Summer 2014

Status of and Future Recommendations for Country-of-Origin Research

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STATUS OF AND FUTURE RECOMMENDATIONS FOR COUNTRY-OF-ORIGIN RESEARCH

KATIE POST

HONORS PROJECT

Submitted to the Honors College at Bowling Green State University in partial fulfillment of the requirements for graduation with UNIVERSITY HONORS

JULY 25, 2014

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Status of and Future Recommendations for Country-of-Origin Research

Abstract

This research investigates whether country-of-origin (COO) cues have an effect on consumer purchase intentions, based on a review of prior literature published in the EBSCO and Summon databases. The findings of these articles show that COO cues do not, on their own, have an effect on consumer purchase intentions; but do have some effect on consumer attitudes/feelings toward the product. Future research has much to offer in terms of identifying whether COO cues have an effect on consumers’ purchase intentions for specific products, or specific types of products.

Introduction

Country-of-origin (COO) cues give consumers an indication of where a product comes from. For example, the COO cue on American-made products is “made in the USA.” This COO cue is one among many cues that consumers get when selecting a product to purchase—other cues include price, brand, promotion, and product specifications. The primary research question investigated here is whether COO cues have an impact on consumer purchase intentions.

The study begins by identifying how the specific country-of-origin cue “made in the USA” is defined. Then, a literature review of previous research is articulated, followed by recommendations for future research, and for upholding the best practices in research in this area. This paper is focused primarily on research in the context of the market in the United States of America.

Defining “made in the USA”

A country-of-origin claim means different things, to different people—and different regulatory agencies. Some lay individuals believe that “made in the USA” indicates that all components, direct and indirect labor, and sourced materials (as well as their direct and indirect labor) were made in the USA—essentially, a product with a “made in the USA” claim would have to be
100% pure American. Others believe that most of the components (sourced or produced by the company) would have to be made in the USA. As it turns out, they are both right—depending on which agency’s definition they’re working with.

As noted in the Chicago Tribune’s article “A running feud over ‘made in USA’ Athletic-shoe firm challenges FTC definition,” there are different standards by which a product will be judged “made in the USA.” According to the FTC in 1995, “To be labeled ‘made in the USA’, ‘all or substantially all’ of a product’s components and labor must be of U.S. origin” (Associated Press 1995, 1). NAFTA says that “shoes are considered manufactured in North America if 55 percent of their content is made [in North America]” (2). The least stringent is the “Commerce Department, [which] sets its U.S.-made level at more than 50 percent” (2).

The FTC, in one case, believed its rule took precedence over the other agencies, which led to a lawsuit against the shoe manufacturer New Balance (Associated Press 1995, 1). New Balance, believing its “made in the USA” products to be superior to other internationally-produced shoes, even ran a campaign that stated “If we can make great athletic shoes in America, why can’t our competition?” (2). The question, in the interest of this project then, is whether New Balance should have cared to advertise their shoes as American-made at all: does the “made in the USA” claim even matter to consumers when making purchasing decisions?

Scope of this Paper
There are a number of ways in which a consumer can be affected by a COO cue. For example, a consumer could have negative affective feelings toward a product made in a low-cost country—and may even have doubts about the quality of the product because of this COO cue—but because of cost constraints, decides to purchase the product anyway. So, for marketing or branding purposes, businesses may consider whether COO cues have an effect on consumer evaluations of the product; but in the end, what ultimately matters to most firms is that consumers buy their product. For this reason, this study primarily investigates whether COO cues have an effect on consumer purchase intentions.
Method of Obtaining Reasonable Research for the Literature Review

The EBSCO and Summon databases were particularly helpful in finding research (specifically research articles) from professional journals. A number of different journals were used, in an attempt to create a holistic perspective on the different implications of COO cues. For example, the *International Marketing Review* gives a marketing perspective on how COO cues impact consumers’ perceptions of product quality; whereas the *Journal of Economic Psychology* can shed light on the way consumers react affectively toward given cues.

The generic terminology for a “made in the USA” claim seemed to be “country-of-origin (COO) cues.” So, “COO”, “country of origin”, and “made in the USA” were the primary search terms used to find relevant research.

A number of published articles have examined COO cues and their effect on consumers. The articles whose conclusions are included in this research are those that have the following qualities:

1. Use of a multiple-cue (or multi-factor) experimental design
2. Reasonably unbiased experimental questions
3. A description of the methodology used, which depicts sound experimental design

These three qualities are common threads among research that has come to conservative conclusions, which is the majority of research post-1990. They are also qualities found in research that has continued to be cited throughout further research, as in Verlegh and Steenkamp’s meta-analysis (1999), and other literature reviews on trusted research in the field (Sulaiti and Baker 1998). These are trusted methodologies, because:

1. A multiple-cue experimental design yields conservative results
2. Unbiased experimental questions get raw answers from participants (answers unaided by the influence of the experimenters’ inclinations)
3. A description of the methodology used indicates (at the very least) an attention to the necessity of controlling the experiment against unaccounted-for influences.
Literature Review

Previous studies have investigated the effect of country of origin (COO) cues, in different ways. Some studies observe the information that consumers gather about the product based on its COO cues—these investigate the consumer’s perception of product quality, based on the COO cues (Verlegh and Steenkamp 1999). Other studies have investigated consumers’ affective feelings toward a product, based on these same COO cues. Still other studies have investigated whether COO cues affect consumer purchase intentions (and if they do, the extent to which they do). A full list of the findings presented in this literature review is available in Table A.

Effect of Experimental Design

Initial studies indicated that COO cues did indeed have an effect on consumer purchase intentions (Verlegh and Steenkamp 1999; Sulaiti and Baker 1998), but these studies were done through the use of a single-cue experimental design.

In its most generic form, a single-cue experimental design gives participants in a study two identical products—one with, for example, the label “Made in the USA”; and the other with the label “Made in China”. This one cue—the country of origin cue—is all the information the participant in the study gets, and is then asked to choose which product he or she would buy. So, the question then becomes: Which of these two identical products would you rather buy—the one made in your home country, or the one made in some other country? For whatever reason—reasons of national pride, of wanting to support a more local economy, or of consumer ethnocentrism—participants are led into answering that they would prefer to buy the product from their home country (Verlegh and Steenkamp 1999).

More recent studies contradict earlier studies as to whether COO cues have an effect on consumer purchase intentions (Sulaiti and Baker 1998), because the more recent studies indicate
that COO cues do not have an effect on consumer purchase intentions (Verlegh and Steenkamp 1999; Agrawal and Kamakura 1999; Sulaiti and Baker 1998). As research has developed, so has its methodology. The more recent studies use multiple-cue experimental designs (Sulaiti and Baker 1998). Instead of presenting participants with two identical products and only one cue, they present participants with a number of cues (one of which is the country of origin cue). This list might include price, brand, product specifications, country of design, country of assembly, and warranty information (Ahmed, Astous and Adraoui 1994; Verlegh and Steenkamp 1999). From these cues, which are manipulated in a controlled fashion, participants are then asked to either rank the products based on quality perceptions, or choose the one that they would prefer to purchase.

In an attempt to close the gap between studies that indicated that COO cues have a large effect, and studies that indicated that COO cues have no effect at all, Magnusson, Westjohn, and Zdravkovic “posit that specific country associations affect brand attitude” (Magnusson, Westjohn and Zdravkovic 2011, 459). For this reason, participants in the studies that found COO cues to have no effect, would have found that brand superseded COO cues (as was concluded in a number of studies) (Verlegh and Steenkamp 1999; Agrawal and Kamakura 1999; Sulaiti and Baker 1998). Additionally, Magnusson et al. found that consumers infer the brand’s country of origin, based on associations with the brand name (i.e. consumers think that if the brand looks like a Chinese word, then it must be a Chinese brand). Although consumers are not always correct in their identification of the brand’s country of origin, the perceived COO of the brand affects consumer attitudes toward the brand (and in turn, toward the product) (Magnusson, Westjohn and Zdravkovic 2011).

Studies that controlled for familiarity with a product showed that COO cues “play a larger role in helping consumers ‘fill in the gaps’ regarding product attributes when they lack explicit information” (Maronick 1995; Tseng and Balabanis 2010). This implies, then, that consumers use COO cues more when they are unfamiliar with a product. In Thomas J. Maronick’s “An empirical investigation of consumer perceptions of ‘made in USA’ claims,” participants were asked to evaluate a bicycle (a familiar product) and a typewriter (an unfamiliar product) (Maronick 1995). In 1995, consumers were no longer familiar with typewriters, and used the
COO cue to help them better assume the quality of the product. Still, Maronick found that the “made in USA” claim is of relatively low importance in consumer purchase intentions. Later studies reaffirmed this theory, that when presented with multiple cues on a product (depicting a real-life buying situation), the effect of the COO cue on consumer purchase intentions is diluted; and therefore has little to no effect (Agrawal and Kamakura 1999; Ahmed, Astous and Adraoui 1994; Moon and Jain 2002; Verlegh and Steenkamp 1999).

Further studies have concluded that although COO cues do not have an effect on consumer purchase intentions, COO cues do have some effect how the participant feels about the product. The participant’s feelings toward the product have been measured more generally as “perceived quality…, and product attitudes…” (Verlegh and Steenkamp 1999). However, the reasoning behind these participants’ affective feelings is undocumented. The evidence is simply that COO cues affect consumers on some emotional level (Ahmed, Astous and Adraoui 1994; Chao 1998; Verlegh and Steenkamp 1999).

**Effect of Buy-National Campaigns**

Perhaps in response to the knowledge that COO cues do not affect consumer purchase intentions, some countries have run “Buy-National” campaigns, wherein they promote the purchase of the home country’s goods over those from other countries (Ettenson, Wagner and Gaeth 1988; Fenwick and Wright 2000). One of these studies was done in New Zealand, on their buy-national campaign. The results of the campaign were measured in company staff growth/decline (in number), and domestic sales growth/decline. The effect of the campaign was statistically insignificant for responding firms, but the authors suggest that having a larger response size (and therefore larger sample size) would have decreased variation among responding firms and could have indicated a more significant effect (Fenwick and Wright 2000). Another reason that the authors suggest for the insignificance of the buy-national campaign, is that it was funded by the textile industry. For better results, Fenwick and Wright suggest a retreat from promoting the specific member firms of the campaign, and toward promoting the cause itself (of “buying
domestic”)—they believe this would indicate more pure intentions from the firms and could help the overall effort for consumers to purchase domestically-produced products.

Another buy-national campaign occurred in the United States (Ettenson and Gaeth 1988). Again, the campaign had no significant effect on consumers. Firms should therefore be cautious if expecting an increase in sales as a result of a buy-national campaign.

Effect of the Population Tested

Different sectors of the population are likely to have different opinions. For example, the older generation is infamous for its resistance to technology—and the younger generation, for its hasty acceptance of the “latest and greatest.” For this reason, studies have investigated whether there is a statistically significant difference among different populations, when it comes to the effect that COO cues have on them. Interestingly, when blocking for different demographic factors; Verlegh and Steenkamp’s 1999 meta-analysis found no significant difference between participants who were college students, and those who were supposedly a representative sample of the entire population (based on age, education, or other demographic differences between college students and the rest of the population). The implication of this finding—that students are no different than a theoretically representative sample of the population—is that future studies can use the easier to obtain student samples, without significantly hurting their credibility.

In addition to the difference between students and the rest of the population, other studies have investigated whether purchasing managers react differently to COO cues than the lay population. Theoretically, purchasing managers are people who are well-trained to buy the right products, at the right time, and in the right quantity—therefore, they should have a more logical/reasonable purchasing technique than the rest of the population. However, Verlegh and Steenkamp’s meta-analysis (of all relevant studies done prior to 1999) found that there was no statistically significant difference between the effect of COO cues on consumer goods (those purchased by the lay population) and on commercial goods (those purchased by purchasing managers).
Effect of the Type of Product Used in the Experiment

Different types of products have different reputations. For example, French wine has a reputation for being of the highest quality—as do Swiss watches (Verlegh and Steenkamp 1999). Additionally, brand can supersede COO as a defining factor in a consumer’s evaluation of a product (Verlegh and Steenkamp 1999; Agrawal and Kamakura 1999; Sulaiti and Baker 1998). Therefore, firms must be hesitant to extrapolate the results of any studies that show significant COO effects, if the product in the study and the product the firm sells are not similar. For example, the products used in COO studies have ranged from automobiles, to food products, to consumer electronics, to bicycles. All of these products are likely to be evaluated in very different ways, given that consumers shop with different expectations of different types of products.

Current Research Trends

Over the past five years, researchers have been interested in studying the effects of COO cues in more specific ways. Instead of trying to generalize the results of studies to create a broadly-defined definition of the effect of COO cues, current research is focused on identifying the effect of COO cues for specific products, services, market segments, or types of products.

For example, a 2012 USDA Economic Research Service (ERS) study investigated the effects of the 2005 USDA country-of-origin (COOL) mandate. This mandate ordered “fish and shellfish…the first commodities subject to mandatory country-of-origin labeling (COOL)” (Kuchler and Krissoff 2012, 2). In 2009, the mandate came to include “red meat, chicken and goat meat, fresh and frozen fruit and vegetables, peanuts, pecans, macadamia nuts, and ginger” (2). ERS researchers chose to study whether this COOL mandate had an effect on consumers’ purchase intentions for shrimp, because of shrimp’s widespread consumption throughout the United States, and because “random-weight shrimp” (2) (the shrimp that wasn’t pre-bagged in the store), had not been required to label its country of origin prior to 2005. However, despite the
researchers’ expectation that consumers would begin to purchase more random-weight shrimp “if COOL mattered to consumers…[,] no such demand shift was observed” (2). Segmenting consumers by level of education also showed no effect, implying to the researchers that other relevant cues had (cumulatively or separately) a more determinative effect on consumers’ purchase intentions.

A 2013 study evaluated whether COO labeling due to the new COOL regulations was effective in changing consumers’ buying behaviors, for the products that were regulated by the COOL mandate (Taylor and Tonsor 2013). This study investigated the COOL regulation impact on different types of meat separately; including chicken, pork, beef, and turkey. The researchers found that the COOL regulations were not effective, and therefore posited that society as a whole had a “experienced a welfare loss” due to the increased time and expenses devoted to the COO labeling.

In addition to studying how COO cues affect consumer purchase intentions for a specific type of food as mentioned above; a 2011 study published in the British Food Journal investigated the effects of COO cues on consumer purchase intentions for food, in general. This study again found that COO cues do not have a primary role in affecting consumer purchase intentions. Instead, consumers are self-reportedly influenced first by “price, taste, healthiness, and [perceived] quality” (Insch and Jackson 2014, 68). Still, COO cues may have an indirect or subconscious effect on consumers’ evaluation of expected product taste, healthiness, and perceived quality.

Researchers are wary of consumers’ self-reports, though, so another option for researchers, is to monitor consumers’ reactions to COO cues by measuring their brains’ reactions to these cues. Min et al. debuted this method in their 2013 investigation of participants’ brain wave reactions to COO cues. Brain wave activity was measured via electroencephalogram. Based on the results of this study, the researchers concluded that “COO influences product design preference” (Min et al. 2014, 5), which is part of a consumer’s affective feelings toward a product.
Research is taking new directions each year, on the subject of COO cues. For quick reference, *Table A* provides a summary of the findings mentioned in this paper, in chronological order.

**Table A: List of Findings**

<table>
<thead>
<tr>
<th>Date</th>
<th>Author(s)</th>
<th>Relevant Finding(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>Ettenson, Richard, Janet Wagner and Gary Gaeth</td>
<td>The &quot;Made in the USA&quot; campaign had little to no effect on consumer's buying habits</td>
</tr>
<tr>
<td>1994</td>
<td>Ahmed, Sadrudin A., Alain d'ASTous and Mostafa El Adraoui</td>
<td>For automobiles, brand has a stronger influence on purchase intentions than COO cues on purchase intentions; Single-cue experimental designs imply a stronger COO effect than multiple-cue designs; COO cues affect consumers' perception of the product, but not necessarily purchase intentions</td>
</tr>
<tr>
<td>1995</td>
<td>Maronick, Thomas J.</td>
<td>COO cues help consumers infer information about a product, when they are unfamiliar with it; the &quot;Made in the USA&quot; claim has little to no effect on consumers' purchase intentions</td>
</tr>
<tr>
<td>1998</td>
<td>Chao, Paul</td>
<td>Perceived quality is higher when a product comes from more developed countries, than when the product was made in a less developed country</td>
</tr>
<tr>
<td>1998</td>
<td>Sulaiti, Khalid and Michael J. Baker</td>
<td>Brand supersedes COO cues; More recent studies use a multiple-cue experimental design</td>
</tr>
<tr>
<td>1999</td>
<td>Agrawal, Jagdash and Wagner A. Kamakura</td>
<td>COO cues are more influential on perceived quality than on purchase intentions; brand supersedes COO cues; the effect of COO cues is diluted when study participants are presented with multiple cues</td>
</tr>
<tr>
<td>1999</td>
<td>Verleg, Peeter W.J. and Jan-Benedict E.M. Steenkamp</td>
<td>Brand supersedes COO cues; More recent studies use a multiple-cue experimental design; COO cues have little to no effect on consumer purchase intentions; COO cues affect consumers on some emotional level; College students are not statistically significantly different than the rest of the population, when it comes to their reaction to COO cues; there is no difference between the lay consumer's reaction to COO cues, and a purchasing manager's reaction to COO cues; Some products (like French wine) have a product-specific reason for consumers' reactions to the particular COO cue</td>
</tr>
<tr>
<td>2000</td>
<td>Fenwich, Graham D. and Cameron I. Wright</td>
<td>The &quot;Buy New Zealand&quot; Campaign had little to no effect on consumer's buying habits</td>
</tr>
<tr>
<td>2002</td>
<td>Moon, B.J. and S.C. Jain</td>
<td>The effect of COO cues is diluted when study participants are presented with multiple cues</td>
</tr>
<tr>
<td>2010</td>
<td>Chu, Po-Young, Chia-Chi Chang, Chia-Yi Chen and Tzu-Yen Wang</td>
<td>There is an interplay between brand and country of origin</td>
</tr>
<tr>
<td>2011</td>
<td>Magnusson, Peter, Stanford A. Westjohn and Srdan Zdravkovic</td>
<td>Consumers infer a brand's country-of-origin, based on associations with the brand name; &quot;correctness&quot; of perceived country of origin does not matter</td>
</tr>
<tr>
<td>2011</td>
<td>Tseng, Ting-Hsiang and George Balabanis</td>
<td>COO cues help consumers infer information about a product, when they are unfamiliar with it;</td>
</tr>
<tr>
<td>2012</td>
<td>Kuchler, Fred and Barry Krissoff</td>
<td>The COOL mandate did not affect consumers' purchasing habits;</td>
</tr>
<tr>
<td>2013</td>
<td>Taylor, Mykel R. and Glynn T. Tonsor</td>
<td>COOL regulations were not effective; Society experienced a &quot;welfare loss&quot; because of the increased time and expenses devoted to COO labeling</td>
</tr>
<tr>
<td>2013</td>
<td>Zhou, Lijun and Dequn Zhou</td>
<td>More research is needed on how COO cues affect the service industry</td>
</tr>
<tr>
<td>2014</td>
<td>Insch, Andrea and Erin Jackson</td>
<td>Consumers are influenced primarily on a secondary or tertiary level by COO cues (the COO cue is not the most influential factor in a consumer's purchase intentions)</td>
</tr>
<tr>
<td>2014</td>
<td>Min, BK, K. Cho, J. Sung, and E. Cho</td>
<td>COO cues have an influence on consumers' affective feelings toward a product (based on brain-wave studies)</td>
</tr>
</tbody>
</table>
Further Research Opportunities

Further research could repeat the fundamental questions asked in previous experiments—this could be done through repetition of past experiments, or the design of new experiments to re-test the same questions. However, the following are broad research questions that would investigate the topic of COO cues and their effect on consumers, in a way that previous research has not recognized:

1. Do “made in the USA” labels have different effects in different countries? Where do different countries rank on the spectrum of “no effect” to “observable effect”?
2. Do political affiliations affect consumers’ attitudes, or purchase intentions toward, a product with a country of origin cue?
3. What types of products do consumers buy, based on COO cues? Are there specific types of products that are purchased based on COO cues, and others that are not affected at all by these cues?
4. How much less expensive does a product need to be, in order for a consumer to be convinced to purchase a product from a less developed country, than from a more developed country?
5. As the developing world gains buying power, do their preferences toward/against particular nations’ products change?
6. Does it matter how the COO cues are presented? For example, are they more effective when they are written as “made in the USA,” versus using an American flag to indicate this country of origin?
7. How do country of origin cues affect the service industry? This is one aspect of COO cues that researchers have just begun to explore in the past few years (Zhou and Zhou 2013).
   a. Are consumers sensitive to the outsourcing of after sales support to other countries? Does this have any effect on their purchase intentions?
Best Practices In Experimental Design

The use of best practices in experimental design should help other researchers to ensure that they are designing an experiment that produces conservative (and therefore trustworthy) results, in the eyes of the research community.

Note: this list is not meant to take the place of a thoroughly designed study, but to be more of a checklist for researchers to consult when designing their experiments. This list may not be inclusive of every relevant factor, in every experimental situation. Reasonable caution must be used when designing any new experiment.

Summary of Best Practices in COO Cue Experimental Design

1. Use of a multiple-cue experimental design
2. Use of a within-subjects design, instead of a between-subjects design
3. Separation of consumer purchase intentions from consumer affective feelings toward a product
4. Creation of unbiased experimental questions (those that do not lead the participant into answering in a particular way)
5. Identification of an appropriate population
6. Articulation of the limitations of the particular study
7. Identification of the specific product/product type to be studied
8. Resistance to extrapolation of results
Limitations of This Research

There are several limitations with this research. This paper is not a comprehensive review of COO cue research, per se—it is more an investigation into how COO cues affect consumer purchase intentions, than into how COO cues affect consumers’ feelings toward a product. Additionally, this paper focuses on product-based effects, as opposed to service-based. Finally, as mentioned earlier, the research in this paper is limited to research articles that were available in the EBSCO and Summon databases, as of July 2014.

Conclusion

Researchers still have not investigated every aspect of COO cues available. Going forward, experimental design will be paramount when creating meaningful studies—without this commitment to methodological rigor, these experiments will be invalidated by previous, more methodological research. Reasonable experiments have deemed the effect of COO cues to be null. However, more recent research has begun to examine the effects of COO cues on specific products or services, so these studies may yield different results. As the nature of research questions and methodologies changes, researchers are exploring the subtle nuances that affect consumers’ perceptions of COO cues.
References


[http://www.ftc.gov/enforcement/cases-proceedings](http://www.ftc.gov/enforcement/cases-proceedings).


Samsung was Japanese: accurate or not, perceived country of origin matters.”


