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Country-of-origin fit's effect on consumer product evaluation in cross-border strategic brand alliance ☆

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ABSTRACT

This study examines the effect of country-of-origin (COO) fit on consumer brand attitude and finds that cross-border strategic brand alliance (SBA) is a viable market entry strategy for host and partner brands. Specifically, cross-border SBA creates positive synergistic effects when the images of countries involved are both favorable. In addition, the partner brand suffering from less favorable country image is able to leverage COO fit and gains favorable brand image and consumer product evaluation. Mediation analysis further examines the role of cross-border SBA and provides implications and suggestions for future research in this area.

1. Introduction

As competition in the marketplace continues to elevate, introducing a new brand becomes increasingly laden with financial risk. Therefore, many companies today resort to strategic brand alliance (SBA), allowing a new brand to leverage off an existing brand's equity (Bluemelhuber, Carter, & Lambe, 2007). SBA helps companies create new markets and provides an effective means to introduce new products or services (Cooke & Ryan, 2000). The percentage of annual revenue that the 1000 largest U.S. companies generate from brand alliance continues to increase, from less than 2% in 1980 to an estimated 35% by 2002 (Booz Allen Hamilton, 2001).

Increasingly, SBA is also a viable market entry strategy in the global economy (He & Balmer, 2006; Kippenberger, 2000; Xie & Johnston, 2004). Ninety-three percent of U.S. companies that engage in SBA are successful (Trendsetter Barometer, 2010). SBA also outperforms other conventional business development approaches such as venture capital and mergers and acquisitions (Pekar & Allio, 1994). Given that cross-border SBA is often sought as a prime engine for growth in business (Kalmbach & Roussel, 1999) and a tactic for remaining competitive in the global marketplace, an in-depth investigation of how it works is timely. Such studies provide important implications for practitioners to consider.

SBA literature extensively investigates the concepts of product fit and brand fit. Simonin and Ruth (1998) find that product fit and brand fit are important factors in consumer product evaluation. Researchers generally find that high fit is better at generating positive consumer response than low fit (Aaker & Keller, 1990; Park, Milberg, & Lawson, 1991; Simonin & Ruth, 1998). Since cross-border SBA involves brands from different countries, researchers should understand the role of country-of-origin (COO). Unfortunately, researchers have done few studies on COO fit. This paper provides an organized theoretical approach toward understanding the effects of cross-border SBA on consumer product evaluation with a focus on COO fit. Specifically, an experimental study addresses the question of how cross-border SBA affects consumers' brand attitudes at different levels of COO fit. Findings provide needed insights into how consumers process COO information and, subsequently, evaluate brands in the context of cross-border SBA.

2. Literature review

2.1. Definitions of cross-border strategic brand alliance

Researchers study SBA under various terms such as ingredient brand alliance, co-branding, co-marketing, cross-promotion, joint branding, joint promotion, and symbiotic marketing (Desai & Keller, 2002; Kippenberger, 2000; Norris, 1992; Smith & Park, 1992; Uggla, 2004, 2006). These terms all refer to collaborative partnerships that link or integrate the attributes of the host/leader/modified brand and the partner/modifier brand to offer a new or perceptually improved

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product or service to consumers (Cooke & Ryan, 2000; Xie & Johnston, 2004). Elmuti and Kathawala (2001) consider SBA "a partnership of two or more corporations or business units that work together to achieve strategically important objectives that are mutually beneficial" (p. 205). From the standpoint of brand alliance, Simonin and Ruth (1998) define SBA as "the short- or long-term association or combination of two or more individual brands, products, and/or other distinctive proprietary assets" (p. 30).

Cross-border SBA is a unique form of brand alliance with one company headquartered in one country and the other company headquartered in another country or market (Bluemelhuber et al., 2007). Due to high uncertainty and competition in the global market, a single company will likely not develop or build resources in all fields necessary for successful market entry (Beverland & Bretherton, 2001). Brand alliances provide various benefits for the partner companies by helping them obtain new technology, gain distribution channels to specific markets, reduce financial and political risks, and achieve competitive advantage (Elmuti & Kathawala, 2001; Javalgi, Radulovich, Pendleton, & Scherer, 2005). In particular, SBA allows partner brands with less familiarity to leverage off the established brand equity of the host brands. Therefore, companies seek cross-border SBA as a highly desirable tactic to help brands compete effectively in the global market (Leitch & Richardson, 2003; Murray, Kotabe, & Zhou, 2005; Xie & Johnston, 2004).

Among different types of SBA, ingredient branding is a common practice in which key attributes of one brand incorporate into another brand as ingredients (Desai & Keller, 2002; Norris, 1992; Vaidyanathan & Aggarwal, 2000). The ingredient of the partner brand embedded in the host brand enhances the host brand's image ("e.g.," Intel inside Dell computers). Meanwhile, ingredient branding also helps build positive partner brand image by sending a strong signal to consumers that a highly recognized host brand indirectly endorses a partner brand ("e.g.," Safeway Select chocolate chip cookies with Hershey chocolate chips) (Vaidyanathan & Aggarwal, 2000; Votolato & Unnava, 2006; Washburn, Till, & Priluck, 2004). However, consumers' product evaluations become complex when the brands are from different countries, as is often the practice in cross-border brand alliance.

2.2. Key factors in cross-border SBA

Past SBA research identifies product fit and brand fit as key factors that influence consumer response. Product fit is how the product categories of two brands complement or relate to each other (Simonin & Ruth, 1998). When two product categories fit well functionally ("e.g.," car and auto audio system), consumers easily understand the combination. However, when the fit is low, consumers may be confused why the two categories are combined (Park, Jun, & Shocker, 1996) and try to resolve this incongruity with other information (Gammoh, Voss, & Chakraborty, 2006; Samu, Krishnan, & Smith, 1999; Voss & Gammoh, 2004).

Brand fit is primarily an image-based assessment (Bluemelhuber et al., 2007) that refers to the consistency in the brand images of the host and partner brands (Park et al., 1996; Simonin & Ruth, 1998). Park et al. (1991) further define brand fit as conceptual consistency reflecting the similarity in image, abstract meanings, and benefits between the host and partner brands. Because brand fit focuses on complementarity at the abstract level, functional compatibility is less important for brand fit than for product fit. Previous research finds that image can be transferred from one brand to another when the brands associate well with each other (Gwinner & Eaton, 1999; Roth & Romeo, 1992; Smith & Park, 1992).

When two brands combine from different countries, as they do in a cross-border SBA, the COO fit should also influence the outcome of the alliance (Bluemelhuber et al., 2007). COO refers to consumers' perceptions of where the product originates. Researchers study COO under different terms such as country-of-manufacture (COM), country-of-assembly (COA), and country-of-design (COD), which help to explain the growing complexity of COO (Ahmed, Johnson, & Boon, 2004; Saeed, 1994). Roger, Kaminski, Schoenbachler, and Gordon (1994) classify COO into separate categories of manufacturing in and assembling in, but find no distinct difference in the perception of the two. Within the context of consumer product evaluation, researchers generally define COO as country-of-manufacture (Laufer, Gillespie, & Silvera, 2009). The image of the COO can strongly impact consumers' perception of products and brands (Nagashima, 1970; Schooler, 1971), including evaluations of quality (Hong & Wyer, 1989; Roth & Romeo, 1992). For example, Japanese brands of automobiles such as Honda and Mazda lose their attractiveness when manufactured in countries such as Mexico and the Philippines compared to being made in Japan (Johansson & Nebenzahl, 1986). In contrast, Haier, a Chinese manufacturer of major appliances and electronics, improved its brand image by manufacturing products in the U.S. market (Interbrand, 2005).

In the case of cross-border SBA, consumers evaluate their perceptions of both countries' ability to make quality products. Bluemelhuber et al. (2007) describe COO fit as "the consumer's perception of the overall compatibility on images of the two countries of origin involved in the brand alliance" (p. 433). Thus, consumers likely form favorable attitudes toward both the host and partner brands when both countries' images are compatible with each other. On the other hand, if consumers perceive that the two countries are incompatible, unfavorable consumer attitudes may follow. Ill-conceived cross-border SBA can weaken a host brand's identity, core values and primary associations (James, 2005) when consumers attribute a potentially negative perception of the partner brand's COO to the host brand.

2.3. How does cross-border strategic brand alliance work?

To understand the role of COO fit in cross-border brand alliance, one must review the process of consumer product evaluation in brand alliance. In essence, SBA creates a distinct product offering and serves as a quality assurance device by transferring the equity of the host brand to the partner brand (Keller, 1993; Levin, Davis, & Levin, 1996; Park et al., 1996; Rao & Ruekert, 1994; Simonin & Ruth, 1998; Uggla, 2004). Brand equity is "a set of brand assets and liabilities linked to a brand, its name and symbol that adds to or subtracts from the value provided by a product to a firm and/or that firm's customers" (Aaker, 1991, p. 15). By linking a partner brand to a host brand, SBA helps the partner brand leverage off the equity of the host brand (Uggla, 2004, 2006).

A successful brand alliance allows the less familiar partner brand to share the established equity of a familiar and/or popular host brand by transferring primary associations of the host brand such as brand- and product-related attributes, benefits, and attitudes (Park, Lawson, & Milberg, 1989; Rodrigue & Biswas, 2004). As the category driver, the host brand (sometimes called the leader or modified brand) is familiar to consumers. The host brand also tends to have more control over marketing, distribution systems, and larger associations than the partner brand (e.g., ECCO shoes/GORE-TEX, Ford Explorer Eddie Bauer Edition). Consumers are usually less familiar with the partner brand. Typically, one cannot buy the partner brand independently outside of the host brand offering ("e.g.," GORE-TEX fabrics and Intel processor) (Uggla, 2004). Familiar brands tend to have high salience and accessibility in consumer memory. Meyers-Levy and Malaviya (1999) suggest that consumer judgments are largely affected by information that is relatively salient, easily accessible, and comes readily to mind at the time of judgment formation.

In addition to brand familiarity, studies show country image needs to be considered in cross-border SBA since two or more brands from different countries are combined. Specifically, consumers should evoke the positive country image of the host brand and associate it with a partner brand in cross-border SBA (Hadjicharalambous, 2006; Jevons, Gabbott, & Chernatony, 2005; Park et al., 1996; Rodrigue &