Country-of-Origin and its effects on International Marketing

Posted At : August 14, 2017 12:09 PM | Posted By : Ivy Velasquez
Related Categories: STUDENT MARKETING POSTS

Global marketing studies have proven time and time again that knowledge of where a product is made influences purchasing decisions. The attitudes and perceptions people have in their minds about a particular country are transferred to products and brands originating from that country. If you don't believe me, think to yourself: would you rather buy electronics made in Japan or in China? According to research from *Futurebrand*, a brand's home country ranks higher than traditional purchasing choice drivers like price, availability, and style (Roll, 2014). This bias is what marketing literature calls the country-of-origin-effect, and it is common in product categories such as automotive, electronics, fashion, beer, and certain food products (Keegan 2016).

The country-of-origin effect presents both challenges and opportunities for global marketers. Marketers need to carefully study the markets where they do business and decide where and if they want to prominently associate their brands and products with their home countries through integrated marketing communications strategies. On the one hand, positive country associations can generate interest, acceptance, preference, and brand equity; facilitate foreign market entrance; and allow marketers to capitalize by charging premium prices. Germany is a case in point. This country has long been associated with innovative engineering and performance. Luxury car brands like BMW, Audi, and Mercedes-Benz have used these associations to their advantage, developing an image of prestige and quality. These brands make sure that customers around the world know their cars are made in Germany. Country of origin can reduce perceived risks by acting as a guarantee of quality (Adina, Gabriela, & Roxana-Denisa, 2014).

On the other hand, negative country associations can be detrimental to a brand. These perceptions can negatively affect demand and make market entrance difficult. Animosity towards the country of origin can lead to product avoidance and sometimes even hatred (Adina et. al, 2014). Negative feelings and associations can come from a history of questionable product quality or nationalistic sentiments. For example, in March 2017, political disputes between China and South Korea over missile defense produced a spur of violence and restrictions for South Korean brands (Doland, 2017). In a video that went viral on Chinese social media, a man smashed an LG washing machine and a TV set with a sledgehammer in front of a banner that read: "We would rather damage these than sell them." Coincidentally, Chinese authorities also banned imports of South Korean beauty products citing issues of quality and closed dozes of stores owned by a South Korean supermarket chain citing safety code issues (Doland, 2017).

Country associations are fluid and can change overtime. There are strategies that both countries and marketers can implement to overcome country-of-origin challenges. Countries can build the nation's brand by emphasizing and diversifying their sources of competitive advantage, being conscious of foreign policy's impact on popular global brands, publically recognizing their best brands, and improving health and safety regulations as well as intellectual property rights (Roll, 2014). In turn, marketers can focus on making branding and innovation the center or corporate strategy. Brands must pay attention to the smallest details, ensuring that the customer experience is outstanding and well differentiated. Ensuring a positive response to the brand can minimize the country of origin effects.

What are some of your personal bias for or against products or brands from certain countries? What has a larger influence on your purchasing decisions, where the product is made or where the brand is from?

Sources:

Adina, C., Gabriela, C., & Roxana-Denisa, S. (2014). Country-of-origin effect on perceived brand

positioning. *Procedia Economics and Finance*, 23(2015), 422-427. Retrieved from http://www.sciencedirect.com/science/article/pii/S2212567115003834

Doland, A. (2017, March 17). China Is Lashing Out at South Korean Brands; Here's What Marketers Should Know. *AdvertisingAge*. Retrieved from http://adage.com/article/cmo-strategy/china-lashing-south-korean-brands/308309/

Keegan, W.J. & Green, M.C. (2017). Chapter 10: Brand and product decisions in global marketing. *In Global Marketing* (9th Ed., section 10.4). Retrieved from

https://etext.pearson.com/#/book/5MFEDOLN4UQ?deeplink=true&platforms_id=xl&id=afa61c765255d6d20213af6ba83fd9d4b7dc22612&referrer=nav&bookId=5MFEDOLN4UQ

Roll, M. (March 2014). How nations and brands overcome country of origin challenges. Retrieved

from http://martinroll.com/resources/articles/marketing/how-nations-and-brands-overcome-country-of-origin-challenges/

Ivy Velasquez is an MBA Marketing student at the Huizenga College of Business and Entrepreneurship, Nova Southeastern University. She can be reached at iv98@mynsu.nova.edu