

## **Chapter Two**

### **LITERATURE REVIEW AND HYPOTHESES**

#### **2.1. Introduction**

This second chapter comprises of three main parts. The first part presents the literature review which explains some definitions of brand origin and country of origin, some previous studies of that topic and the factors which relate to that topic. After that, the research framework gives an overview of the model of study, and the last part is the research hypotheses of this study.

#### **2.2. Literature Review**

The marketplace is always changing, thus consumers are forced to make judgments about the quality of a product or a brand with incomplete information about that specific product or brand according to Thakor and Kohli (1996). Therefore, consumers often use secondary cues to form the associations needed to create images of a product or a brand wrote Keller (1998). According to Keller (1998) again, the examples of secondary cues are country of origin (COO), brand origin (BO), distribution channels, or a spokesperson or endorser of the product. So in this study, we particularly focus on brand origin (BO) as a potential cue that consumers use to evaluate apparel product quality.

### 2.2.1. Definitions of country of origin (COO) and brand Origin (BO)

As definition, according to Johansson, Douglas, and Nonaka's (1985, p.389), country of origin (COO) is a country in which "corporate headquarters on the company marketing where the brand is located," regardless of the place in which the brand in question is produced.

Samiee (1994) define Country of origin (COO) as "the country in which a firm is associated". They speculate that country of origin (COO), along with country of manufacture or assembly.

This term country of origin (COO) has been also defined in many ways throughout the literature. At first, country of origin (COO) was considered the country where the final assembly of the good took place, the country of manufacture (COM), or the country that appeared on the 'made-in' label (Bilkey and Nes, 1982). Over the years, other concepts have progressively emerged in the country of origin (COO) related literature, such as country of design (COD), referring to the country where the product was designed and developed (Jaffé and Nebenzahl, 2003).

Thakor and Kohli (1996) defined brand origin (BO) as "the place, region or country to which the brand is perceived to belong by its target consumers". Thakor and Kohli (1996) suggest that the brand origin (BO) association is among the "most salient personality characteristics" of brands because it is part of the brand personality. Thakor and Kohli (1996) consider brand origin (BO) to be a demographic variable; thus, brands can be described in terms of their origins (e.g., Toblerone as Swiss chocolate, Budweiser as American beer). Brand origin (BO) also can be thought of as the country a brand is associated with or the headquarters of where the brand's owner is perceived to be located, regardless of where it is manufactured according Johanson, Douglas and Nonaka (1985).

Thus, for this study, we consider COO of product as a fact that is determined by where the product is produced. On other hand, brand origin (BO) is the perception of consumers regarding where the brand come from.

### **2.2.2. Importance of Brand Origin (BO)**

In their study, Thakor and Kohli (1996), found that the concept of brand origin (BO) best reflects today's increasingly global economy. Thus, brand origin (BO) is more important factor in determining consumers' perception of product quality attributes than is country of origin (COO).

Nowadays, the brand becomes one of the basic motives for the consumers' choice of product. The importance of the product brand shall be seen primarily in its impact on consumers' choice and their loyalty through identifying and differentiating quality and origin, as well as creating additional values. And when consumer make a choice of an alternative, they will first perceive the brand origin (BO) as "a sign of quality" just before the other evaluation criteria or some functional consideration (like physical appearance and packaging, price, the reputation of the retail network). in one word, brand origin (BO) have present a perceived quality of the product in the eyes of consumers.

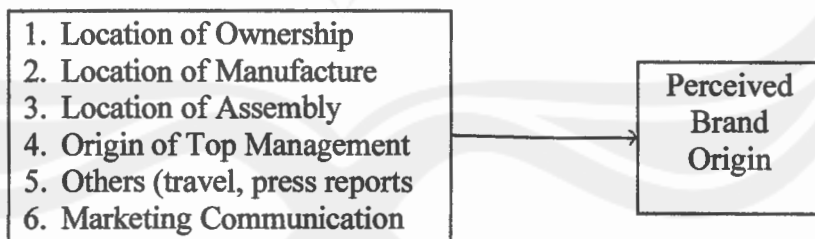
The willingness to buy of consumers is influenced by brand origin (BO) in some case. For example in the case of ethnocentrism, consumer check the brand origin (BO) of product in order that they can choose the domestic products. Another case also is the consideration of foreign product as a brand origin (BO). Most of the population in developing country consider that foreign product as brand origin (BO) from developed country have good quality so they have willingness to choose product brand which have origin from developed country.

Brand origin (BO) can provide a competitive advantage. Among the ways in which brand origin (BO) may serve to provide a competitive advantage in crowded product categories is by allowing a firm to "reposition" its competitors. That is, a brand gains "share of mind" by pointing out the similarity between its competitors and clearing out a distinctive space for itself.

### 2.2.3. Brand Origin (BO) Perception and Measurement

As such, while Country of origin (COO) studies rely heavily on the "made in" information, such information is not expected to be the only factor in determining brand origin (BO) perceptions. In fact, consumers may draw brand origin (BO) cues according multiple inputs or antecedents of brand origin in following

Figure 2.1. Antecedents of Brand Origin (BO)



Source: Thakor and Lavack (2003), p. 396

But when customer want to know the brand origin (BO) of the product, they can make look and read on packaging in case it is written there, or look on the ads. And especially for the laptop product, consumer can visit the website of each brand or visit the company website.

#### **2.2.4. Factors Affecting Brand Origin (BO)**

The result of Thakor and Lavack experiments (2003) show that perceptions of brand origin (BO) are influenced by country of corporate ownership (country image), as are perceptions of brand quality. Country of component source was also found to affect perceptions of brand origin (BO). In general consumers consider quality of brand country image which affect brand origin (BO). For example, consumers associate Perfume and fashion high brand origin quality to French, shoes to Italy, Vodka to Russia, electronic product to Japan, automobile to German, watches to Switzerland and Laptop or Computer to USA.

Consumer sometime use brand names as indicator of origins of brand, and that has a significant effect of the perceived origin on product preference and purchase intention. Like the case of "Kraftsburger Bier" to indicate a German origin, "Bier de Bordeaux" to signal a French one.

The global brand have credibility with respect to its national origin. there is considerable interest at the current time in issues related to global branding, not least because it appears to be a way in which companies can leverage their investment in brand equity in an international context, it is important to keep in mind what global branding really means. While Coca-Cola may be considered a global brand, it may be more realistic to consider it an American brand with an internationalist image.

### **2.3. Research Hypotheses**

Much research found that brand name have effect on origin cue. In some case, consumer classify brand origin (BO) according the spelling and pronunciation of the brand. For example, Egoiste fragrance, Yoplait yogurt sound French language but still USA brand. (Thakor and Lavack, 2003). If consumer are well informed about brand origin (BO), their knowledge

influence consumer judgments of products quality, brand attitudes, and choice in purchasing behavior in the marketplace. But their study Samiee, Shimp and Sharma (2005) reveal that consumers have limited knowledge of the origins of brands. In general, only consumers who have intention and motivated to learn about the product and/or brand have high performance on correct classification of country of origin of brand. However it is incidental to see consumers like learning about product. So, in this research we expect the following:

H<sub>1</sub>: Consumers are more likely to misclassify than correctly classify a brand to its true country of origin (COO).

Country origin (COO) impressions may be the result of perceived hierarchical order of countries based on their levels of development. Most of consumers in general consider developed countries of origin of brand are likely to be more positively perceived than developing countries. In their research, Smith, Fazio, and Cejka (1996) prove that product branded from dominant categories are more readily produced in classification tasks and lead to high performance of classification. In other words, when talking about the country of origin (COO) classification context, the expectation is that the brands that from country of origin (COO) considered as dominant categories will have better classification accuracy. Suppose that dominant country of origin (COO) is an origin that is frequently and readily evoked in product category. For example Japan is a dominant country of origin (COO) for electronic product category, France is dominant country of origin for fashion products and Switzerland is dominant country of watch. Thus, we hypothesize the following:

H<sub>2</sub>: Consumers' BO classification performance is better for brands from dominant country of origin (COO) than for brands from other country of origin (COO).

Consumer often make decision depend on whatever experience with product or brand, or depend on information gathered included country of origin. According to Liefeld (2004) if country of origin (COO) is perceived to be high salient, consumers have confident with country of origin (COO) measure. But in the other hand, if the country of origin (COO) is perceived as low salient, consumers don't really consider country of origin (COO) as diagnostic on product evaluation so they can make misclassification on brand country of origin. So we hypothesize that:

H<sub>3</sub>: Consumers' brand origin (BO) classification performance is positively related to the perceived salience of country of origin (COO) in purchase decision making.

The consumer motivation to collect brand information is largely determined according the level of involvement and category product. Most consumer behavior theories suggest the low-involvement condition occur minimal even absence of search for information whereas high-involvement conditions lead to higher information search. "Learning how to classify brands correctly depends in large measure on the consumer's goals and level of involvement" According Hutchinson and Alba (1991, p.327) quoted in Balabanis and Diamantopoulos (2008, p.48). So we expect the following:

H<sub>4</sub>: Consumers' brand origin (BO) classification performance is positively related to the degree of involvement with the product category involved.

In some cases, an English sounding brand are considered as American brand by consumers even if it's Korean. And the same case for French appearing brand even if it's American brand (Samiee, Shimp and Sharma

2005). That fact show that consumers are sometimes confused to classify the right country of origin (COO) of brand. And consumer brand evaluation for a given brand may differ between consumer who have high performance of brand origin (BO) classification and whose who have low performance of brand origin (BO) classification. Even if the consumers don't know exactly the origin of brand, this information plays a role on their product evaluation. So we hypothesize that:

H<sub>5</sub>: Brand evaluations vary depending on brand origin (BO) classification performance. ((a) correct brand origin (BO) has been identified, (b) wrong brand origin (BO) has assigned or (c) no specific brand origin (BO) can be associated with the brand)

In decision making process, consumer make an evaluation of all the alternatives of product or brand. This evaluation relates to many criteria but brand origin (BO) is the important one for durable and high tech product. Researchers found that brand origin (BO) is an important factor determinant of consumer attitudes and purchase intentions (Samiee, Shimp and Sharma 2005). In their study, Samiee, Shimp and Sharma (2005) also found that brand are evaluated more favorably when they are aligned with countries that are themselves judged favorably. For that reason, brand (BO) plays an important roles in consumer preference formation (brand evaluation), and choice process (or purchase intention). so we hypothesize that:

H<sub>6</sub>: Brand evaluation are strongly related to the consumers' purchase intention.