How the country-of-origin effect influence British consumer’s purchasing behavior on products of luxury brand?

1. Introduction

As national boundary becomes more permeable to economic activity, and the increasing intensiveness of competition in the global marketplace, the research in the fields of international marketing takes on greater importance than before. The effect of the country-of-origin (COO) upon consumer perceptions and purchase intention remain an interesting topic to global marketing researcher. As global production operations became increasingly diverse in this era, the concept of country-of-origin evolved into a more complex notion. Initially, the notion of the country-of-origin was perceived as analogous to the “made-in” country, which in other words means the “country-of-manufacture or assembly” (COM/A). However, with the increasing of global production, concepts like country-of-design (COD) and country-of-brand (COB) arose.

When purchasing products, consumers face many decisions related to the product itself. The COO is an important information cue in consumer’s evaluations of products. The image of a product’s COO impacts British consumer’s perceptions and buying behaviors, in that the image can be seen as the representation, reputation or stereotype of a specific country that consumers associate with the products. Practically, product image is hard to separate and value without associating with brand name. Luxury items have a degree of exclusivity, and are usually more expensive. Further, consumer’s perception of luxury brands is not only including the quality of the product itself, but an association with a brand’s narrative, as well as its origin country’s culture and lifestyle. Hence, consumers’ purchase behavior of luxury products will never be rational and neutral that

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they will not only purchase the item on a basis of the items’ quality and their personal demand, but rather for the aura or narrative of the luxury brand. Studies show that in the case of luxury products, where the products are manufactured is less important for consumers, yet what the brand image perceived by consumers is the key factor to affect consumer’s purchase decisions. Moreover, although the modern COO notion does play an important information cue when consumers are making a buying decision of the luxury items, the empirical studies shows that the brand itself has a higher influence on consumer’s purchase decision than the COO.

2. Where the product is from is less important than what people think of it.

“Products are made in the factory. What consumers buy is the brand.”—argues by Stephen King, leader of the London, WPP Group. Admittedly, the judgment of products and brands in the world market is in close correlation with the fact where do they come from. Given the growing range of products now available in the marketplace, marketers can use country of origin cues in order to add value to their products and differentiate them by specific positioning via advertising, packaging and branding. For the luxury items, its brand-oriented nature abates the influence of COO factor. Consequently, in practice, consumers’ intention and determination of purchasing luxury goods are greatly affected by the “brand” image per se.

**The imagery of Country-Of-Origin effect:**

Many factors, such as brand image, brand personality, brand associations, and communication messages, influence the perception of customers about the quality of a brand. When buying products, consumers face many decisions related to the product itself. The very reason why a company indulges in branding is to assist customers in making purchase decisions by providing cues on quality, credibility and value about a product. Country-of-Origin (COO) effect refers to consumer’s reliance on COO information in evaluating the quality of products from various countries and making their decisions on product purchases.

Nagashima defines the imagery of the COO as “the picture, the reputation, the stereotype that businessmen and consumers 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.\(^5\) (Nagashima, 1970; Piron, 2000) As for a country’s image is viewed as “the overall perception consumers form of products from a particular country, based on their prior perception of the country’s production, and marketing strength and weakness\(^6\).” (Roth & Romeo, 1992)

With the increasing global production operation, it is too simplify to define the notion of the COO as the place where the products made. This global production phenomenon arose the concepts of “country-of-manufacture or assembly” (COM/A) and “country-of-design” (COD). COM represents a country where the final assembly of a product was completed, and COD refers to the country within which the product was designed and developed. In discussing multi-national production, a clear distinction exists between COM and COD. Further, the concept of COB is evolved from the phenomenon that global companies use brand names to suggest a specific origin. Therefore, in recent studies, the COO is commonly considered the country that consumers typically associate with a product or brand, regardless of where it was manufactured. In the case of luxury brand, the notion of COB rather than COM is closer to the concept of COO.

**Brand image impact on perceptions and purchasing intentions:**

In practice, product image, especially luxury product, is hard to separate from the brand image. The brand plays an integral role in constructing the COO image of a product. The brand represents “the memory” of a firm, which encompasses all of the investments, activities and process technologies or innovations the firm carries out over time. In other words, a brand effectively embodies the history of the firm\(^7\). However, customers may use brands as a vehicle or mode of expression of attitudes, individualism, and need\(^8\). Researchers like Haig and Ham points out that the brand adds a human factor to a product.

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It is this human factor that makes the brand as a picture living in the consumers’ mind about a given product.\(^9\)

The image of a luxury brand is generally associated not only with luxury, high price, or high quality, but also with the history, culture, and its founder’s personality. In other words, the image of a luxury brand will associate with the brand’s narrative, which the aura of the brand generates from. For example, it is hardly for people not to associate the Chanel brand with its founder—Coco Chanel’s vivid personality and elegant appearances. The Burberry brand is most famous for its iconic trench coat, which was invented by founder Thomas Burberry. The Burberry brand is being associating with one of the well-known luxury brand from UK, because it has a long history, and has been granted Royal Warrants from HM Queen Elizabeth II and HRH the Prince of Wales. Moreover, many advertisement of Burberry will specify its style as London-British fashion. With the consumer’s tendency to anthropomorphize products and luxury brands, the brands’ characteristics and style become the incentives for consumers to buy the items if the brand’s personality is echo to the consumers’.

### 3. The effect of country-of-origin on luxury brand in UK market—jury still out!

Consumers hold stereotyped images about countries and these images are used as information cues in judging products from different origins.\(^10\) Daye & VanAuken points out that research in international marketing has proven that country associations do lead to customer bias, and such bias is based on the image of the country in customer’s minds.\(^11\) Admittedly, Piron’s findings\(^12\) confirm that consumers use a product’s COO as a cue in purchase decisions but that this cue can be substituted by product knowledge and brand image. If all other conditions being equal, people will fall back on COO in helping making decision, but where other information about reliability, quality or brand image exists people will take precedence over COO.

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The influence of the COO and the brand on luxury product evaluation and purchase decision:

Haubl and Helrod noted that the qualitative perception of a product becomes more positive when the unity between the brand and the country of production is recognized\(^\text{13}\). Understandably, the perceived place of origin also contributes to the shaping of the brand personality. According to Pecotich and Ward, when customers are familiar with a brand, they tend to pay less attention to specific information concerning the brand, the information including the price or the COO\(^\text{14}\). Other empirical study\(^\text{15}\) reveals that the COO boasts of higher importance than the brand itself in the stage of perception, and of product quality evaluation. Conversely, when consumers move from perceptions to purchasing intentions, the roles are reversed, with the brand exerting greater influence than the COO.

UK consumers’ preferences of domestic or foreign brands:

Balabanis & Diamantopoulos have conducted a research of British consumer’s preference of domestic or foreign brands assessment\(^\text{16}\). The result shows that overall product categories and brands only 13.3\% of respondents will have Britain as a first choice, whereas 7.7\% do not have Britain as a first choice in any of the product categories; the second most common first choices after Britain are Japan and Germany. Britain is overwhelmingly the first choice in food products, toys, and DIY tools. However, for the luxury products, such as cars, and fashion wear, the majority of respondents did not choose Britain as their most preferred COO.

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Table 1: The frequencies of UK consumers’ first choices for each product category were calculated.

Table 2: A frequency table indicates UK consumers' first choices by product category and COO.

In this study, the authors point out that although as expected, consumer ethnocentrism (CE) can be found to be positively related with preferences for domestic (British) products and negatively related with preferences for foreign products, the CE construct appears to be more capable of explaining consumers’ (positive) bias toward home products (domestic-country-bias, DCB) rather than (negative) bias against foreign products from specific countries (COO effects). Also, these findings echo Heslop and Papadopoulos’ statement that “universal domestic preference is a fallacy” (Heslop and

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18 Same as footnote 17.
Papadopoulos 1993:45). Country-of-origin only plays an information cue in consumers’ purchase decision-making process, and consumers will not buy a product simply because of its origin country.

As for luxury brand—Burberry in UK, an empirical study\(^{19}\) about consumer’s perception of luxury brands and its country-of-origin, done by Aiello1, Donvito, Godey, Pederzoli, Wiedmann, Hennigs, Siebels, Chan, Tsuchiya, Rabino, Ivanovna11, Weitz, Oh, and Singh points out consumers’ perception of the association between Berberry and UK. The result shows that luxury brands are strongly associated with their “historical” COO over 75%, except Burberry which only gets 60.4% of COO association. One of the reasons may because of global production operation that the Burberry brand over-licenses its brand to many branches in early 2000s, for example Burberry Blue Label\(^{20}\), and thus reducing its cachet as a brand whose products were consumed only by the elite. Also the Burberry brand is generally considered to have diluted its brand image of the UK.

<table>
<thead>
<tr>
<th>N</th>
<th>Brand</th>
<th>Country-of-origin associated</th>
<th>% of correct association</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cartier</td>
<td>France</td>
<td>98.1</td>
</tr>
<tr>
<td>2</td>
<td>Chanel</td>
<td>France</td>
<td>98.1</td>
</tr>
<tr>
<td>3</td>
<td>Dolce e Gabbana</td>
<td>Italy</td>
<td>96.2</td>
</tr>
<tr>
<td>4</td>
<td>Armani</td>
<td>Italy</td>
<td>94.3</td>
</tr>
<tr>
<td>5</td>
<td>Gucci</td>
<td>Italy</td>
<td>94.3</td>
</tr>
<tr>
<td>6</td>
<td>Versace</td>
<td>Italy</td>
<td>94.3</td>
</tr>
<tr>
<td>7</td>
<td>Yves Saint Laurent</td>
<td>France</td>
<td>90.6</td>
</tr>
<tr>
<td>8</td>
<td>Dior</td>
<td>Italy</td>
<td>88.7</td>
</tr>
<tr>
<td>9</td>
<td>Valentino</td>
<td>Italy</td>
<td>88.7</td>
</tr>
<tr>
<td>10</td>
<td>Louis Vuitton</td>
<td>France</td>
<td>86.8</td>
</tr>
<tr>
<td>11</td>
<td>Prada</td>
<td>Italy</td>
<td>84.9</td>
</tr>
<tr>
<td>12</td>
<td>Bulgari</td>
<td>Italy</td>
<td>83.0</td>
</tr>
<tr>
<td>13</td>
<td>Hermes</td>
<td>France</td>
<td>81.1</td>
</tr>
<tr>
<td>14</td>
<td>Salvatore Ferragamo</td>
<td>Italy</td>
<td>75.5</td>
</tr>
<tr>
<td>15</td>
<td>Burberry</td>
<td>UK</td>
<td>60.4</td>
</tr>
</tbody>
</table>

Table 3\(^{21}\): The COO association of luxury brands.

The study also shows that when doing buying decision, there is 70.31 % of


\(^{20}\) The collection of Burberry Blue Label are manufactured by Sanyo Shokai(三陽商會). The products may assemble in either Japan or China, and prices are lower. See: [http://ja.wikipedia.org/wiki%E3%83%90%E3%83%BC%E3%83%90%E3%83%A9%E3%83%8A%E3%83%BC](http://ja.wikipedia.org/wiki%E3%83%90%E3%83%BC%E3%83%90%E3%83%A9%E3%83%8A%E3%83%BC)

\(^{21}\) Same as footnote 19.
consumers will buy Burberry because of its brand, and only 29.07% of consumers will care if it is manufactured in UK. The study indicates that brand has a higher influence on product evaluation and purchase decision than the COO. For luxury items, brand is much more relevant than the COO in evaluation and purchasing decision making.

4. Conclusion

The unprecedented growth of the luxury sector form a value of $20 billion US dollars in 1985 to its current $180 billion US dollars\textsuperscript{22} worth has been brought about by globalization, wealth-creation opportunities, new market segments, international travel and culture convergence. This triggers researcher’s interests in luxury brands’ international management and the marketing strategy-planning, either from academia or business field. The COO effect is an environmental factor that firms have to deal with whenever they trade in domestic or non-domestic market, in that consumers use a product’s COO as a cue in purchase decisions.

However, in the case of luxury brand, consumers place COO below their perception of the brand itself. Those empirical studies mentioned in this paper show that although CE will influence British consumers’ preference toward domestic product, the COO does not greatly influence consumer’s purchase decisions on foreign products. Moreover, for the well-known British luxury brand—Burberry—British consumer’s purchase decision on Burberry is not greatly associating with COO, but because of consumer’s familiarity toward the brand itself.

In a nutshell, Country-of-origin is just one of many factors that influence consumers’ decision to purchase or not to buy a particular luxury brand. Furthermore, this paper finds out that consumers do not place a huge emphasis on where a product of a luxury brand manufactured in, unless they have nothing else on which to base a decision.

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