

COUNTRY-OF-ORIGIN EFFECT ON LUXURY BRANDS EQUITY: A LONGITUDINAL INTERNATIONAL APPROACH

Over the past years, Country of Origin (CoO) has certainly been one of the most studied topics in international marketing (Lu et al., 2016). If the issues surrounding the CoO have undeniably led to recent developments in international marketing, they have also been a source of major controversy and criticism (Samiee, 2010; Usunier, 2011). For these researchers, the influence of CoO on consumer behavior would gradually tend to disappear under the combined effects of increasingly multinational production and global branding.

This research project therefore fits into this perspective by seeking to verify the influence over time of CoO on consumer behavior. This article is the product of a longitudinal research that complements and extends previously published results (authors, 2009, 2012). These prior researches aimed to update the factors influencing consumer purchase of luxury goods and, more specifically, to consider the combined effect of brand and country of origin (CoO) on the purchasing decision. The first step was an exploratory phase constructed from qualitative data gathered on this topic. Then a study included administering a questionnaire online in seven countries (China, France, India, Italy, Japan, Russia, and the USA) to a total sample of 1,102 respondents. The richness of this research relates to the possibility of an intercultural analysis of the results from seven countries. These results concerned the differences in the relative importance of components of the consumer decision-making process in respect of the purchase of luxury and non-luxury goods; the relative importance of CoO for consumers making purchasing decisions relating to luxury goods; and the variation in consumers' decision-making criteria depending on the maturity of the luxury market.

This study allowed the authors to confirm, develop, and generalize results previously obtained in the exploratory phase of their work. They are interesting in terms of management recommendations for a company that wishes to expand internationally in a geographic area covered by the study, since the research found significant differences. The results contribute also to the theoretical controversy concerning the importance of CoO in the consumer decision-making process.

Current research consists in replicating the previous study in order to test the stability of the results over time. The economic environment of luxury brands is extremely shifting. In recent years, globalization has accelerated considerably and many brands identified with a country and remained independent until then have been absorbed by large international groups. In response to this internationalization movement, some consumers are changing their habits and

tend to reject it in a form of regionalism or even nationalism. A longitudinal study on the impact of the country of origin is therefore justified almost 10 years after the first results.

In addition, a test of the impact of the CoO on the luxury brands equity and its consequences for the consumer (preference, price premium, and loyalty) seems to be more important than ever.

1 COUNTRY-OF-ORIGIN EFFECT ON CONSUMER PERCEPTIONS AND PURCHASING BEHAVIORS

Since Dichter's reference in 1962 to the significance of the "made-in" dimension, research on CoO effects has become one of the major domains within the scientific literature on international marketing and consumer behavior (Bloemer et al., 2009; Usunier, 2006). In fact, large numbers of studies exist on consumers' beliefs and buying behavior with respect to the CoO of a product or service. However, CoO is also one of the most controversial research fields, and many studies reach opposite conclusions (Bhaskaran and Sukumaran, 2007; Verlegh and Steenkamp, 1999). Some (e.g., Agrawal and Kamakura, 1999; d'Astous and Ahmed, 1999, 2008; Laroche, Tomiuk, Bergeron, and Barbaro-Forleo, 2002; Herz and Diamantopoulos, 2017) conclude that CoO has a significant influence on the choice of a product or service, while others (e.g., Ettenson, Wagner, and Gaeth, 1988; Liefeld, 1993, 2004; Lim and Darley, 1997; Lim, Darley, and Summers, 1994; Samiee, 2010) conclude that the influence of CoO is very weak.

Despite the efforts of researchers to validate and relate the numerous approaches to CoO, recent reviews still deplore the lack of conceptual, methodological, and theoretical transparency (Bloemer et al., 2009; Laroche, Papadopoulos, Heslop, and Murali, 2005; Papadopoulos and Heslop, 2003; Usunier, 2006; Verlegh and Steenkamp, 1999).

Previous researchers working on the effects of CoO take two complementary directions. On one hand, they consider the composition of product-country images (Agrawal and Kamakura, 1999; Roth and Diamantopoulos, 2009; Roth and Romeo, 1992; Usunier and Cestre, 2007). On the other hand, they have an interest in how consumers use CoO as an evaluation of product quality (Bloemer et al., 2009; Veale and Quester, 2009; Verlegh, Steenkamp, and Meulenberg, 2005). This article is part of this second perspective, and examines the influence of CoO on perceptions and purchasing intentions of consumers in the field of luxury goods.

According to Bilkey and Nes (1982), one of the most popular approaches towards the use of CoO-cues is the cognitive approach, which sees a product as a cluster of cues. This approach usually distinguishes between product-intrinsic cues (such as taste, design, material, and

performance) and product-extrinsic cues (such as price, brand name, store reputation, warranty, and CoO).

Research has shown that consumers generally rely more on intrinsic attributes when forming their opinions. However, in certain circumstances, consumers prefer extrinsic attributes, finding them more credible and reliable than their own assessment (Srinivasan, Jain, and Sikand, 2004). The use of extrinsic attributes can also relate to situational factors, especially when status or self-image affects the purchase of a product (Piron, 2000; Quester and Smart, 1998).

The CoO impacts consumer perceptions and behaviors through the image of the product's CoO. The image is the representation, reputation, or stereotype of a specific country, which consumers associate with the products (Nagashima, 1970, 1977). According to Roth and Romeo (1992), a country's image arises from a series of dimensions that qualify a nation in terms of its production profile. Such dimensions include innovative approach (superior, cutting-edge technology); design (style, elegance, balance); prestige (exclusiveness, status of the national brands); and workmanship (reliability, durability, quality of national manufacturers). Usunier (1993, 2006) provides a more comprehensive definition of the country image as a multidimensional construct influenced by cognitive components, affective components, and stereotypes. The strong associations between the country image and product quality in relation to product/brand evaluations (Kotler and Gertner, 2002) necessitate the identification of how global consumers perceive the redefined concept of CoO. They perceive the CoO as the country of design (CoD), and as the country of manufacture/assembly (CoM/A). The use of different products in different countries causes contradictory findings in previous studies of the effect of the CoO on consumer perceptions and purchasing behaviors.

Two explanations exist for the conflicting results observed in previous research on the impact of CoO. On one hand, the use of different types of products from different sources may result in opposite conclusions on the effect of origin on consumers' perceptions and purchasing behaviors (Veale and Quester, 2009; Verlegh and Steenkamp, 1999). On the other hand, previous work (Agrawal and Kamakura, 1999; Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999) shows the impact of CoO on the process of consumer decision making to be relatively low in studies combining several factors. One of the most important criticisms of research concerning CoO is that the latter has a real impact on product evaluation in the (unrealistic) event of other information not varying. This research therefore includes, in addition to CoO, other variables involved in how consumers assess and choose luxury goods.

2 LUXURY BRANDS AND BRAND EQUITY

The current economic crisis is encouraging companies to study the links between consumers and luxury brands more deeply. Consumers buy luxury products for two main reasons: for their own pleasure and as a symbol of success. For Kapferer (2009) the future of luxury brands depends on their finding a balance between these two motivations. This balance may also vary with regard to geographical area studied, for instance, between countries where luxury is traditionally produced and consumed and where luxury brands are more recent (Kapferer 2009). In addition, consumers often buy luxury products for gifts. Despite various purchasing motivations, the brand remains the main vehicle for connecting with the consumer. A brand may influence customers' perceptions and attitudes in several ways.

The development of the concept of **brand equity** has resulted in significant changes to the brand concept itself. The model of brand equity proposed by Keller (1993) is dominant, providing the link between its two dimensions: **brand awareness** and **image**. A set of associations (Keller 2008; Keller and Lehmann 2006) characterizes the image of a brand in the consumer's mind. In this perspective, the brand's meaning derives from functional elements of performance or more abstract elements related to the imaginary (Keller 1993, 2001).

Based on this discussion, in this study we expect that the marketing efforts of luxury brands on promoting CoO will have an impact on the creation of brand equity.

3 CONSUMERS' BEHAVIOR TOWARDS LUXURY BRANDS

The way brand equity brings benefits for the company has been subject to extensive debate much in the same way as the discussion of what brand equity consists of and how it can be built with distinct marketing actions (Christodoulies and de Chernatony 2010). Despite disagreement with regard to their relative importance and measurement, most scholars would agree that stronger brand equity, essentially, contributes to increased brand preference, willingness to pay a premium price, and customer loyalty (Aaker 1991; Keller 1993, 2003; Kapferer 2004; Keller and Lehman 2006). In this study we focus on these three important customer responses to brand equity.

Brand preference means that in the existence of several competing brands in the market, consumers tend to prefer and feel more attached to one of the brands based on what they know and feel about the brand, in other words customer-based brand equity (Keller 2003). Brand preference is commonly measured by asking consumers to indicate their favorite brands from a category or selection of brands. Some previous studies on luxury brands

researchers have also opted to use particular brand preference scales (Truong et al. 2010; Vigneron and Johnson 2004).

Price premium has been shown to be one the most potential direct antecedents of purchasing behavior (Netemayer et al. 2004). The willingness to pay a premium price is defined as the amount a customer is willing to pay for his/her brand over another (Netemayer et al. 2004).

Brand loyalty has usually been measured as the extent to which consumers declare they have bought a particular brand or will be buying it in the future.

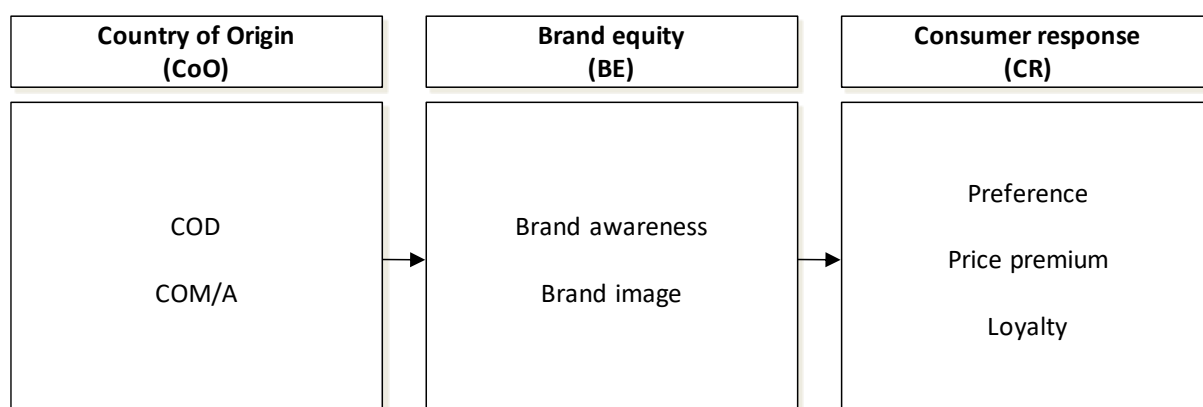
4 METHODOLOGY AND FURTHER DEVELOPMENTS

As our objective is to investigate the influence of CoO perception on brand equity creation and consumer behavior towards the brand, we will design, a quantitative survey targeting consumers of prominent luxury brands that have a significant international presence. In addition, one of our purposes is to assess the influence of CoO on different customer populations, we will target two fairly distinct customer populations in terms of maturity with regard to access to the luxury market. It will allow us to generalize the results of our research.

It will be first necessary to validate the measurement scale structures on the definitive sample and to compare the results with those collected in previous studies we have conducted on CoO (Authors, 2009, 2012).

Exploratory and confirmatory factor analyses will successively be conducted for CoO, Brand Equity and Consumer Response scales. Next we will test the causal relationship model between CoO, Brand Equity and Consumer Response for luxury brands (see fig. 1).

Figure 1. Conceptual model



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