Sell the Country, Sell the Product!
(The Role of Country of Origin Effect in the Global Competition)

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Abstract:
The judgement of products and brands on the world market is in close correlation with the fact where do they come from. The marketing literature defines this as “country of origin effect”, but many experts use the „made in marketing” or the „made in label” terms too. We can read countless “everyday stories” about the strong effect of COO but the connection between scientific theory and practice is quite far from each other. In my article, therefore, first of all I am going to examine the different concepts of image to outline the essence of country of origin effect in an easily understandable way. After that I point out that we have to develop the image of our country and of our products step by step. First of all Hungarian products must have a good reputation in Hungary, secondly in the Central-East European region, then in Europe as a whole and just after that in the other parts of the world. To show all this, I will use the research of the Hungarian Gallup Organization. As we will see, the image of our products is not as bad, as we many times believe.

Keywords:
country of origin effect, country image, country branding, marketing strategy

Prologue

We are globalizing. We live in a world where the products we purchase may come from any country. Still, the country where the product comes from (or to be more specific, which country we believe is the country of origin) plays an important role in consumer choice. Indeed, according to ANHOLT (1999) this is the only legitimate competitive advantage in the age of globalization.

We could think that the research of country of origin effect is a new matter but as far back as 1896, Ernest WILLIAMS drew attention to the fact that the “made
in Germany” logo had increased the sales of German products (JAFFE – NEBENZAHN 2001). Moreover, DICHTER (1962) only two years after the introduction of the 4P model (product, price, place, promotion) proposed that country of origin should be considered as the fifth element of the marketing mix. He argued that the acceptance of a product is influenced to a great extent by where it comes from. However, it cannot be denied that this field did not get into the focus of researchers until the strengthening of globalization.

In connection with the subject three main concepts appear in the marketing literature:
– product image (PI) and brand image (BI);
– country image (CI), and the element which connects the previous ones:
– country of origin effect (COO-effect, image-transfer).

The Concept of Image

Image originates from the Latin word imago, which means picture. The theory of image evolved in the 1950s and regarding its essence did not change until today. The concept was first used in marketing by GARDNER and LEVY (1955) who examined the consumers’ purchase-decisions in American supermarkets. Looking through the image-definitions of Hungarian and international writers TÓTH (1996, page 7.) draws attention to the fact that those are very similar to each other. "They agree that the point at issue is the reflection of the given object’s characteristics in the subject... Image is a picture that develops in certain people’s minds about a given company, product or brand. Its development and nature is motivated by numerous subjective factors. Because it exists objectively, it is important to get acquainted with it in order to use the marketing tools effectively and to change the mentioned picture into a positive image."

It follows from the foregoing that “if a given man, company or product has a bad image then this negative factor can be traced back certainly to a communicational mistake. And only the given man or company is responsible for the negative image that has developed in people’s mind.” (NAGY 1999, page 7.) “Using a plastic comparison, image may be a reflection or shadow where the developed picture is the function of the object, the illumination and the reflecting surface of light.” (BERGER – POZSGAI 1993, page 17.)

According to SZELES (2001, page 69.) “besides the image countless other factors (for example: price, quality, variety, packaging, competition, order of needs, environment or the given communicational medium etc.) has an influence on consumer decision... Within this condition- and influence-bunch image is basically the most insignificant element.” In my opinion the latter approach is
wrong because quality, variety or packaging are all such factors that we cannot judge objectively, we perceive their image at most – see BECKWITH’s marketing bestseller (1997) on this topic. HAIG (2003, page 3) does not dare to claim: “image is now everything”. Consumers would much rather make their decisions based on subjective instead of objective factors. “The image-problem can be considered as a certain decision-helping, facilitating concept.” – writes TÖTTH (1996, page 20.)

**Product Image**

“Good wine needs no bush” – states the well-known saying. In other words, it is easy to sell a good quality product. Still, if we look at the recognition and fame of Hungarian wines in Western Europe we can see the opposite in many cases, because the image of Hungarian wines is much worse than their quality (TÖTTH 1996, page 17.).

Product image is a collective term: it includes product groups, types of products and services, in wider context products of an entire industry (NAGY 1999, page 15.). Considering its content it is a homogeneous category because it includes all varieties, entities and brands of a given product category.

Taking into account the development of product image, product characteristics and product information has great importance (JÓZSA 2000, TÖTTH 1996). Moreover, we can add that because of the increasing competition the expectations from products are growing continuously. According to BERÁCS (2002, page 10.) “outstanding quality, reliability, durability, attractive prices, quality service, high-technology standards, refined taste, design and countless other factors are present in customers' mind, when they are thinking about a given country or its products”.

**Brand Image**

In practice product image is hard to separate and value because in our everyday lives we identify products with brands – writes SZELES (2001, page 72-73.). “Products are made in the factory. What consumers buy is the brand.” – argues Stephen KING, leader of the London WPP Group. In their famous work, The Yankelovich Report, SMITH and CLURMAN (1997) write that the number of respondents who admitted that brands have a strong influence on purchasing decisions had risen from 51% in 1994 to 63% in 1997. YAN (2002) points out an interesting thing: the Eurozone will bring along the growing importance of
branding. Because in the Eurozone consumers are able to compare the prices much easier, therefore prices will necessarily be equalized. So price is not going to be a competitive factor anymore, consequently branding will be responsible for making a difference in the eyes of consumers.

From a consumer’s point of view, the advantage of branding is based on four factors (DISH 1995, page 306):

– long-lasting, reliable supply (“Everybody knows what he/she gets.”)
– risk-free repurchase (“Shopping makes a good feeling.”)
– fast purchasing (“Everybody knows at first sight what it is about”.)
– importance of trust in the manufacturer in a world that becomes more and more complex and uncertain.

So what does the brand means for a company? To use a traditional economic term it is “comparative advantage” (TOTTH 1996, page 22.).

Of course, image and brand are strongly connected to each other. Moreover, some authors think the two expressions are the same. As HAIG (2003) writes, the brand adds a human factor to a product. BUDDHA (2002) states that the brand is a collection and sum of images. According to VAN HAM (2002, page 3.) “a brand can be best described as the picture living in the consumers mind about a given product”. PAPP-VARY (2003b,f) points out that a positive image can create brand loyalty.

It is worth noting that “branding ... is neither a broad nor an infinitely complex discipline – compared to biotechnology, say, or comparative linguistics” (ANHOLT 2002, page 229.) Yet, HAIG has devoted an entire book to the fall of certain brands (Brand Failures, 2003). It seems that only a very few companies use branding well (JÓZSA, 1999).

**Country Image**

Country image would be the equivalent of corporate image in the traditional image model. As JÓZSA (2000), SÁNDOR (1997), SZELES (2001) and TOTTH (1996) formulate, it has a spontaneous version living in a consumer’s mind and another type that is created by the company (country) through conscious communication. These two are the spontaneous and the conscious image. The good thing is when they are as close to each other as possible.

In the interpretation of MARTIN and EROGLU (1993, page 193.) country image is all the descriptive, concluded and informative belief that we think about a given country. KOTLER, HAIDER and REIN (1993, page 141.) define country image as the sum of different beliefs and ideas that people think about a country.
According to SZELES (2001, page 96.) “country image is made up of the perceived experiences, opinions and information about a given country/nation”. The author agrees with this statement and defined country image in earlier articles as “the sum of information living in the consumers’ mind about a given nation/country” (PAPP-VÁRY 2002, 2003a,d,e,g,h).

In another way, we can state that the citizens of a given country have more knowledge about another country (PAPP-VÁRY 2003a):

– the closer the country is to their home country,
– the more frequently they travel to this country, and
– the more often this country appears in the local media.

Of course, besides the so-called outer-image, inner-image (picture perceived by the citizens) has an important role as well. I will get back to this topic later.

The Essence of Country of Origin Effect

One of the most famous books of this topic is JAFFE’S and NEBENZAHL’S work (2001). It opens the introductory chapter with the following provocative question: “Please, fill out the following sentence: A luxury car made in Greece is...”

The question shows the essence of country of origin effect very well. According to ROTH and ROMEO (1992) the COO-effect is how consumers consider a product coming from a given a country. HASSAN and SAMLİ (1994, page 99.) define the effect of country of origin as the influence that the manufacturer country has on the positive or negative consumer judgement. They state that most consumers tend to think in stereotypes of a product or a country.

The point at issue is that we draw transposition conclusions from country image to the image of the country’s products. The marketing literature calls this image transfer (BAUER-BERÁCS 1998, JÓZSA 1999, SZELES 2001, TOTTH 1996). This way the country image infiltrates the image of the given product (MALOTA, 2003).

Earlier I defined country image as “the sum of information in the consumers’ mind about a nation/country”. According to SULLIVAN MORT and HAN (2000) the less information we have about a given country the more dangers the sales of its products will encounter.

We have to admit that it is hard to find a good brand coming from a poorly branded country. If we think, that the next European “supercar” comes from Germany, then probably we will not be mistaken. In reality, it seems that the
newest version of “Audi TT” will be produced in Hungary. But who would buy a Hungarian “supercar”? (PAPP-VÁRY 2003b,f,g)

On many perfume bottles the following sign can be read: “Paris – Milan – New York – Rome – London”. It is hard to believe that this little phial is manufactured at all this places. But if we would change the sign to this: “Prague – Helsinki – Melbourne – Seattle – Auckland” it would be certainly less successful (LINDSTROM 2001).

Figure 1: The advertisement of the same product in eight different countries

It seems that country-stereotypes determine the image of products and brands coming from the given country to a great extent (ÅNHOLT 1999, PAPP-VÁRY 2003b,f,g):

- England can be proud of its heritage, past and culture. It is not by chance that England gave Burberry and British Airways to the world.
- France is the symbol of high-quality life and chic. No wonder that Chanel and champagne come from this country.
- Germany is the country of quality and reliability. Bosch and BMW are good examples of this.
- Italy has style. To put it in another way, Italy is sexy. Some of its most important brands are Ferrari and Ferragamo.
- Switzerland is well known for its precision. Swiss watches are world-famous, and we are happy to pay higher price for them. No wonder that Swatch is so popular among young people.
- Sweden is the country of cleanliness, order and efficiency. This is what IKEA and Volvo inspire as well.

The country-stereotypes are so significant that the publicity of the same product can be vary in different countries, as we can see on the previous page (figure 1).

Four Possible Communication Strategies

As the previous examples showed, a company's marketing strategy is dependent not only on the strength of its brand image but the country image as well. According to Jaffe and Nebenzahl (2001), four possible strategies can be used. The first scenario considers those companies that have both a strong country and brand image. The second scenario looks at companies with a weak country image but strong brand image. The third possibility covers companies with weak brand image, but with strong country image, and the fourth version is companies with both weak country and brand image.

Strong Country Image – Strong Brand Image

The ideal strategic position of a company is when both the country and the product have a strong brand image. In this case, the made-in country should be emphasised as well as the brand, especially if it is a global one. Many country-brand combinations can come to mind: Sony made in Japan, Buick made in the US, Zeiss made in Germany, and Volvo made in Sweden.
Weak Country Image – Strong Brand Image

A strong brand image but weak country image generally refers to those products whose production/assembly has been sourced to developing or emerging economies. In this situation, emphasis should be placed on the brand name, while de-emphasising the country of origin as much as possible.

For example, a Pontiac car assembled in South Korea could be advertised as a car designed in Germany and assembled with American technology. In the case of a Chevrolet assembled in Mexico, an advertisement should emphasise the brand and that the car was designed in the US and contains components made by American manufacturers.

BT provides an excellent case of neutralising the country of origin. A few years ago British Telecom did research into the appropriateness of their brand name in overseas markets. The results showed that they had problems with the company’s name in Japan where “British” was understood to stand for “of the past”, “colonial” and not for innovation, high technology, future or moving forward. Given the fact that British Telecom was in a fast-moving, highly innovative, creative area in telecommunications, the name “British” was itself a problem, and that was why they decided to become “BT”.

Shalimar perfume, manufactured by Guerlain of France, was given an oriental brand name to associate the product with that region. But the best example of using a foreign-sounding brand name to position a product is probably the case of Häagen Dazs. The product was founded as a small ice cream business by Reuben Mattus of Brooklyn, New York and subsequently produced in New Jersey. In the late 1950s, Mattus’s company was finding it hard to compete with larger competitors, so he decided to upgrade the quality of his products, producing what he termed a 'superpremium' ice cream. At that time, European (especially Scandinavian) ice cream was associated with high quality. So, he made up the name Häagen Dazs and printed a map of Denmark, marking Copenhagen on the top of the containers – and achieved a great success, as we all know the story.

Strong Country Image – Weak Brand Image

This category contains those products that are perceived to be of lower quality than competitors from the same country. In essence, these brands should try to piggyback on a strong country image by emphasising the made-in cue. Some examples include Japanese brands like Miranda (cameras) or Suzuki and Daihatsu automobiles. This strategy works very well for brands/products with bad image or without any image. As the following advertisement shows, selling Japanese beer (which sounds crazy at first) is not impossible either. As the headline says: “150 years ago we didn’t have a brewing industry. We did not make cars either. … Asahi. Japanese and proud of it.”
Weak Country Image – Weak Brand Image

Finally, there are those products that have a weak brand image as well as a weak country image. In this case one potential strategy is to piggyback on a strong local brand. Taking one of the South Korean products for example, Samsung

Figure 2: The advertisement of a Japanese beer, communicating its country of origin as the advantage

gained entry into the US for its microwave ovens by having them distributed by General Electric under the GE label. Other examples include Mitsubishi’s entry into the United States through the Chrysler distribution network and Video Technology of Hong Kong’s entry into the Australian market under the local and well-known brand name of Dick Smith.

Another possibility is to neutralise both the made-in country cue, and brand name cue by using brand names that sound “local” in the target markets. When successful, this strategy avoids the need to discount prices. Japanese manufacturers used American-sounding brand names such as Canon (originally Kwanon), Sharp, Brother or even National (!) and Citizen (!) in order to associate them with the United States. A similar strategy was followed by South Korean manufacturers, for example, Goldstar (consumer appliances), Worldstar (computer accessories) and Lespo (bicycles).

Since many countries require a made-in country label to be affixed on the product, consumers are cued to this fact. Assuming that the product functions well, and contains the same attributes of more established and better perceived competitors, a strong advertising campaign should begin to improve the country image, which should eventually reflect upon the brand image. In the long run, as country image improves, products can break out of the less profitable strategies of private label and price discounting. This is what happened to both Japanese and Korean products in the world markets.

Figure 3: The four possible communication strategies

<table>
<thead>
<tr>
<th>Strong country image</th>
<th>Weak</th>
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<tbody>
<tr>
<td><strong>Strong brand image</strong></td>
<td><strong>Weak</strong></td>
</tr>
<tr>
<td>Lower quality Japanese products (Daihatsu, Suzuki): “Japanese technology and know-how”</td>
<td>Piggyback on a strong local brand and distribution system: Samsung and GE</td>
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<tr>
<td>Using the advantage in a different product category: Asian beer: “Japanese and proud of it”</td>
<td>Mitsubishi and Chrysler</td>
</tr>
<tr>
<td>Pontiac assembled in Korea: “Designed in Germany and produced with American technology”</td>
<td>Japanese brands with American-sounding names: Canon, Sharp, Brother, National, Citizen</td>
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The Country of Origin Effect and the Place of the Hungarian Products

How does all this appear in “Eastern Europe” (as the “Western” marketing literature refers to us)? What about the image of Hungary, our products and brands?

The answer can be summarized in the following three points:
– The image of our products and brands is still suffering due to the 40 years of socialism.
– Foreign advertisers have a lot of money to capture Hungarian consumers, while Hungarian advertisers in most cases have no money at all.
– Marketing literature many times uses us as a negative example.

Certainly, researchers of country-of-origin effect do not have a good impression of us. Already in the late 1970’s publications discussed the bad image of Eastern-European products (BANNISTER – SAUNDERS 1978, CHASIN – JAFFE 1979). Later on, the list was continued by researches of PAPADOPOULOS – HESLOP – BERÁCS (1990), and JOHANSSON – RONKAINEN – CZINKOTA (1994).

JAFFE and NEBENZAH (2001) draw attention to the fact that post-communist countries (Poland, Czech Republic and Hungary) have a very big problem with their image. Moreover, the famous study of ROTH and ROMEO (1992) mentions Hungary as the “negative example” in all cases.

It is obvious that this is due to the 40 years of socialism. TOTTH (1996, page 30.) points out the following: “it is most likely that the difference was not as big in reality among “the products of socialist companies in the East” and “products from the West” as it was in people’s mind because of good and bad image”.

First of all we have to understand that the building of country image and product image starts from inside. The first step is to create a positive emotional bond in Hungarian citizens, later in the neighboring regions, then in Europe and finally, in the world (ITC EXECUTIVE FORUM 2002, PAPP-VÁRY 2003i).

Unfortunately, even the first step is very difficult to achieve, because Hungarian producers usually have no chance against the billion-dollar budget of multinational companies. This is when the “Buy Hungarian!” program may help. The most successful one of such programs in the region is the “Teraz Polska” initiative (PAPP-VÁRY 2003c). However, in the European Union we have to be very careful not to infringe the free flow of products. For example in the case of “Buy Irish” the European Court has penalized Ireland because the government was supporting a campaign, which encouraged Irish consumers to buy more domestic products. The EU declared that only an independent private organization is eligible to do this (KECSKÉS 1999).
During their researches, BERÁCS and MALOTA (2000) have found interesting connections: “In the case of Hungarian products a higher level of ethnocentric feelings leads to more positive view. So, the closer someone is to his country the more positive way he views domestic products... If someone thinks that winning the Olympics is very important then he is most likely to judge the domestic products better.” The same holds “the more superior picture someone has of his/her own nation, the more negative perceptions he/she develops about a foreign product”.

We may call this “ethnocentrism” or even “nationalism”, but in many cases people tend to overestimate the products of their own country (BERÁCS and MALOTA, 2000). So, we should not be surprised that citizens place domestic products higher than foreign products. In a realistic way a country can be considered successful in a foreign country when it is able to compete with other foreign products there. Because competing with domestic products is an other category... (PAPP-VÁRY 2003i).

The HUNGARIAN GALLUP INSTITUTION has carried out an interesting research project in February 2002 based on this topic. They examined neighbouring countries, to investigate how much they valued the products coming from each other.

Figure 4: The perception of Polish citizens about the quality of certain Central-East European products.

Source: HUNGARIAN GALLUP INSTITUTION 2002: Country image research – The picture of Hungary in the neighbouring countries
As the figure shows, according to the Polish citizens, their own country’s products are the best, except in one category: automobiles. The Hungarian products got pretty good results in the following categories: pharmaceuticals, clothes, food and furniture. Good news, that also in Croatia, Serbia, Romania and Slovakia the respondents put the Hungarian products in second place in almost every category, right after their own country. This shows that the image of Hungary and Hungarian products is not as bad in the region as we many times believe. And after establishing a good image in East-Central Europe, we can make the next step: position our products and brands on the whole European market.

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