

Does country-of-origin matter? A comparison study of the advanced vs. emerging and developing economies' consumer

Introduction

This paper identifies and explores whether the customers from advanced and emerging and developing economies have different perceptions towards country-of-origin of international branded clothes. It has been suggested that country-of-origin is commonly used by customers to predict a products quality and performance and to understand the rationality of their purchasing behaviour (Cai, Cude & Swagler 2004; Olins, 2004; Muchbalcher, Dahringer & Leihs, 1999). Products made in the advanced economies are often perceived to be more credible and appealing than products made in emerging economies (Anholt, 2006; Darling & Kraft, 1977; Usunier & Lee, 2005). However, cheaper production costs and a greater ability to outsource the manufacture of products has led made more and more international companies to source their products in emerging and developing countries (Gereffi & Memedovic, 2003). This phenomenon is the main reason for exploring whether customers in advanced and emerging and developing countries have different perception towards country-of-origin.

The categorisation of advanced and emerging and developing economies employed in this paper is based on the categorisation proposed by International Monetary Fund (IMF, 2010). The IMF (2010) classifies emerging and developing economies into one category. Cavusgil, Ghauri and Agarwal (2002) argue that all of the emerging economies are developing, but the reverse is not true, not all developing economies can be characterised as emerging economies. Emerging economies are those that '(a) have started an economic reform process aimed at alleviating problems for example, of poverty, poor infrastructure, and overpopulation, and (b) achieved a steady growth in gross national product (GNP) per capita' (Cavusgil et al. 2002, p.4). The classification of emerging and developing countries may vary depending on the organisations which provide the research and the countries that are included in the classifications (e.g. FTSE, 2010; IMF, 2010). All of the countries included in this study are encompassed in the IMF's (2010) classification and therefore this categorisation is deemed to be the most appropriate to be employed in this research. The IMF (2010) classification of advanced and emerging and developing countries is listed in Appendix 1. The main criteria the IMF employed for classifying countries into advanced and emerging and developing economies are '(1) per capita income level, (2) export diversification—so oil exporters that have high per capita GDP would not make the advanced classification because around 70% of its exports are oil, and (3) degree of integration into the global financial system' (IMF 2010). Nevertheless, these are not the only factors considered in deciding the classification of countries. Instead of being based on strict criteria, such as economic, the classification has evolved over time with the purpose of facilitating analysis by providing a reasonably meaningful organization of data. Reclassification may happen when something marked changes or the case for change becomes overwhelming. For example, Malta joining the European Union was deemed to be a significant change in circumstances that led to it being reclassified from an emerging and developing economy to an advanced economy (IMF, 2010).

The product category chosen as the focus of this study is international branded clothes. Two factors influenced this choice. Firstly the majority of international fashion retailers such as Zara, Mango, Next, GAP and Arcadia Group have been outsourcing their products to emerging and developing countries (Gereffi & Memedovic, 2003). A secondary factor was that the fast fashion trend may have changed consumers' clothing product choices being based on high quality and long lasting products to the latest style and affordable price being

key drivers allowing the customer to be able to always follow the fashion trend (Hines & Bruce, 2007).

Literature Review

The influence of consumers' country background to the perception of country-of-origin

Country-of-origin is usually communicated by 'Made in' or 'Manufactured in' labels (Bilkey and Nes, 1982). Although, there is no precise definition about country-of-origin (Sauer et al., 1991), it can be understood as the image of a country in consumers' minds which influences their evaluation towards the products or brands that are offered by that country (Chapa et al, 2006; Morello, 1993; Samiee, 1994; Shlomo and Jaffee, 1996). According to the Revised Kyoto Convention (international convention on the simplification and harmonization of international customs procedures) if a product has been produced or modified in two or more countries, the country-of-origin of the product will be the last country where the products have been processed (United Nations Statistic Division, 2007). For instance, if the textile material of a T-shirt was from Bangladesh and the textile was cut in India and it was sewed in Pakistan, then the country-of-origin of the T-shirt would be Pakistan.

Globalisation has allowed customers across the globe to access similar products wherever they may live. This phenomenon may have an impact on the customers' perception of country-of-origin. Cattin, Jolibert and Lohnes (1982) suggest that customers from different countries may have different perceptions towards country-of-origin. According to Han (1990) country-of-origin perception might be affected by the customers' perception towards the political and cultural situation and belief systems of the products origin in comparison to their own country's background. The factors that may influence customers' perception of country-of-origin are socio-political and the economic climate in the selling and buying countries; changes in comparative advantage of nations and competitive advantage of firms; new manufacturing technologies and movements in the various stages of international product life-cycle; changes in the marketing and communication of products by selling countries and organizations; and emergence of regional and/or global buyers (Terpstra & Sarathy, 2000). According to de Mooij (2005), customers from the same country may have similar perceptions or behaviour because most nations 'are historically developed wholes that usually share one dominant language, mass media, a national education system and national markets for products and services' (p.52). Therefore, it may be suggested that consumers' national backgrounds would influence their perception towards country-of-origin. However, very little empirical evidence is available in comparing the perception of customers from advanced economies and emerging and developing economies towards country-of-origin. Most of the country-of-origin research has been country specific (e.g. Ahmed & d'Astous, 2004; Cai, Cude & Swagler, 2004; Hamin & Elliot, 2006; Khan & Bamber, 2008)

The influence of country-of-origin on product evaluation and purchasing decisions

Previous studies on country-of-origin indicate that the image of countries where products are manufactured is used by consumers as an external cue to evaluate products (Johansson et al, 1985; Bilkey & Nes, 1982). A considerable amount of research has indicated that country-of-origin affects customers' evaluation of products in general (Morello, 1984; Nagashima, 1970); specific types of products (Hahn et al, 2006; Pappu, 2007); and specific brands (Lee & Ganesh, 1999; Tse & Gorn, 1993). Country-of-origin is used by consumers to predict quality and performance of products (Hamin & Eliot, 2006; Olins, 2004). It is also used to understand

the rationality of their purchasing decision (Cai et al, 2004; Khachatuarian & Morganosky, 1990). When consumers are not familiar with the products of a country, country-of-origin information acts as a 'halo' that directly affects consumers' beliefs about a products and indirectly affects the overall evaluation of them through these beliefs (Johansson, Douglas & Nonaka, 1985). The image of the country itself might be generated from consumers' experience of visiting the country, knowledge about the country, political beliefs or ethnocentrism tendencies (Hamin & Eliot, 2006). Based on these arguments, it could be argued that consumers' perception towards country-of-origin (either positive or negative) might be based on a stereotype held by the consumer towards the country itself.

Stereotyping which is commonly found among consumers is that products made in developed countries such as USA, Germany, Japan, France, Korea and UK have better quality and are more reliable than products made in less developed countries such as Indonesia, India, Bangladesh, Turkey, Morocco and Vietnam (Anholt, 2006; Hahn, Choin & Eckhardt, 2006; Kaynak, Kucukemiroglu, & Hyder 2000). This is because countries with advanced economies are usually well-known for quality, design, innovation, dependability, originality, and management (Muchlbacher et al., 1999; Usunier & Lee, 2005; van Gelder, 2003) whereas emerging and developing countries were often associated with negative images (Ahmed, d'Astous & Zouiten, 1993; Muchlbacher et al., 1999). Furthermore, research also indicates that differences in perceived quality between products made in emerging and developing and advanced countries are due to consumers' beliefs, that workers in advanced countries are more technologically sophisticated than workers in emerging and developing countries, so that they are more capable of making quality of products (Li and Monroe, 1992). However, the stereotype (with issues such as human rights violence, child labour and low manufacturing costs) might blur the perception towards the products feature (Muchbalcher et al., 1999). Supporting this suggestion, there is research (Martin & Eroglu, 1993; Chattalas, Kramer and Takada, 2008) which demonstrates that customers' perceptions towards country-of-origin are more likely to be a stereotype than opinions towards specific products.

Research Methods

As the nature of the research is exploratory, it was considered appropriate to adopt a qualitative research method (Denzin and Lincoln, 1998). The strength of qualitative research is that the researchers can emphasize subtleties in participants' behaviours and responses, gain in-depth information from the participants and highlight the reasons for their actions or perspectives that cannot be achieved by a quantitative research method (Burns, 2000). Interviews were used to collect the data. Interviews were employed as they were deemed to be a way to obtain high quality of information with freer bias and an appropriate way of obtaining people's perspectives on a topic of this nature (Sharp, Peters & Howard, 2002). As the research involved respondents in different countries, the first stage of the pilot interviews was conducted semi-structurally by using MSN Messenger. The second stage of the pilot interviews was undertaken by sending structured interview questions by using email. This method was adopted in the actual data collection process. Some scenario questions were used in the interview in order to understand the respondents' perceptions and behaviour towards country-of-origin.

In order to create and test new interpretations that require information richness, qualitative research usually uses small samples but the samples that are selected purposefully (Kuzel, 1999). Therefore, non-probability self-selection sampling was employed in this research. Using this sampling method, the respondents were invited or asked personally to participate in

the research. The samples were heterogeneous by nationality (figure 1). There were 21 nationalities involved in the research and all of the respondents had studied and worked within the international environment. IMF's (2010) classification of advanced and emerging and developing countries are used to classify the nationalities involved in the research.

Figure 1 - Respondents from advanced and emerging and developing economies

Advanced economies (number of respondents)		Emerging and developing countries (number of respondents)	
Japan (1)	Sweden (1)	Indonesian (22)	Brazil (2)
United Kingdom (8)	Italy (2)	Vietnam (1)	Czech Republic (1)
Germany (2)	Finland (2)	Malaysia (3)	Tanzania (2)
Netherlands (2)	Spain (2)	Thai (2)	Turkey (3)
Belgium (1)	United States (1)	China (5)	
France (3)	Canada (1)		

In order to identify a pattern and to create classifications for the answers, this research aimed at a minimum of 30 respondents. The process of sending out the interviewees was stopped after patterns in the answers had been identified, the answers could not be developed any further and all possible answers had been gathered. In total there were 70 email interviews sent out which led to 67 interview responses that were valid. When the interview answers were classified, the answers of the respondents from the mature and developing and emerging economies were clustered together.

Results and Analysis

The literature review has indicated that country-of-origin may affect the customers' evaluation of products (e.g. Morello, 1984; Pappu, 2007) and brands (e.g. Lee and Ganesh, 1999). Country-of-origin is often used by consumers to predict quality and performance of products (e.g. Hamlin and Eliot, 2006; Olins, 2004) and to understand the rationality of their purchasing decision (e.g. Cai et al, 2004; Khachatourian and Morganosky, 1990). Research (Cattin et al., 1982; de Mooij, 2005; Terpstra and Sarathy, 2000) indicated that customers from the same nation may have a similar stereotyping tendency. This research confirms these findings. When thinking about products made in less industrialised countries, the majority of the respondents from advanced economies mentioned low production quality and ethical trading issues. When they were asked to think about country-of-origin for 30 seconds, and to write down any word that came to their mind, the majority of words written by respondents from advanced economies related to the issues of ethical trading and human rights, for instance: cheap labour, poor wages, sweat shops, discrimination, differentiation, cheap work, child labour, working conditions, poverty, ethical, and exploitation. The majority of the respondents from the advanced economies raised their concerns about whether the workers in the emerging and developing economies were treated well and had good working conditions. The preferred characteristic of the countries which make their T-shirt are countries that make clothing with high quality; do not exploit children and employees; give legal protection to their workers and treat them fairly; give their workers the chance to be educated properly.

In contrast, when the respondents from the emerging and developing economies think about country-of-origin, the majority of them are only concerned about the quality of the products made in particular country. When they were asked to think about country-of-origin for 30 seconds and write down words that came to their mind, the majority of the words written by respondents from the emerging and developing economies were related to the issues of

quality, design and price. They used words, such as, original, true, premium, status, invention, quality, design, style, purchase decision, and is it worthy to buy. In contrast to the responses provided by respondents from the advanced economies, humanity and ethical trading issues were not frequently mentioned by the respondents from the emerging and developing economies. One suggestion that may explain dissimilarities between the perceptions of customers from advanced and emerging and developing economies is that their responses are based on a comparison between the background information of the country which manufactured the products with the background of their own country. As was mentioned by Han (1990), country-of-origin perceptions might be affected by the customers' perceptions towards the political and cultural situation and belief systems of the products origin in comparison to their own country's background.

When the respondents were asked to imagine that they went to another country and wanted to buy a T-shirt from an international brand retailer but they found that the T-shirt was made in their own country, almost all of the respondents from advanced economies suggest that they would buy the T-shirt. The reasons given were a sense of pride, a perception that the T-shirt would be of superior quality and that it would have been manufactured more carefully and ethically. However, respondents from the emerging and developing economies had mixed responses towards this question. More than half of the respondents have a similar opinion to that of the respondents from the advanced economies by saying that they would feel proud that a product from their country had been accepted overseas. However, some of the respondents also suggested that they would hesitate to buy the T-shirt. They claimed that they would only buy the T-shirt if the price was much cheaper or if they really like the design. Some of them argued that they would not buy the T-shirt because there was a possibility that they could buy similar T-shirt in their own country at a cheaper price.

The findings above show that the majority of the respondents agree that products made in advanced economies have better quality compared to the products made in emerging and developing economies. The findings are in line with what has been suggested by Ahmed (1993), Muchlbacher et al. (1999) and van Gelder (2003). However, this research also identifies that this perception influences their behaviour towards the products made in their countries. The majority of the respondents from advanced economies felt proud if they found international products made in their country overseas and would not hesitate to buy the products abroad. In contrast, even though the majority of respondents from emerging and developing countries were proud to see the products made in their countries overseas, they still hesitated or even declined to purchase these products overseas. Price and design seemed to be the key drivers in their decision making rather than country-of-origin.

Conclusion and Managerial Implication

The findings showed that consumers' perceptions of international branded clothes made in the emerging and developing countries are different to those made in advanced economies. Consumers' perceptions of products made in advanced economies are that they are of better quality than products made in less industrialised countries. This also affects their perceptions and behaviour towards international branded clothes made in their own countries. It could be suggested that maintaining a similar product standard across the globe and making sure that the products were sourced and manufactured ethically may help to make products made in emerging and developing countries more appealing. Furthermore, companies manufacturing in emerging and developing economies may be able to enhance their reputation by showing their dedication and support for local workers and communities.

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Appendix 1

The classification of advanced and emerging and developing economies (IMF, 2010)

Advanced Economies		
Australia	Iceland	Singapore
Austria	Ireland	Slovak Republic
Belgium	Israel	Slovenia
Canada	Italy	Spain
Cyprus	Japan	Sweden
Czech Republic	Korea	Switzerland
Denmark	Luxembourg	Taiwan Province of
Finland	Malta	China
France	Netherlands	United Kingdom
Germany	New Zealand	United States
Greece	Norway	
Hong Kong SAR	Portugal	

Emerging and Developing Economies		
Afghanistan,	Gambia, The	Oman
Islamic Republic of	Georgia	Pakistan
Albania	Ghana	Panama
Algeria	Grenada	Papua New Guinea
Angola	Guatemala	ParaguayPeru
Antigua and	Guinea	Philippines
Barbuda	Guinea-Bissau	Poland
Argentina	Guyana	Qatar
Armenia	Haiti	Romania
Azerbaijan	Honduras	Russia
Bahamas, The	Hungary	Rwanda
Bahrain	India	Samoa
Bangladesh	Indonesia	São Tomé and
Barbados	Iran, Islamic	Príncipe
Belarus	Republic of	Saudi Arabia
Belize	Iraq	Senegal
Benin	Jamaica	Serbia
Bhutan	Jordan	Seychelles
Bolivia	Kazakhstan	Sierra Leone
Bosnia and	Kenya	Solomon Islands
Herzegovina	Kiribati	South Africa
Botswana	Kosovo ¹	Sri Lanka
Brazil	Kuwait	St. Kitts and Nevis

Brunei Darussalam	Kyrgyz Republic	St. Lucia
Bulgaria	Lao People's	St. Vincent and the
Burkina Faso	Democratic	Grenadines
Burundi	Republic	Sudan
Cambodia	Latvia	Suriname
Cameroon	Lebanon	Swaziland
Cape Verde	Lesotho	Syrian Arab
Central African	Liberia	Republic
Republic	Libya	Tajikistan
Chad	Lithuania	Tanzania
Chile	Macedonia, Former	Thailand
China	Yugoslav Republic	Timor-Leste
Colombia	of	Togo
Comoros	Madagascar	Tonga
Congo, Democratic	Malawi	Trinidad and
Republic of	Malaysia	Tobago
Congo, Republic of	Maldives	Tunisia
Costa Rica	Mali	Turkey
Côte d'Ivoire	Mauritania	Turkmenistan
Croatia	Mauritius	Uganda
Djibouti	Mexico	Ukraine
Dominica	Moldova	United Arab
Dominican	Mongolia	Emirates
Republic	Montenegro	Uruguay
Ecuador	Morocco	Uzbekistan
Egypt	Mozambique	Vanuatu
El Salvador	Myanmar	Venezuela
Equatorial Guinea	Namibia	Vietnam
Eritrea	Nepal	Yemen, Republic of
Estonia	Nicaragua	Zambia
Ethiopia	Niger	Zimbabwe
Fiji	Nigeria	
Gabon		
¹ Because of insufficient data, this country is not included in the WEO aggregates.		

Source:

International Monetary Funds (IMF). (2010). Country composition of WEO groups. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/groups.htm#oem>