Country-Of-Origin Effects Revisited: the Case of the German Automobile Market

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EXTENDED ABSTRACT

Country-of-origin (COO) effects have been one of the top research themes in international marketing over the last four decades, especially in the Anglo-American literature. In Germany, however, researchers have paid relatively little attention to this topic, although with some notable exceptions. Accordingly, this study extends the research in the area by analyzing the COO effect with respect to German consumers.

COO is a complex and multi-dimensional construct. Therefore, it has been interpreted and operationalized in different ways (for an overview, see Al-Sulaiti and Baker 1998; Peterson and Jolibert 1995; Roth and Romeo 1992; Verlegh and Steenkamp 1999). Our definition is based on Nebenzahl et al. (1997) which focuses on the origin-country image, meaning that consumers regard the home country of a product or brand as being the country-of-origin, regardless of where the product is manufactured.

The link between the COO image and brand equity is of particular interest in this present research. Two alternative causal relationships have been proposed in literature (Han 1989; Johansson et al. 1985; Nebenzahl et al. 1997; Shimp et al. 1993), also referred to as the halo and summary effects. The halo effect occurs when consumers know little about a country’s products (Han 1989; Peterson and Jolibert 1995) and the COO forms the brand beliefs. The COO image directly influences consumers’ beliefs about product attributes and indirectly affects brand equity through those beliefs. The summary effect, which applies to consumers who have experience with the particular product of origin, suggests an opposing structural relationship. The COO image, which is influenced by beliefs about the attributes of products made in a given country, directly affects consumer attitudes toward the brand or purchase intentions (Han 1989; Heslop and Papadopoulos 1993). These two alternative directions of impact (halo and summary effect) are analyzed in competing models. These were estimated for the two groups of participants (experienced/inexperienced), resulting in the following four models: (1) “halo-experienced,” (2) “halo-inexperienced,” (3) “summary-experienced,” and (4) “summary-inexperienced.” It is important to note that, contrary to other studies, we used country equity (CE) and not brand equity as the dependent variable for our study. The reason is that we want to make a more general statement about a product category (here: cars) coming from a particular country, instead of just for a particular brand. In a similar manner to the definition of overall brand equity (Yoo et al. 2000), we define CE as the difference in consumer choice behavior between a product of a particular country of origin and one with another origin, given the same level of objective product features.

The results, including data from 423 consumers who evaluated cars from Germany, Italy, France and Japan, confirm our hypotheses. Only three models could be identified. Model 1 (“halo-experienced”) does not converge, meaning that the data does not fit the hypothetical model satisfactorily. Therefore, we conclude that the halo model is able to predict CE when customers are not experienced with a certain product category, in this case cars. Moreover, the model explains about 43% of variation of CE. This conforms to the existing literature, suggesting that the halo effect is only present when consumers are inexperienced with the product in question. Comparing the two possible summary models, we identified a clearly superior model: the “summary-experienced” model. Hence, the summary model is to a larger extent capable of predicting CE when customers are experienced with a particular product category.

The observed results are of considerable practical relevance. In the case of product-inexperience, the focus of marketing communication should be on the favorable dimensions of a country’s general image, because people will deduce a product image based on this image. In Germany, this is relevant for brands with a low market share that are relatively new to the market, such as Korean and Chinese brands. When consumers are experienced with a product of particular origin, communication should be focused on brand image and less on the particular COO image. This is presumably true for well established brands with a higher market share, such as Italian, French and Japanese import cars.

Several limitations in our study suggest the need for further research. (1) We focused on only one product category, with a strong dominance of Domestic Country Bias (DCB). (2) An extension to other cross-cultural settings should yield further useful insights about COO/DCB. (3) Including other constructs could explain possible reasons for COO/DCB effects (e.g., ethnocentrism). (4) Further research should be extended at the brand level. Determining the intensity of COO influence at the brand level could yield practical implications for marketers, enabling them to benefit from a positive COO effect on certain dimensions and to bypass unfavorable dimensions.

REFERENCES
