CONSUMER REACTIONS TO BI-NATIONAL PRODUCTS: IMPLICATIONS FOR INTERNATIONAL MARKETERS

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Bi-national products, which are branded in one country but actually manufactured in another, are increasingly found across today's international markets. The viability of these products should depend on how consumers perceive their quality. This study investigates how U.S. consumers evaluate bi-national products when they are provided brand name, country-of-manufacture, and specific attribute information. Of particular interest is how consumers' product familiarity and patriotism influence their evaluations. The study examines two product categories, T.V. sets and athletic shoes, and produces results that are quite different across these two categories. The implications of the results for international marketers are discussed.

INTRODUCTION

The evolution of the world environment has led to increased globalization of business operations in the form of growth in world trade, foreign direct investments, and strategic alliances. The emergence of new markets (e.g., Eastern Europe, Vietnam, China, and Asian newly-developed countries), the development of trading blocs (e.g., North American Free Trade Agreement and EC 1992), and the liberalization of foreign investment and trade restrictions in many countries have led to the proliferation of global markets, multinational production locations, and multinational joint ventures. In particular, technology transfer, production cost differentials, barriers to trade, and the drive to improve product quality have facilitated the growth and development of worldwide sourcing systems and foreign manufacturing operations. Moreover, the advent of new international players (e.g., Japan, South Korea, and Taiwan) has heightened competition in the world arena.

The Journal of Marketing Management
Volume 5, Issue 1, pages 29-38

All these changes have affected the production and marketing of products. As one consequence of increased competition and greater sourcing and manufacturing alternatives, the global and U.S. marketplace is inundated with products not only from different nations, but products involving more than one country. Various recent research has dealt with the emerging issue of country-of-origin (COO) and has offered a range of definitions explaining COO and its effect on product evaluations and perceptions (e.g., Bilkey and Nes 1982; Han and Terpstra 1988; Johansson, Douglas, and Nonaka 1985; Thorelli, Lim, and Ye 1989; Wang and Lamb 1983). However, the separation of manufacturing or assembly location from the country with which the firm or brand is associated has become a prevalent phenomenon. Consequently, the term "origin" has become inadequate; "country-of-origin" of a product can include country-of-brand (COB), the country where the product is branded, and country-of-manufacture (COM), the country where the product is made. This paper focuses on so-called bi-national products, whose COB differs from their COM.

The growth and significance of bi-national products in the global marketplace are recognized well in the literature (Ettenson and Gaeth 1991). In addition, empirical studies have been conducted to examine consumer perceptions of these products (Ahmed and d'Astous 1993a,b; Chao 1993; Ettenson 1993; Li 1992; Showers and Showers, 1993). Most of these studies focus primarily on whether country labels, in relation to other "extrinsic" product cues such as brand names and price levels, have a significant impact on product evaluations. For example, they have successfully demonstrated that "made-in" labels have a strong influence on evaluations of bi-national products by American customers (Chao 1993; Li, 1992), by Canadian and Belgian consumers (Ahmed and d'Astous 1993a, 1993b), and by Russian and Eastern European buyers (Ettenson 1993). However, there are at least two important limitations of these studies. First, most of the studies gave the subjects only extrinsic cues such as brand/country names or prices, and failed to include detailed, "intrinsic" attribute information about products, some of which is readily available in actual shopping situations. Thus, a question remains as to whether country name effects would still prevail even when product attribute information is provided. Second, they are preoccupied with documenting product cue effects, overlooking individual differences in such effects, which may be potentially strong. Then, an immediate and interesting extension in this research stream is to determine whether there are consumers' individual characteristics that give rise to the differences in product attribute effects and overall product evaluations.

This study addresses those limitations of past studies and investigates how consumers make their evaluations of bi-national products. Specifically, the study deals with U.S. consumers, and focuses on the product evaluation situation where consumers are provided product attribute information in addition to brand name and COM. It hypothesizes that consumers' individual characteristics would affect bi-national product evaluations. Product familiarity and patriotism are selected as two potentially important variables of individual differences because of their tenacious effects on product evaluations, as shown in other studies (e.g., Bettman and Park 1980; Han 1988).

CONCEPTUAL BACKGROUND

Consumers use various types of information or "product cues" in their product evaluations (Peter and Olson 1987; Schellinck 1983). Product cues are classified as either "intrinsic" or "extrinsic" (Olson and Jacoby 1972). Intrinsic cues are physical attributes of a product, whereas extrinsic cues are product-related information but not part of the physical product itself, such as brand name and COO. There is a considerable amount of evidence suggesting that consumers rely relatively more on extrinsic cues as the basis for their evaluation of product quality (for a detailed review, see Rao and Monroe 1989, and Dodds, Monroe, and Grewal 1991 for the brand name effect, and Bilkey and Nes 1982, Johansson, Douglas, and Nonaka 1985, and Ozsomer and Cavusgil 1991 for the COO effect on product evaluations). Then, a question arises: Why do consumers rely more heavily on extrinsic than on intrinsic cues?

Extrinsic cues, when compared to intrinsic cues, are more general and applicable to a wider range of products, whereas intrinsic cues are specific only two a particular product. For instance, *IBM* sells many computers with features different from model to model. In this example, the brand name, *IBM*, which is an extrinsic cue, is associated with all the computer models it sells, whereas some specific, intrinsic attributes are applied only to a particular model. Thus, it is believed that consumers are generally more familiar with extrinsic cues than intrinsic cues, and use them to organize their knowledge about various products. The significant effects of extrinsic cues on product evaluations found in numerous empirical studies substantiate such belief.

The distinction between intrinsic and extrinsic cues has an important implication for the present study because studies have shown that consumers' utilization of intrinsic versus extrinsic cues (brand and country labels in particular) is related to their familiarity with the product category and potentially, to their patriotism. More specific hypotheses regarding this issue are developed in the following section based on the existing literature.

RESEARCH HYPOTHESES

Consider a situation where consumers tries to evaluate a bi-national product with brand name, COM, and some specific attribute information. Previous studies have demonstrated that brand name has a significant effect on product evaluations; consumers rely on brand name to infer the quality of a product (Aaker and Keller 1990; Dodds, *et al.* 1991; Jacoby, Szybillo, and Busato-Schach 1977; Peterson and Jolibert 1976). This could be explained by the fact that consumers are generally more familiar with brand name than with intrinsic product attributes, as discussed earlier. However, the literature has also indicated that the brand name effect is not universal; it is moderated by consumers' familiarity with or knowledge about the product category. Bettman and Park (1980), for example, found in their experiment that consumers who are more familiar with the product category tend to rely more on brand names in their product evaluation and choice processes. They explained their study results in terms of consumer knowledge structure; since product knowledge tends to be brand-based (e.g., advertising, point-of-purchase displays, usage experience, etc.), consumers with more knowledge are likely to use brands as the basis for their product evaluations. On the other hand, consumers who are less familiar with the product category would have to evaluate specific product attributes and integrate their evaluations to reach an overall judgment. Thus, it is hypothesized that:

H1a: When evaluating bi-national products, consumers who are more familiar with the product category would rely more heavily on brand name than on attribute information (significant brand name X product familiarity interaction effect on product evaluations).

H1b: When evaluating bi-national products, consumers who are less familiar with the product category would rely more heavily on attribute information than on brand name (significant attribute X product familiarity interaction effect on product evaluations).

Previous research has shown that the country label associated with a product has a significant effect on product evaluations. Specifically, studies have demonstrated that country identification has a positive effect on product evaluations for relatively more developed countries, while it has a negative impact for less developed countries (Cattin, Jolibert, and Lohnes, 1982; Darling and Wood 1989; Gaedeke 193; Han and Terpstra 1988; Wall and Heslop 1986). Such a country image effect seems to be significant regardless of product familiarity levels. Han (1989), for example, found that the COO information of a product affects product evaluations for both low and high familiarity consumer groups although the way it influences them is different; the country image plays the role of a halo for the low familiarity group while it serves as a summary construct for the high familiarity group. Consequently, only the main effect of country information is hypothesized in this study; any interaction effect between country information and product familiarity is not conceptualized. Since bi-national products carry country labels or COMs with them, it is expected that:

H2: When evaluating bi-national products, consumers would generally rely on COM as the basis for their evaluations (significant positive effect of COM on product evaluations).

In addition to product familiarity, another individual-related variable that can influence U.S. consumers' bi-national product evaluations is patriotism (Han 1988) or consumer ethnocentrism (Shimp and Sharma 1987). Historically, American consumers regarded imported products as inferior relative to U.S.-made counterparts. More recently, U.S. consumers refused to purchase foreign-made goods for patriotic reasons, e.g., foreign goods hurt the economy, create unemployment in the U.S., and eventually impinge on national sovereignty and the standard of living (Han 1988; Shimp and Sharma 1987). Marketers have found that more patriotic U.S. consumers evaluate foreign products unfavorably relative to less patriotic purchasers. This is reflected in the "buy American" theme previously utilized by the automobile and textile industry, and such firms as *Compaq*, *Black & Decker*, and *Wal-Mart Stores*. Research has shown an acceleration of this trend in recent years, stimulated by the Persian Gulf War, and the ongoing trade issue with Japan (*Advertising Age*, 1992; Gallup 1991; Roper 1985; 1989). Since most bi-national products in the U.S. market carry foreign origins with them, it is predicted that:

H3: When evaluating bi-national products, more patriotic consumers would evaluate the products less favorably than less patriotic consumers (significant negative effect of patriotism on product evaluations).

METHODOLOGY

Selection of Product Categories, Brands, and Countries

The product categories were selected on the basis of the three criteria: (a) the categories had to be different in their characteristics, (b) they had to be the ones where bi-national products were easy to find, and (c) they had to be relatively well-known to consumers. Several product categories of different sorts were initially considered, which were associated with bi-nationality: T.V. sets, athletic shoes, shirts, radio sets, bicycles, and automobiles. Then, a pretest was conducted with 94 students at a major U.S. metropolitan state university in order to determine their level of familiarity with those product categories. The results indicated that the respondents were relatively well familiar with the T.V. set and athletic shoe categories, and that they were actual users and consumers of these products. Therefore, these two categories were selected for the main study. Although there has been a concern regarding the use of students as surrogate consumers, it is believed that they are real, not "surrogate," consumers of at least those two product categories on the basis of the pretest results. In addition, given that one of the primary objectives of the study was to examine the effect of country information within a theoretical framework, homogeneous subjects (e.g., students or housewives) were desirable (Calder, Phillips, and Tybout 1981).

To determine brand names and COMs that were associated with either favorable or unfavorable image, another pretest was conducted with 82 students using unaided recall measures. Specifically, the respondents were asked to list the best and the worst brand names in each of the product categories as well as the best and the worst countries that would manufacture each of the products. The results showed that *Sony* was the best and *Emerson* was the worst brand name in the T.V. set category, and Germany was the best and Taiwan was the worst country that would manufacture T.V. sets. The results also revealed that *Nike* was the best and *Converse* was the worst brand name in the athletic shoe category, and the U.K. was the best, and Mexico was the worst country that would manufacture athletic shoes. Thus, these brand and country names were used in the main study as the ones associated with either a favorable or unfavorable image.

Design and Procedure

The design was a 2 (brand name: favorable vs. unfavorable) by 2 (COM: favorable vs. unfavorable) by 2 (product: T.V. set vs. athletic shoes) factorial design, with brand and country names as between subject factors and product as a within subject factor. Each subject evaluated two products, a T.V. set and a pair of athletic shoes, with product information which included not only brand and country names but also nine pieces of attribute information, drawn from *Consumer Reports*. The pieces of attribute information were put together such that they varied in terms of favorableness and relevance to the evaluation task. The intent was to ensure that the overall configuration of the information was not suggestive of any particular direction of the favorableness and relevance dimensions, thus creating evaluation situations that were closer to reality. The same attribute information for each of the product categories, shown in Appendix, was presented regardless of brand/country conditions.

A total of 93 students enrolled in business courses participated in the study. At the beginning of each session, they were told that the study was designed to measure their perceptions and feelings about international products. Then, they were given booklets which consisted of three sections. The first two sections asked them about a T.V. set and a pair of athletic shoes, respectively; the third section dealt with their product familiarity and patriotism. In the first section, under a brief scenario which read, "Suppose you run into the following brand name of a T.V. set manufactured in the following country..." subjects were given stimulus information (e.g., a *Sony* T.V. set manufactured in Taiwan with specific attribute information). They were asked to rate the quality of the product on a 9-point bipolar scale ranging from -4 = "very bad" to +4 = "very good." Then, after a few filler questions, they indicated their likings for the individual attributes of the product on 9-point scales from "strongly dislike" to "strongly like." They were then asked, "How important to you is each of the following features of attributes of T.V. sets?" They provided their answers for all the nine attributes on 9-point scales from "not-at-all important" to "very important." They answered the same type of questions about a pair of athletic shoes in the second section of the questionnaire. In the last section, they filled in product familiarity and patriotism measures. Their product familiarity was measured on three 9-point bipolar scales where +4 = "very familiar," "very knowledgeable," and "considerable experience purchasing the product." The patriotism measure consisted of four questions adopted from Han (1988). Specifically, subjects were asked to indicate the degree to which they agreed or disagreed with the following statements on 9-point scales raging from -4 = "strongly disagree" to +4 = "strongly agree": (a) "I should buy American products because I am American," (b) "Foreign imports are and will be hurting U.S. industry," (c) "Foreign imports are and will be replacing U.S. jobs," and (d) "I feel guilty if I choose to buy foreign products instead of U.S." Finally, they indicated their perceptions of the brand names and countries they saw in the questionnaire on 9-point scales from -4 = "very bad" to +4 = "very good."

RESULTS

Manipulation Checks

The effectiveness of the manipulations of brand and country levels was assessed through a 2 (brand name) by 2 (COM) analysis of variance procedure for each of the product categories. For the T.V. set category, the main effect for brand name on brand perception reached significance in the expected direction ($F(1,92) = 194.83$, $p < .000$; *M*s = -1.34 vs. 3.08), and the main effect for country label on country perception was also significant ($F(1,92) = 33.29$, $p < .000$; *M*s = -1.17 vs. 1.09). For the athletic shoe category, there was a significant main effect for brand name on brand perception ($F(1,92) = 139.31$, $p < .000$; *M*s = -.94 vs. 3.24) as well as a significant main effect for country label on country perception ($F(1,94) = 97.88$, $p < .000$; *M*s = -1.13 vs. 1.94), both in the expected direction. Thus, the manipulation worked as intended.

Regression Analyses

It was expected that consumers' evaluations of bi-national products would be influenced not only by the product information *per se* but also by consumers' individual characteristics such as product familiarity and patriotism. It was also predicted that the impact of brand name and attribute information on product evaluations would be moderated by product familiarity. These ideas were tested by two regression analyses, one for each product category. Specifically, the following regression equation was used for the analyses:

Product Evaluation
= Brand Name + COM + Attribute Information + Product Familiarity + Patriotism
+ Brand X Familiarity + Attribute X Familiarity

Since the three measures of product familiarity and the four measures of patriotism showed high levels of reliability (Cronbach's α = .95 for the product familiarity and .72 for the patriotism measures), simple average ratings on these measures were used for the analyses. Subjects' attribute evaluations were summarized by the weighted average rule and incorporated into the analyses (for supporting evidence of the averaging integration rule, see for example, Anderson 1965, and Anderson and Birnbaum 1976).

TABLE 1

Regression Results

Independent Variable	TV Set		Athletic Shoes	
	co-efficient	t-value	co-efficient	t-value
Brand name	.40	4.35***	.62	4.94***
Country-of-manufacture	.08	1.17	.07	.90
Attribute information	.24	2.30′	.27	1.57
Familiarity	-.35	-2.82**	-.02	-.10
Patriotism	-.13	-1.84*	.05	.58
Brand X Familiarity	.50	4.31***	.10	.65
Attribute X Familiarity	-.18	-1.55	-.11	-.50
R^2	.62		.45	
$F(7,85)$	19.73***		9.99***	

* $p < .05$, ** $p < .01$, *** $p < .001$

Table I reports the results of the regression analyses. The overall regression models were highly significant for both product categories (R^2 = .62, $F(7,85)$ = 19.73, $p < .001$ for the T.V. set category; R^2 = .45, $F(7,85)$ = 9.99, $p < .001$ for the athletic shoe category). For the T.V. set category, brand and attribute information had a significant effect on product evaluations (t = 4.35, $p < .001$ and t = 2.30, $p < .05$, respectively). However, one should be careful in interpreting the significant effect of brand name because of the strong interaction effect between brand name and product familiarity (t = 4.31, $p <$ .001). To further investigate the interaction effect, the following procedure was performed: (a) subjects were divided into high and low familiarity subgroups on the basis of the mean plus or minus one standard deviation (Anderson 1986; Cohen and Cohen 1975), and (b) regression analyses were conducted for each subgroup. The results showed that the brand name effect on product evaluations was significant only for the high familiarity subgroup (β = .94, t = 8.91, $p <$ .001), but not for the low familiarity subgroup (β = .17, t = .45, $p > .66$), supporting H1a for this product category. The attribute X familiarity interaction did not reach significance (t = -1.55, $p > .12$), although the main effect of attribute information was significant (t = 2.30, $p < .05$). Thus, H1b was not supported for this category. In addition, since COM did not have any significant effect on product evaluations (t = 1.17, $p > .24$), H2 was not supported. On the other hand, patriotism had a strong negative impact on product evaluations (t = -1.84, $p < .05$), supporting H3 for this product category.

For the athletic shoe category, the pattern of results was quite different. Among the pieces of product information provided for the subjects, only brand name had a significant effect on overall product evaluations (t = 4.94, $p < .001$); neither COM nor attribute information had a significant effect (t = .90, $p > .37$ and t = 1.57, $p > .12$, respectively). A possible explanation for this result would be that since subjects were generally more familiar with athletic shoes than with T.V. sets (product familiarity *Ms* = 2.11 vs. 1.62, t = 1.85, $p < .05$), they might have simply relied on the brand name information when evaluating athletic shoes. In addition, neither product familiarity nor patriotism effect reached significance for athletic shoes (t = -1.00, $p > .92$, and t = .58, $p > .56$, respectively). Consequently, none of the three hypotheses was supported for this product category, suggesting significant product type differences in consumer evaluations of bi-national products.

DISCUSSION

Implications for International Marketers

The results of this study have important implications for international marketers. First, the results revealed that for both product categories examined, brand name had a significant effect on product evaluations while COM did not. This suggests that a well-established brand name could override the COM effect, especially when intrinsic product attributes are present. In other words, as long as consumers feel comfortable about the brand they are buying, they do not care very much about where it is actually manufactured; they would perceive, for instance, a

Honda made in Japan and a *Honda* made somewhere else would tend to be of the same quality. The results are consistent with the finding that COO effects disappear when specific product attributes are availabe (Erikson, Johansson, and Chao 1984; Johansson and Nebenzahl 1987; also see Johansson 1989 for a review). These results are encouraging for international companies that manufacture products in less developed countries (LDCs) or newly industrialized countries (NICs), but somewhat cautionary for those companies that intentionally emphasize COM information such as "Made in America," or "German Engineering." They underscore the importance of the favorable image of brand name in marketing, which should be built up by strengths in product attributes.

Second, the results showed that product familiarity affected bi-national product evaluations differently for the two product categories. While the hypothesized brand X familiarity interaction effect was significant for T.V. sets, it was not significant for athletic shoes. It should also be noted that the effect of attribute information was significant only for T.V. sets. The results are consistent with the literature citing the product-specific nature of product cue effects (e.g., Bannister and Saunders 1978; Kaynak and Cavusgil 1983; Lumpkin, Crawford, and Kim 1985; Roth and Romeo 1992). Although the two product categories were not selected on the basis of any theoretical taxonomy, some interpretations are possible by understanding the basic characteristics of those categories. For many consumers, T.V. sets are relatively expensive, more technically complex, high-risk, and more durable products, whereas athletic shoes are relatively inexpensive, less complex, low-risk, and less durable products. Based on the study results, it is speculated that consumers generally rely on specific attributes when judging the quality of products that are expensive and complex such as T.V. sets to reduce risk, and only knowledgeable consumers have the capability and tendency to use brand name; consumers usually rely on brand name when evaluating products that are inexpensive and less complex such as athletic shoes.

Finally, the results also indicated that patriotism influenced bi-national product evaluations differently for the two product categories. Patriotism had a significant negative impact on product evaluations only for T.V. sets, but not for athletic shoes. This implies that patriotic consumers may be more selective about their choices when the products are more expensive and durable than they are when the products are less so. Related to the current finding is a survey that revealed that certain demographic groups are less patriotic and less inclined to be affected by the "buy American" pitch (*Advertising Age*, 1992). Therefore, the "buy American" approach may not be effective for all product categories or for all U.S. consumers. The marketers in the U.S. should find out what product categories consumers are patriotic about as well as who are more patriotic than others.

The results also have implications for foreign branded products. Evidence of consumer patriotism suggests that foreign-based companies marketing to the United States should investigate further the possible patriotic behavior of their target market. If they find their target market consumers highly patriotic, they could benefit from advertising promoting their investments in the U.S. *Honda* and *Toyota*, for example, have run ads that emphasize their significant and growing reliance on American suppliers. *Airbus Industries* has also advertised that billions of dollars worth of parts are made in the U.S. for *Airbus* aircraft.

The study results, considered in totality, suggest that there are consumer-related as well as product-related factors that affect bi-national product evaluations. The global marketers in the U.S. and elsewhere, formulating their marketing and advertising themes, should try to understand the way their products are evaluated as influenced by such factors.

Limitations and Future Research

Interpretation of the results should be tempered by recognition of several limitations of the study. First, shopping situations were artificially created in the study. As described earlier, some specific product information was provided for the subjects. Thus, such information was made salient for the purpose of the study. However, a question still remains as to whether consumers spontaneously seek and examine such information in actual purchase situations. Future research should address this issue and be conducted in a more realistic environment.

Second, the focus of the study was on U.S. consumers' evaluations of bi-national products. Future studies could use the current research framework to investigate bi-national product evaluations by consumers in some other countries (cf. Ahmed and d'Astous 1993a,b; Ettenson 1993). They could also examine a wider spectrum of products other than those used in this study. Additional research could look into the identification and investigation of the types of products and characteristics of consumers that are relatively more influenced by patriotic appeals.

Finally, the dependent measure of the study was perceived product quality. The existing literature indicates that consumers determine the value of a product by comparing quality with price. The literature further suggests that the perceived value of a product influences consumers' intention to buy the product (Dodds *et al.*, 1991; Monroe 1990). The present research could be easily extended by incorporating price and examining how perceived product values and purchase intentions are formed.

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APPENDIX

Attribute Information Used for the Study

Attributes of TV Sets
Standard size
High Definition with sharp pictures
No on-screen display of channel
Hi-fi sound system
Standard rectangular shape
Background noise at high volumes
Multi-function remote control
Six month warranty period
Occasional reflection of room lighting on screen

Attributes of Athletic Shoes
Modern style and color
Good ankle support
Single stitching
Air-cushioned sole
Manufactured by a new technology
Limited variety in size and design
Versatility (i.e., good for running as well as walking)
Lasts one and a half years on the average
Looks heavy or bulky