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Brand origin and country of manufacture influences on brand equity and the moderating role of brand typicality

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ABSTRACT

This research investigates how country macro and micro images associated with both brand origin (BO) and country of manufacture (COM) impact two main dimensions of brand equity–brand image and brand quality. Whereas BO images relate positively to both dimensions of brand equity, COM images exert an impact on brand quality, not on brand image. The typicality of the brand as a representative of the country of origin moderates the impact of BO on brand equity, such that the effects of BO on brand equity are stronger when the brand is more typical. The authors explore implications for theory and practice.

1. Introduction

Brand equity is an important intangible asset that can provide firms with a competitive advantage. To manage this asset, marketers must develop a thorough understanding of its formative factors. Brand equity depends on the knowledge consumers have about a brand (Aaker, 1991; Keller and Moorthi, 2003). Images that consumers associate with the country of origin (COO) of a brand can function as quality signals and thereby drive brand equity (Batra et al., 2000; Li and Wyer, 1994; Thakor and Katsanis, 1997; Zeugner-Roth et al., 2008). However, research on the effects of COO on brand equity is limited (Samiee, 2010; Zeugner-Roth and Diamantopoulos, 2010), and few studies examine how the dimensions of COO relate to different dimensions of brand equity or how these relationships might change due to other variables.

Studies suggest that decomposing COO into its dimensions enables a fuller understanding of how COO drives brand equity (Ahmed and d'Astous, 2008; Chao, 1993; Fetscherin and Toncar, 2010; Hamzaoui and Merunka, 2007; Thakor and Lavack, 2003). Consumers frequently know both where a brand originates and where the manufacture of the product takes place (Ahmed and d'Astous, 2008). For example, Nike has U.S. appeal, but the factories that make Nike running shoes are in Asian countries such as China, Pakistan, or Vietnam. As this example suggests, consumers' perceptions of COO cues can vary from reality. The perceived brand origin or country of manufacture may vary across consumers and differ from the actual locations. This study employs a quasi-experimental design to control for such variation. Consumers may derive the brand meaning of Nike from both its U.S. brand origin and the Asian country of manufacture (COM). Brand origin (BO) is the "place, region or country where a brand is perceived to belong by its target customers" (Thakor and Kohli, 1996, p. 26), that is, the country where the brand appears to originate, which reflects the "nationality of the brand." Country of manufacture (COM) is the country (or region) that, according to consumers, produces the branded product. Whereas BO exists in consumers' memory and represents a strong brand association (Keller, 1993), COM is factual information that can vary over time and space. Therefore, BO and COM may affect brand equity differently.

COO images comprise country macro and micro images (Amonini et al., 1998; Heslop and Papadopoulos, 1993). Country macro images are beliefs that consumers hold about a country (e.g., level of economic development), whereas country micro images are beliefs about specific products manufactured by a country (e.g., French perfumes are sophisticated and sensual). Macro and micro country images influence brand equity differently (Pappu et al., 2007), though this claim requires further investigation. Pappu et al. (2007) limit their study to COM macro and micro images and hold BO constant in their experiments. These authors also use a micro image definition that ignores the associations between a country and a specific product

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category (e.g., Italy and shoes). However, such associations influence consumers' judgments about a brand (Johansson and Nebenzahl 1986; Papadopoulos and Heslop, 2003). No prior study examines country macro and micro images for both dimensions of COO (BO and COM). The present study aims to fill this gap by investigating the effects of BO and COM macro and micro images on two important dimensions of brand equity, brand image and brand quality.

Finally, prior studies suggest direct relationships between COO images and brand equity, but researchers know little about the contingency conditions of these relationships (Hamzaoui and Merunka, 2007). Identifying the moderators of the COO–brand equity relationship offers an important step forward that can improve understanding of the conditions that explain the strength of these relationships. The typicality of a brand as a representative of the BO, or the degree to which a brand represents a BO, may moderate the relationship between BO and brand equity. Research on memory association strength suggests that greater typicality enables consumers to categorize or recall brands faster after exposure to a brand or category cue (Alba et al., 1991; Anderson, 1983; Collins and Loftus, 1975; Loken and Ward, 1987). Therefore, the transfer of BO images to brand equity may be stronger when a brand appears typical of a BO and weaker when consumers perceive the brand as atypical.

In summary, this study offers several contributions that improve understanding of how COO images affect brand equity. First, by decomposing COO into dimensions (COM and BO) and differentiating macro and micro images for each dimension, this study extends previous research in this field. Second, the authors investigate the moderating role of brand typicality in the relationship between BO macro or micro images and brand equity, thereby providing new insights into the conditions that explain the transfer of BO images to the brand. Third, by investigating two dimensions of brand equity (brand image and brand quality), the present study provides a differentiated picture of how BO and COM macro/micro images drive brand equity. The authors discuss the implications of these findings for theory and practice.

2. Research background and hypotheses

2.1. Country-of-origin images

Consumers associate various countries with a brand, such as the country of assembly, the country of design, the country of manufacture (Ahmed and d'Astous, 1996; Chao, 1993; Insch and McBride, 2004), or the brand origin (Pharr, 2005; Ulgado, 2002). Several studies show how different COO country types influence perceived product quality (Chao, 1993; Insch and McBride, 2004; Pharr, 2005), though a more thorough understanding of the impact on brand equity is missing.

In particular, BO and COM images might influence the different dimensions of brand equity (e.g., brand image, brand quality) differently. Because BO is a strong and stable brand association that exists in consumers' long-term memory (Keller, 1993), consumers frequently recognize BO, even if the design of a branded product no longer occurs in the origin country (Lim and O'Cass, 2001). In contrast, COM can vary over time and space, such as when a firm moves manufacturing facilities to another country or produces a branded product in various locations. Therefore, whereas BO is a strong brand association, COM instead is a piece of factual information not directly associated with the brand. Mercedes thus has strong associations with Germany (BO) but less strong associations with the various countries that manufacture or assemble Mercedes automobiles. Similarly, though Honda and Toyota use images of U.S. plants to lay claim to a "naturalized" status in the United States, consumers still widely regard these companies as Japanese, their "default" BO. Compared with BO, COM thus may transfer less meaning to a brand.

Following associative memory network theory (Collins and Loftus, 1975), the strong brand association of BO is accessible to the consumer upon brand name activation. Many dimensions linked to BO are important for consumers' product evaluations and might transfer to brand equity. For example, BO images such as innovativeness, design, and prestige relate to both brand image and brand quality (Chao, 1998; Han and Terpstra, 1988).

The country of manufacture (COM) is the country that produces or assembles the branded product (Insch and McBride, 2004; Laufer et al., 2009; Van Pham, 2006). Because COM can vary over time or relate to multiple countries of assembly, this variable may provide a weaker brand association than BO. Therefore, COM transfers limited information and meaning to the brand. Studies further identify COM as an antecedent of perceived brand quality (Johansson and Nebenzahl, 1986; Thakor and Lavack, 2003). Both country of assembly and country of parts influence product quality perceptions but not brand image (Chao, 1998). Therefore, COM image should relate to perceived brand quality, not to brand image.

The other important decomposition of country images involves macro and micro images; both types of images, applied to the COM of the brand, influence brand equity (Pappu et al., 2007). The COO macro image is a global-level variable and addresses a wide set of country associations, including national symbols, economic and political situations, levels of industrialization, and cultural values (Hooley et al., 1988; Lawrence et al., 1992; Papadopoulos and Heslop, 2003). The COO micro image is relative to a given product category (e.g., Italy and shoes) and reflects beliefs about the relationship between the country and the product category. For example, consumers appreciate a perfume that originates from France, and a French perfume or perfume manufactured in France may benefit from positive associations linked to the French perfume industry in general. Country macro and micro images affect perceived product quality differently, depending on the product category (Amonini et al., 1998; Pappu et al., 2007). Both images also may influence brand equity differently. Specifically, BO should have an impact on both dimensions of brand equity (brand image and brand quality), whereas COM may influence only brand quality.

H1: The BO macro image relates positively to brand equity in terms of (a) brand image and (b) brand quality. H2: The BO micro image relates positively to brand equity in terms of (a) brand image and (b) brand quality. H3: The COM macro image relates positively to brand equity in terms of brand quality. H4: The COM micro image relates positively to brand equity in terms of brand quality.

2.2. Brand typicality

Some brands refer implicitly to their BO to strengthen their brand identity (Thakor and Kohli, 1996). For example, IBM and Ford relate intimately to the United States, just as Toyota and Nikon are Japanese (Johansson and Nebenzahl, 1986). These well-known brands are very typical of their countries. Typicality is the degree to which an object represents a category (Barsalou, 1983; Rosch, 1978). Tversky (1977) suggests that greater typicality facilitates spontaneous category associations. Customers may view brands as categories and branded products as elements of the category. According to this model, consumers evaluate a brand extension positively if that extension appears to be a member of the category (brand) but negatively if consumers do not recognize the extension as a natural member of the category.

The more typical a product is of a brand category, the more likely category associations (here, brand associations) transfer to the product (Park et al., 1991). Atypical brand extensions probably cannot share the advantages of a brand name (Boush et al., 1987). Similarly, when consumers think that a brand is typical of a BO, they activate stereotypical beliefs about the country. The more typical a brand is of its BO, the stronger are the associations between the brand