. Many research studies have reported that COO is one of the prime factors influencing consumers' buying behaviour. So this particular study tries to find out the relative effects of brand's COO image on brand equity of

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the respective brand. For satisfying the objective of the study the Indian durables product market was explored and examined.

## **2. Conceptual framework**

The country of origin denotes the home country for a company or the country that consumers infer from brand name (Han and Terpstra, 1988). Nagashima (1970) had first conceptualized the country-of-origin phenomenon as the image that consumers associate or attach to products of a specific country. This image is an outcome of the national characteristics economic status, culture, traditions and the representative products (Nagashima, 1970). Saeed (1994) defines that COO as the country that a manufacturer's product or brand is associated with called the home country. For example Toyota is a Japanese brand, Maruti is an Indian brand, and Mercedes belongs to Germany etc. Parameswaran and Yaprak (1987) view country image as consumers general perceptions about the quality of products made in a particular while Srikatanyoo and Gnoth (2002) view it as the defined beliefs about a country's industrialization and national quality standard.

From the above mentioned and many other studies, different researchers across geographies and diverse contexts accept that a product's or brand's country-of-origin is an important influencing factor in consumer decision-making (Knight, 1999; Piron, 2000). The "Made in USA/Japan/India" means a lot to the consumers when it comes to purchase decision-making. It serves as an important attribute in product evaluation (Johansson, 1989) and hence develop a sincere interest in the product from customers' point of view (Hong and Wyer, 1989). Han and Terpstra (1988) reports that COO affects buyer behavior through patriotic feelings about their own country. The image of a certain country also influences customer's perceptions of products from that country (Bilkey and Nes, 1982). From the above discussion it is clear that consumers' perception of a specific COO influence their evaluation of products from that country. This in turn will influence their choice of brand preference, purchase intention and more importantly price related decisions.

Thakor and Kohli (1996) argue that although COO has a significant contribution towards consumers' evaluation of the quality still its role in influencing consumers' actual choice behavior is limited in the presence of other information and cues. When a consumer form an attitude about a brand, COO as an information cue may be quite insignificant. The other influencing factors may be the budget, need urgency which may further influence the actual choice behavior. Taking into consideration the above facts, consumers may not be interested to pay a high price or expect discounts simply because of the COO of brands (Agrawal, 2004). Similarly this effect may not necessarily lead to price premium or discounts in the marketplace. Many researchers in the past (Papadopoulos, 1993, Leclerc et al., 1994) reported the companies emphasizing COO in their branding decisions. As it is evident from the above discussion that the consumers' perception of a particular COO has an impact on their product evaluation, this will obviously has a significant impact on purchase attitude, choice and post purchase behaviour. In other words this is nothing but brand's equity of the brand under consideration. This claim is supported by the definition given by Yoo et al. (2000) as brand equity is the associations that consumers have with a brand, which contributes, to a specific brand image; the associations consist of ideas, instances, and facts that establish brand knowledge. Rust (2002) defines brand equity as: . . . the value that is added by the name and rewarded in the market with better profit margins or market shares. It can be viewed by customers and channel members as both a financial asset and as a set of favorable associations and behaviors. According to Kim (1990), a brand is the totality of thoughts, feelings, sensations, and associations it evokes. A brand is said to have strong equity if it can influence the consumer behavior from the product's or the brand's intangible

qualities e.g. dynamism, innovation, esteem etc. The amalgamation of the tangible and intangible aspect forms the brand identity. Aaker (1996) defines BI as “a unique set of brand associations that the marketers aspire to create or maintain,” which forms the brand associations. In this way, brand identity of a particular brand impact brand associations and in turn the brand equity. Many researchers (Cordell, 1992; Hong and Wyer, 1989, 1990;Thorelli et al., 1989) reported that the COO is an extrinsic product cue. Generally consumers form a strong opinion about a country’s products and its attributes. Hence COO image influences the evaluations of products and brands (Srikatanyoo and Gnoth, 2002). SO consumers’ perception of COO impacts their evaluation of the products from that country and their buying preference, intention and attitude which has an insinuation on the brand’s equity.

### 3. Research methods

For achieving the objective of the study, a per-tested questionnaire was designed and was distributed to respondents in the city of Rourkela and Bhubaneswar of Eastern India. Two higher education institutes from both the cities were selected for the study namely National Institute of Technology, Rourkela and Indian Institute of Technology, Bhubaneswar. The respondents irrespective of their designation were selected for the study and particularly the ones who had made a durable purchase like TV, AC, Cars, Bikes etc. in past three months of time. These are products for which customers have some brand knowledge and initiate a choice pattern before making a purchase decision. Respondents were chosen between the age group of 20 and above. Random sampling procedure was used to choose the respondents of the study. The respondents were contacted through the phone directory of the organization concerned. A structured questionnaire was used to measure the dimensions of brand equity. The respondents of the study vary with age, gender, marital status, and education level. The details of the respondents’ profile are shown in table 1:

**Table 1: Respondents profile**

Variable	Description	Frequency	Percentage
Gender	Male	110	61.1
	Female	70	38.9
Age	20-30	31	17.2
	30-40	43	23.8
	40-50	27	15
	50-60	35	19.4
	60-70	32	17.7
	70 and above	22	12.2
Marital Status	Married	106	58.8
	Single	74	41.1
Education Level	Graduate	31	17.2
	Post Graduate	54	30
	Ph.D.	65	36.1
	Others	30	16.6

Four dimensions represent brand equity namely brand awareness, brand loyalty, perceived quality, and brand associations (Aaker, 1991). For measurement of consumers’ perception about all the four items previous research done by Aaker (1991), Yoo et al. (2000), Alba and Hutchinson (1987) and Chaudhuri (1995), Yoo et al. (2000), (Keller, 1993) and Nedungadi (1990) were followed and an appropriate scale was designed. Finally Yoo et al. (2000)’s scale was followed to measure the consumer-based brand equity. Then three hypothesis were formed:

H01: There is no significant relationship between brand equity and its three dimensions.

H02: There is no significant relationship between brand's COO image and the brand equity's three dimensions.

H03: There is no significant relationship between COO image of a brand and its brand equity.

#### 4. Data Analysis

First of all reliability test was conducted for all the variables which was found to be above the acceptance level of 0.7 as suggested by Nunnally (1978) and then KMO index for all the variables was calculated and found to be greater than 0.75, which means an adequate inter-correlations in the data matrix. To test the hypothesis a regression analysis was done to establish the relationships between the variables. Here the dependent variable is the brand equity and independent variables are brand awareness, brand loyalty and brand distinctiveness. The result of the test is as follows:

**Table 2: Brand equity dimensions' impact on brand equity**

Variables	$\beta$	$t$	$p$
brand awareness	0.498	5.987	0.000
brand loyalty	0.243	12.431	0.000
brand distinctiveness	0.178	5.456	0.000

$R^2=0.801$ , Sig. F=0.000

The above analysis shows that all the three variables have a significant and positive relationship with brand equity at a 0.000 significance level. Again an R square value of 0.801 shows more than 80% of the variance in brand equity was explained by the variations in the independent variables. The beta values are found to be 0.178, 0.498, and 0.243 for brand awareness, loyalty and distinctiveness respectively. This means brand awareness is the prime factor that contributes towards brand equity, followed by brand loyalty and brand distinctiveness. The above findings reject our first null hypothesis. Then the relationships between COO image and of brand equity dimensions were calculated as shown in Table 3.

**Table 3: COO image's effect on brand equity variables**

Variables	$\beta$	$t$	$p$	$R^2$	$F$
brand awareness	0.499	16.583	0.000	0.466	0.000
brand loyalty	0.513	23.876	0.000	0.539	0.000
brand distinctiveness	0.398	12.213	0.000	0.178	0.000

From the above table the value of F is found to be significant for all the three cases which mean that the model has a high confidence in explaining the variables. It is also quite that the COO image has a positive and significant influence on the brand equity dimensions and hence our second null hypothesis stands rejected. Further the  $R^2$  value suggested that COO image had 46.6 % variance in brand awareness, 53.6 % in brand loyalty and 17.8 % in brand distinctiveness. To test our final hypothesis i.e. the relationship between COO image and brand equity, regression was run and the result is as follows:

**Table 4: COO image's effect on brand equity**

Variables	$\beta$	$t$	$p$
COO	0.741	18.017	0.000

$R^2=0.614$ , Sig. F=0.000

Here also the result shows that COO image has a positive and significant influence on the brand equity and hence our third null hypothesis stands rejected. Further the  $R^2$  value suggested that COO image had 61.4 % variance in brand the overall brand equity. Finally three separate regressions were conducted separately to test the mediating effects of brand equity dimensions on brand equity and COO relationships as follows:

**Table 5: COO image and brand equity relations mediated by B.E. dimensions**

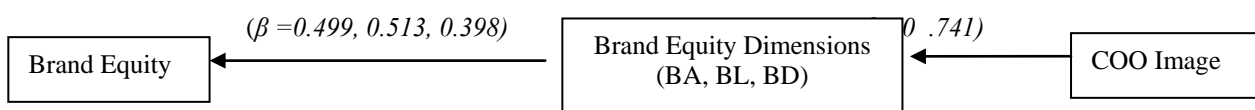
Variables	B.E. Dimensions	$\beta$	$\beta$ with B.E.D
COO image	brand awareness	0.741	0.177
COO image	brand loyalty	0.741	0.174
COO image	brand distinctiveness	0.741	0.043

$p < 0.001$

From the above table it is quite evident that COO image is significant if mediated by brand equity dimensions with a decrease in the beta coefficients. This also reveals that brand awareness and brand loyalty have partial effects and brand distinctiveness have insignificant effect in forming the COO image and hence brand equity from customers' perspective.

### 5. Conclusion & Managerial implications

This particular study investigates COO's effects on durable branded goods in India. Literature review suggests that brand equity is an outcome of three dimensions, namely brand awareness, brand loyalty and brand distinctiveness. It was found that these three dimensions have a significant and positive relationship with brand equity. This proves that, the more the brand awareness, loyalty and distinctive the higher the brand equity. When it comes to relative impact, brand awareness contributes the most ( $\beta=498$ ) to the formation of brand equity. Then the effects of COO were analyzed on each of the brand equity dimensions. COO image is found to have a significant effect on brand awareness. It may be for the reason that the consumers often associate durable brand's quality with the image of the origin country. Generally consumers are familiar with countries with good image and perceived makers of quality brands. COO image is also found to have influenced brand distinctiveness positively and significantly. This means that an ideal country image will make favorable brand image and ultimately brand distinctiveness. Relationship between COO image and brand was also found to be positive which implies that a good COO image will lead to an improved customer loyalty. This is explained by the fact that Indian durable goods consumers do perceive technologically advanced countries as superior and brands from these countries are highly reliable. This study also examines that COO image has a positive and significant impact on brand equity. The COO image has both direct and indirect relationship (through mediators) with brand equity. In this linkage brand awareness and brand loyalty act as mediators while brand distinctiveness partially mediates the relationship.



It can be concluded from the above discussion that the COO image is one of the important factors consumer decision making process in consumer durables products. The results of the study suggest that COO image has a positive relation on brand equity dimensions and ultimately brand equity. Again the brand equity dimensions have a positive and significant effect in forming brand equity particularly durable products. Among

all the dimensions, brand awareness is the top contributor to the brand equity. This implies that in order to ensure profitability, companies should invest in brand awareness program including advertising, publicity and brand building programs and hence promoting the image of their brand's original country. Companies should also build long-term relationship by providing quality products, services and after sales services to their customers which will ultimately enhance brand equity. Marketers of brands from countries with favorable image should also utilize on the good image in positioning strategy by emphasizing on the superior product quality that originate from the same country. This may be helpful for consumers in generalizing product information across different country's brands. Future research on this pertinent issue may incorporate some new moderating factors like such as tradition and culture, consumer psychographics which significantly contributes to the attitude and perception of consumers. Again this study may be extended to different industries like services, automobile etc. to evaluate the effectiveness of the proposed model.

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