

# **Literature review & theoretical framework**

Product features can be easily copied and that is why markets have considered brands as a major tool for creating product differentiation. Even when it is possible to differentiate a product with characteristics, consumers are not able or don't feel motivated to analyze them (Kotler and Gertner 2002).

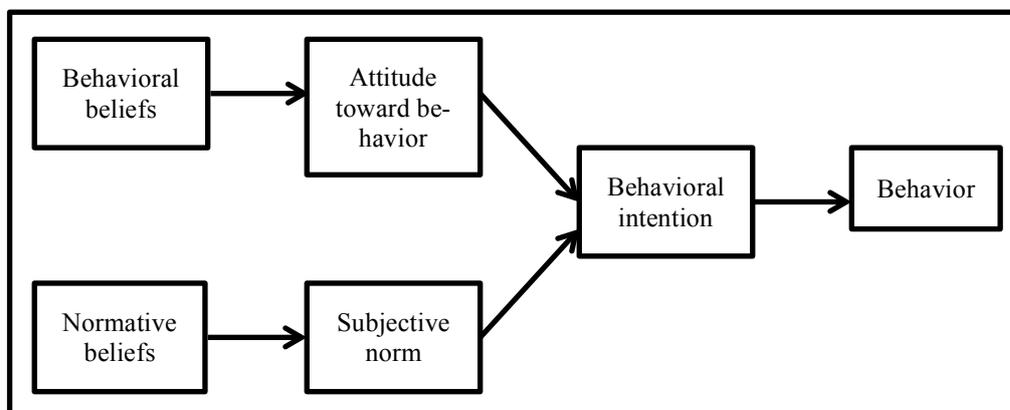
## Image and Brand

A person's attitudes and actions towards an object are determined by what a person knows or assumes to know about the object (Blunch 1996), in other words the person's attitudes are determined by their beliefs. The Fishbein model explains that there is a link between beliefs and attitudes. There are three kinds of beliefs:

- Descriptive
- Inferential
- Informational.

A study by Fishbein and Ajzen (1975) describes the descriptive beliefs as those that derive from a direct experience with the product. "The informational beliefs are those influenced by outside sources of information such as advertising, friends, relatives and so on... The inferential beliefs are formed by making inferences (correctly or incorrectly) based on past experience as this experience relates to the current stimulus" (Erickson et al. 1984 p695). See Figure 1.1, the Fishbein Model.

Figure 1.1: Fishbein Model



Source: Fishbein and Ajzen 1975

In marketing it is common to talk about an image. An image is “the set of beliefs, ideas and impressions that a person holds of an object” (Kotler 1991, cited in Blunch 1996). According to Papadopoulus (1993) the image of an object results from peoples’ perceptions. Each perception occurs at an individual level and therefore each object has a different image for each individual observer. A customer bases his actions on what he thinks he knows (beliefs) therefore the image is very important to a company. The image is an asset of the company in which the company has invested time and money (Blunch 1996).

Competent food technologists could replicate Coca Cola’s “secret formula”, but what differentiates Coca Cola from all other cola beverages is its distinctive logo or brand and packaging, which is the work of many years of promotion and advertising and also supported by near-universal availability. (Baker and Ballington 2002)

Brand names are very important. There are some products where the brand image has great significance, which is why choosing a brand name for a product is not easy. A word can have a symbolic function arising from all the associations it produces in consumer’s minds. Certain words derive their functional significance by being associated with particular objects. (Collins 2007). A brand is “a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one sellers and to differentiate them from those of competitors” (Kotler 1992 p442; cited by Keller 1993 p2).

Collins (2007) concludes in her study that there are six to seven points what make a good brand name:

- a) *Be unique, original;*
- b) *Be distinctive, but possibly remindful of the product category it is to go in;*
- c) *Be easy to read in all the countries in which the brand is to be marketed;*
- d) *Be easy to say in all the countries in which the brand is to be marketed;*
- e) *Be of such a verbal form as to have semantic and/or symbolic undertones/overtones, to convey the intended “feeling tone” to the consumer, and so elicit a consumer response, in line with the marketing objectives of the brand*

*f) Have staying power (Collins 2007 p361).*

The brand name is a commonly used cue to simplify the evaluation of a product or service. Using a familiar word as a name is advantageous because it is easy to recall but using a distinctive word is easier to recognize (Keller 1993).

According to Graby, (1993) brand image is the collection of ideas, feelings, emotional reactions and attitudes, which arise from the evocation of the brand. Company image takes part in the brand image.

Marion and Michel (1986, cited by Graby 1993) exposed that there are three concepts of image that are necessary to understand and can be applied to brands, companies or countries:

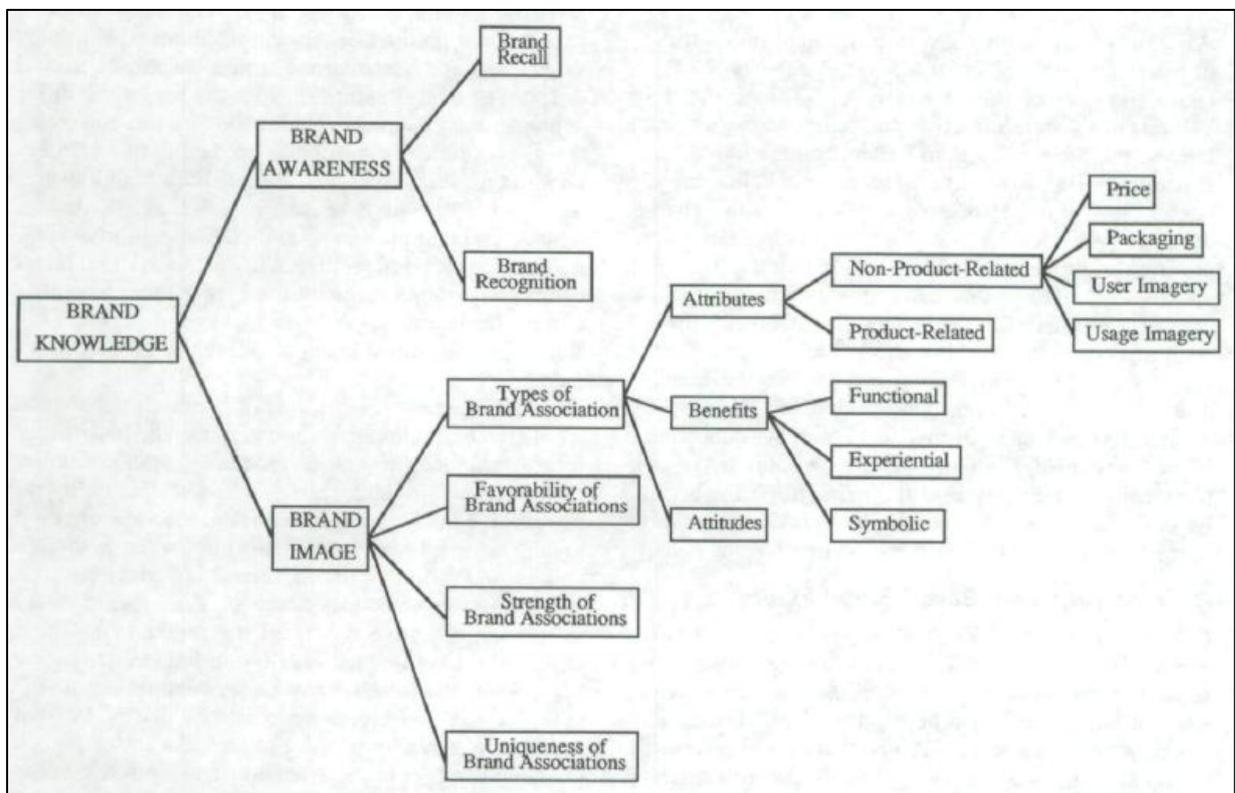
1. “Desired Image” refers to the target image that emerges from the strategic planning process of the company.
2. “Diffused image” concerns the execution of plans by such actors as company employees and associated agents (e.g., advertising agencies, retailers), and almost always varies to a greater or lesser degree from the first.
3. “Registered Image” refers to the image actually held by consumers and other publics. It is formed on the basis of actions of the company and the actors it controls, but also of inputs from other actors in the general business environment (e.g., governments, trade unions, the media).

The brand is very important for a company because the most valuable asset for a company is perhaps the knowledge that has been created about the brand in consumers’ minds through marketing. Brand awareness in general is when consumers think about a product category and associate it with a brand. High levels of brand awareness and a positive brand image increase the probability of brand choice. Brand awareness on people’s minds consists of brand recognition and brand recall performance. Brand recognition is the ability of consumers to confirm prior exposure to the brand when given the

brand as a cue. Brand recall is the ability of consumers to retrieve the brand when it is given a product category. (Keller 1993)

Keller (1999 p3) defines brand image as, “the perceptions about a brand as reflected by the brand associations held in consumer memory.” Brand associations are divided into attributes, benefits and attitudes. The attributes are the descriptive features that characterize a product. There are the product-related attributes that are the ingredients necessary for performing the service or product, commonly unknown by a consumer, and the non-product-related attributes that are the external aspects of a product. The main types of non-product-related attributes are the price information and packaging or product appearance information. The benefits are what consumers think a product or service can do; there are three kinds of benefits: functional benefits (what a product can do), experiential benefits (what it feels like to use the product) and symbolic benefits (social approval or personal expression) (Keller 1993). See Figure 1.2 Dimensions of Brand knowledge.

Figure 1.2: Dimensions of Brand Knowledge



Source: Keller 1993, p7

## **Country Equity, Country image and country of origin**

Studies from Petra Zeugner-Roth et al. (2008) and Hsieh et al. (2004) show that the image of a particular country influences the consumer's attitudes and behavior towards products or brands from that country. The name of a country can act in a similar way as the name of the brand. (Petra Zeugner-Roth et al. 2008). For example "made in Japan", "made in the U.S.A." or "made in Germany" are labels that are generally better evaluated by consumers than products with the label "made in Hungary" or "made in China".

According to Iversen and Hem (2001 p14 cited in Petra Zeugner-Roth et al. 2008) a country's equity is the "commercial value that a country possess due to positive or negative product related associations and affect in a given target market." Other researches Papadopoulos and Heslop say (2003, cited in Petra Zeugner-Roth et al. 2008) that the country equity is the real or perceived assets and liabilities that are associated with a country and distinguish it from others. Conclusively, marketers use country of origin cues in order to add value and differentiate their products (Baker and Ballington 2002).

People often judge a foreign product before the purchase even though they don't know the true quality of a product if they don't buy it. Consumers use the country image as a halo when they are not familiar with the country's products. They infer about a brand's product attributes and this affects their attitude toward the brand indirectly through product attribute rating. That means that the national image is transported to the product (Han 1989). While obviously not all products without a known brand name that are produced in one country have bad quality, the image of that country, that may not be favorable is transferred and this prejudices the products from that country.

On the other hand if a consumer is familiar with a country's products, country image becomes a construct that summarizes consumer's beliefs about product attributes and this affects their attitudes toward the brand (Han 1989). As Han (1989 p223) says "Country image, like brand image can be viewed as a summary construct. Consumers may abstract information about a country's products because brands with identical country of origin have very similar product characteristics". Nevertheless not all the

products of a country have good quality but those products are benefiting from the favorable country image they have.

Hsieh et al. (2004) summarizes the country image definition into three groups:

- Overall country image
- Aggregate product country image
- Specific product country image.

They define the overall country image as the total of all descriptive, inferential and informational beliefs that a consumer has about a country.

*“Aggregate product country image is the entire cognitive ‘feel’ associated with a particular country’s products or with the perceived overall quality of the products from a particular country. Specific product country image is the overall perception consumers form of specific product categories from a particular country”*  
(Hsieh et al. 2004 p253)

In other words county image is what consumers know or think they know about a country’s technological innovativeness, manufacturing ability, and flair for style and design (Roth and Romeo 1992).

Almost all of the studies on country image use only a single measure of product quality rating. Roth and Romeo (1992) summarized the research from authors who used more than one measure. Their work is cited in almost all the researches of COO (Country-Of-Origin) from 1993 to the present. They defined the country image dimensions in four points:

- a) “Innovativeness: Use of technology and engineering advances
- b) Design: Appearance, style, colors, variety
- c) Prestige: Exclusivity, status, brand name reputation
- d) Workmanship: Reliability, durability, craftsmanship, manufacturing quality.”(Roth and Romeo 1992 p5)

Products and countries have matches and mismatches. A product-country match occurs when important dimensions of a product category are also the perceived strengths of a country. The mismatch occurs when the product features being investigated are not important for the product category even if there is linkage between the country and the product category. For example:

A favorable country-match would be a German car, because there is a link between the product category and the country. This occurs when the perceived strengths of a country are important features for the product category.

An unfavorable product-country match occurs when the important features are not the perceived strengths of the country, like Hungarian shoes. A favorable mismatch occurs when the dimensions are not important for a product but they are positive for a country. An unfavorable mismatch is when the image dimension is not an important product feature and it is not perceived strength of the country. (Roth and Romeo 1992)

Studies have found that country image perceptions vary across product categories. See Figure 3. Country and Product Category Dimension Matches and Mismatches

Figure 1.3: Country and Product Category Dimension Matches and Mismatches Source

		COUNTRY IMAGE DIMENSIONS	
		POSITIVE	NEGATIVE
DIMENSIONS AS PRODUCT FEATURES	IMPORTANT	I FAVOURABLE MATCH	II UNFAVOURABLE MATCH
	NOT IMPORTANT	III FAVOURABLE MISMATCH	IV UNFAVOURABLE MISMATCH

Source: Roth and Romeo 1992, p20

The country's total registered image is the result of at least three types of outputs.

- 1) *Its own outputs (products), which range from exports and foreign investments by its companies to cultural products (e.g., book, movies, and the statement and actions of its leaders.)*
- 2) *The effects of external elements, such as association with regional conditions (e.g., "Balkan style yoghurt") and the outputs of other actors (e.g., competing global brands or actions of neighboring countries)*
- 3) *The economic, political, and social conditions of the country as these are perceived by foreign "customers" (foreign governments, buyers, the media, foreign publics, etc.) who also serve to diffuse their conception of a country image to other publics (Garby 1993 p259)*

In general consumers who have a negative image or attitude toward a country may not consider purchasing a brand from that country (Hsieh et al. 2004), and as Roth and Romeo (1992 p13) concluded "the willingness to buy a product from a particular country will be high when the country image is also an important characteristic for the product category."

General learning theories would suggest that the sources are likely to be numerous and complex, including general knowledge about countries picked up everywhere from geography class in school to daily newspapers, tv documentaries, friends, co-workers, and experiences from visits to the country. If a child is told by his teacher that a country has some image, the child will grow up having this image. Travel experiences affect PCI (Product Country Image) Information. Consumers who had travelled to a country have different views than those who have not and some times the shifts in views associated with travel are positive, and sometimes negative (Papadopoulos 1993). This knowledge, however gained, can be applied to evaluate future purchases.

Unfortunately if country images are not well understood then they are not clear. The mentions of "France" may evoke images of Paris, Eiffel Tower or of the cultural or fashion output; but few people would be able to describe landmarks in Nice or Toulouse. The images of less-well-known countries like Moldova or East Timor is likely to be far less transparent. The best way to learn about a country is by dealing with colleagues from, and/or visiting there (Garby 1993). Because the information that one can

get through experience and conversations is more precise than the one that is acquired on news, press, etc.

The country of origin effect is also known as the “made-in” effect.

Several researches have concluded that product information such as country-of-origin (COO) influences consumer choice (Head 1998, Roth and Romeo 1992, Papadopoulos 1993, Maheswaran 1994, Häubl and Elrod 1999, Kaynak et al 2000, Chuang and Yen 2007).

It has been proven that when the product is associated with a negative COO, consumers infer that the product is not good and they evaluate the product unfavorably (Chuang and Yen 2007). COO is also used as a stereotype and it influences product evaluations (Maheswaran 1994). Maheswaran found that consumers' level of expertise and the strength of attribute information on a product determine the extent to which COO influences product evaluation. Experts use COO information only when the attribute information is ambiguous. Novices use COO whether the attribute information is ambiguous or not. He concluded that novices use COO stereotypes as a frame of reference and experts use them to selectively process and recall attribute information. Moreover Agrawal and Kamakura (1999) found that consumers buying a utilitarian product search for more information about the product attributes and they use COO as a summary construct rather than as an inferential cue to make judgments about the brand. However, consumers buying a hedonic product, like wine, use the brand name and COO to make judgments about quality even if the quality cannot be assessed prior to purchase.

Buyers hold images of products, brands, and firms and these images affect their behavior. The use of stereotyped images by sellers and buyers may make their decisions easier or can render them less effective if the distance between “perceived” and “objective” reality is vast (Papadopoulos 1993). Category-specific origin images cannot be generalized to the overall image of an origin country. How the matching of country of origin is done depends of course on what product one is looking at but if the consumer sees a strange design, and is told it is from Italy, he or she is prone to reassess initial impressions. However if she or he is told that it is from Taiwan, no such effort is undertaken.

(Johanson 1993). The “Made-in” concept reports that primitive national stereotypes persist in consumer’s minds (Head 1988).

Unfortunately most of the studies about COO are based on the “made-in” label and many of them fail because the most salient origin cues are those contrived by marketers (Thakor and Lavack 2003). Papadopoulos (1993) says origin cues are available to consumers and other publics in many different circumstances.

- a) *Embedded directly into the brand name: Alitalia airline, France-Soir newspaper, Nippon Electric appliances.*
- b) *Indicated indirectly through the brand name. e.g Lamborghini, Toyota (neither brands contains the respective country name)*
- c) *Indicated directly or indirectly in the producers company name (Nippon steel)*
- d) *Promoted expressly as a significant part of, or as “the”, brand’s unique selling position (Lowenbraü: German in lederhosen with the slogan “thankfully they send us their lager, not their shorts”)The bank credit Suisse in America (san Bernard dog and an American eagle)*
- e) *Included as the centerpiece or a part of package design: (flag colors or some other internationally recognized symbol, printed on or forming the packaging)*
- f) *Used in connection with a company’s sales force or other service*
- g) *Associated, directly or indirectly, with well-known representative symbols of the origin country (advertising, brand, corporate logos, etc.) associations can be linguistic, visual or aural eg: national flags, animals, landmarks, stereotyped images of ordinary people, personalities, music, geographic characteristics.*
- h) *Written on the made in label*
- i) *Related to regions rather than countries (scotch whisky, eurocar rental agency)*
- j) *Provided by third parties such as educators (teach the students the main products of each country) the media, cultural products, friends and associate (Papadopoulos 1993 p14).*

“Sellers and buyers use advertising, packaging, branding, product design, and many other means in addition to ‘labels,’ to provide and obtain information about product origins” (Papadopoulos 1993 p3). Nowadays, due to globalization, there are hybrid products and companies choose to use or not to use the origin for promotional campaigns. For example VW uses the term “German-Engineered” rather than “produced in” to describe the cars advertising, because the association with a positive German product attribute is clear. Consumers’ quality judgments are affected less for some hybrid or bi-

national products by the COO of the product effect when a product carries a very strong brand name than when it carries a weak one (Häubl and Elrod 1999).

Origins are of interest to all consumers. While some believe that origins are not important, others may use the information if it is readily available, still others will seek the origin out deliberately and take it into account at the time of the purchase. Sometimes the raw materials that a country produces, because of the climate conditions, geology or geography, suit particularly well for the production of certain products. Other consumers may be looking for a high status product. Often the status will be directly derived from the country image (cameras from Japan, cars from Italy or Germany, wines from France). The country of origins cues serve directly as a status symbol and effect consumer's performance beliefs held about the level of industrial development and quality of products produced in a country (Papadopoulos 1993).

The COO effect derives from the different capabilities of different countries to produce different products. Unless manufacturing is completely standardized, it can be assumed that there is a difference between products from different countries. Consumers say and think that they can critically evaluate complicated products when in fact most information has to be taken on faith. This faith is based on the manufacturers brand, the dealer and the country of origin (Johanson 1993)

Other studies (Häubl and Elrod 1999, Phau and Prendergast 2000) are based on the country of origin of the brand or brand origin (COB). The country of origin of the brand is the country where the corporate headquarters of the company is located. "Many luxury brands are seen as status symbols... There is a strong distraction from the label of country of manufacture (COM) and, therefore, it is irrelevant in the evaluation process. The brand name (brand origin) encompasses quality assurance and superior image" (Phau and Prendergast 2000 p165). However not all the companies think like that, as it is cited the CEO of LVMH on the introduction.

Years ago most of the non-finish people though that Nokia was a Japanese brand and it wasn't a problem for the company because the image of Japan cellphones was an ad-

vantage. Recently the company has transferred their image back to its home country Finland. Still, some people still think Nokia is a Japanese brand. This example can be seen in the movie Transformers.

Consumers are now aware that a brand product is not always made in the brand country. They know that Nike is an American brand but their products are made all over the world. Regardless, consumers still perceive the product to be an American product. A successful brand can exploit its brand equity by promoting a brand country rather than its COM. A brand name with a strong association to superior product quality and brand image will render the country of manufacture irrelevant. (Phau and Prendergast 2000).

Phau and Prendergast (2000) assumed that country of origin of the brand is a better evaluation tool than country of manufacture for hybrid products of luxury brands. They also concluded that brand image and product quality are not affected by the location of manufacture. In other words they rejected that COM affects the judgments of consumers by purchase decision.

Most of the researches study the COO on durable goods like automobiles, tvs, etc. because it seems that these products are more sensitive to country image than are nondurable goods. If the product is complex then the country of origin is important and consumers seek more information to reduce risk.

### **Foreign branding and its application in Germany**

New Yorker, Haägen Dazs, Carlo Colucci and Desperados, what do they have in common? They are not what they seem. New Yorker is a fashion label from Germany, not from New York. The name Haägen Dazs appears to be Scandinavian (Danish) but it is American ice cream. Carlo Colucci sounds Italian but it is a German brand of clothes and fashion from Cologne, and Desperados is not a Mexican beer, it is French.

There is a large body of research on country image, brand equity and country of origin; but the research on foreign branding is very limited. The term foreign branding is not very common but when it is explained is easily understood. This term was used for the

first time by Leclerc et al (1994 p263) and defined as “The strategy of pronouncing or spelling a brand name in a foreign language” In 1993 Papadopoulos wrote in his book *Product-country images: impact and role in international marketing* about “borrowed origins”

*The realization of the usefulness of origin images by decision makers has led to yet another way in which origin identifiers are used increasingly in today's “global markets: the “unauthorized borrowing” of strong origin images to enhance or distinguish the image of brands which have a little or no relation with the origin in real terms... it occurs much more frequently today and is likely to grow in the future... Manufacturers essentially give their products any origin image they choose, depending on their assessment of the relevant competitive environment and without regard to their real place of production.... Note that whether the borrowed image is presented by the producer as “real” and/or believed by the consumer to be “real”, is beside the point of discussion (Papadopoulos 1993 p19).*

Indeed the use of foreign branding is much more frequent today. It triggers stereotypes and influences product perceptions and attitudes. Leclerc et al (1994) studied how the foreign branding affects the brand image. They tested hedonic products and utilitarian products with French and English names and they concluded that French names on hedonic products were preferred and more positive evaluated than English names. That is because the stereotype of France is associated with aesthetic sensitivity, refined taste, elegance, flair and sophistication.

Foreign branding it is more effective than country of origin information because brand names, packaging, etc. can be changed more easily and it is more salient than the “made in” label (Leclerc et al 1994)

Klein et al (2009) studied the consumers' reactions to the incongruence between COB and COM implied by foreign branding. They demonstrate “that a foreign branding strategy increases the purchase likelihood if product's name is compatible with the product category” and that “incongruence between the actual developing COO and the country implied by the foreign branding backfires for products in hedonic categories.” (Klein et al 2009 p1)

Over a hundred years ago, before globalization, a lot of countries had a protectionist economy. The United Kingdom made it a punishable offence to apply any false trade description to goods. By “trade description” they meant any description, statement, or other indication, direct or indirect as to the country in which any goods were produced. “Ernest Edwin Williams cites in 1986 the Germans as prime culprits in using fraudulent marketing” (Head 1988 p237). That was because when the Germans exported to other countries they used foreign branding and with very small letters the label “Made in Germany”. All of this was before the “Made in Germany” label turned into one of the best labels in the world with notions of reliability, precision and punctuality (Head 1988).

Nowadays the foreign branding is part of the German culture. In supermarkets or discounters there are products with the image of the statue of liberty that say “American sandwich”, or the Eiffel tower and the colors of France in the package of products, etc. There are even local stores bearing the descriptions “Italian shoes”, “Irish pub”, “Mexican restaurant”, etc.

In Germany the textile manufacturers are taking advantage of the French and Italian reputations with the “Kuckucksmarke” (Foreign Branding) by using French or Italian names (Scheele 2007)

Here is a list of some foreign branding names from Germany. First the name of the brand, then the supposed origin, where all the people think the brands are from and finally the COB .

- Mustang – America – Künzelsau
- René Lezard – France – Schwarzach
- Carlo Colucci – Italy – Cologne
- Mont Blanc – France – Hamburg
- Bruno Bannani – Italy – Chemnitz
- Tatonka – India –Dasing
- Wodka Gorbatschow – Russia – Berlin

- Puschkin Vodka – Rusia – Hasselünne
- New Yorker – America – Braunschweig
- Fuego – Mexico – Dissen
- Don Enrico Mexicano – Mexico – Stemwede

Carsten Mohr, a consultant at the Kölner Markenagentur Endmark says that “Nicht die wirkliche Herkunft ist entscheidend für den Kauf eines Produktes. Wichtig ist nur, woher es nach dem Glauben des Kunden stammt.” Meaning that the real origin of the brand is not important for purchasing a product; more important is where customers *think* the product comes from (Scheele 2007).