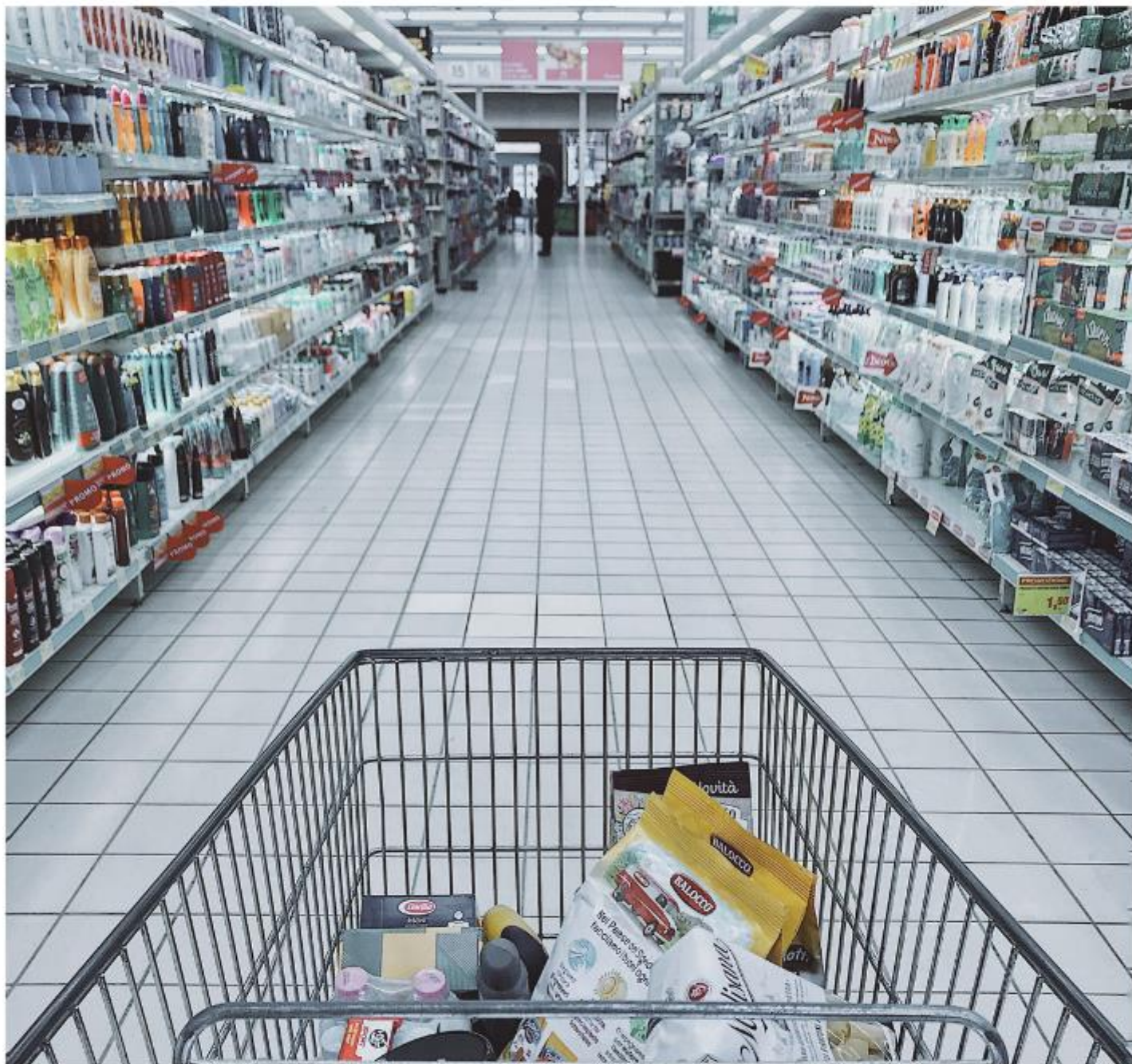


The Country-of-Origin Effect in Japan *And How To Use It As An Competitive Advantage*



Prepared by:
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**EU-JAPAN CENTRE FOR
INDUSTRIAL
COOPERATION**

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ABSTRACT

This report follows a research on the impact of product origins in the product evaluation of the (Japanese) consumer. The research includes a comprehensive analysis of scientific literature on *consumer decision making; cultural values, country images, and the country-of-origin effect*. Upon this theoretic foundation, the research elaborates on the importance of product origins for the Japanese consumer with a series of interviews among market experts and two consumer surveys as well as a series of anecdotal findings from the Japanese market for illustrative purposes.

Cultural characteristics explain how the product origin is of such interest to the Japanese consumer and, as such, why the country-of-origin effect should be taken into account by any exporter entering the Japanese (consumer) market. Besides answering the question as to why, the report gives product-category specific recommendations, on how to successfully incorporate the origin country into the positioning strategy for the Japanese market.

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LIST OF ABBREVIATIONS

EU	European Union
CE	Country Equity
CI	Country Image
COE	Country-of-Origin Effect
COI	Country-of-Origin Image
COO	Country-of-Origin
ELM	Elaborate Likelihood Model
FCB	Foot, Cone and Belding Advertising
GDP	Gross Domestic Product
HI-FEEL	High-Involvement & Feel
HI-THINK	High-Involvement & Think
IND	Indulgence
INV	Individualist
LI-FEEL	Low-Involvement & Feel
LI-THINK	Low-Involvement & Think
LTO	Long Term Orientation
MAS	Masculinity
PCI	Product Country Image
PDI	Power Distance Index
UAI	Uncertainty Avoidance Index
UK	United Kingdom
US	United States

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1. INTRODUCTION

The following report is the result of a research conducted under the MINERVA fellowship scheme at the EU-Japan Centre for Industrial Cooperation in Tokyo. The purpose of this report is to educate on cultural differences in consumer behaviour and the importance of accounting for the Country-of-Origin effect and country image in one's positioning strategy. In addition, this report will serve to give EU-exporters a competitive advantage by offering detailed insights in the Japanese consumer, as well as recommendations on how to incorporate their respective origins into their positioning strategy.

Understanding of the consumer in the target market is just one of many of challenges that come with international trade. It is however, one of crucial importance. Without matching one's products or services to the needs and expectations of the end user (provided it concerns consumer products), market adoption is likely to fail. Particularly when two cultures are highly contrasting, as would be the case with Europe and Japan, exporters should educate themselves on their target market in order to develop a fitting approach.

The key challenge here, is to use product or service aspects (i.e., attributes), to appeal to consumer priorities. These consumer priorities (i.e., product aspects that consumers in a given market value most) are highly culture dependent. In an analysis of survey results¹ on purchase priorities of the Japanese consumer for various product groups (i.e., food, fashion, and electronic

products), the country of origin is often mentioned as one of the highest valued product aspects.

An explanation, as to why the origin country of products is of such great concern to the Japanese consumer is found through an analysis of scientific literature on: consumer behaviour; the 'country-of-origin effect'; country image; 'country equity'; and cultural values. Additional to the literature review, two surveys and a series of interviews were conducted as well, to give more thorough understanding of the role of a product's origin in the decision-making process of the Japanese consumer. The two surveys, were conducted among Japanese consumers in the ages 17-75 years old and measured the importance of the origin country for various product categories (n=161), and the product country images for the same product categories for seven individual European countries (n=114) respectively. For a more in-depth understanding of the country-of-origin effect and country images in Japan, a total of ten (EU) embassy employees in charge of country branding in Japan, as well as seven Japanese importers were interviewed during this research.

Besides merely establishing a higher than average prioritisation of origin country among the Japanese consumer and, subsequently, a stronger country-of-origin effect, the report will provide more specific insights in this effect for various product categories and types. This, will allow for a more accurate implementation of the provided insights and recommendations.

¹ From a secondary source

2. GLOBAL TRADE

Because the content of this report is in effort of facilitating international trade by providing insights and understanding of the way certain cultural aspects can affect consumer behaviour, it is worth taking into account the importance of trade for the world economy. Trade is commonly acknowledged as being a major driving force behind economic growth [1] [2], the following chapter will therefore provide a quick overview of global trade and, more specifically, export from the EU to Japan.

2.1 INTERNATIONAL TRADE

Globalisation, the process of integration of national economies into a global economic system, has been in the works for centuries. However, it was only recently, after the end of the Second World War, that global trade really took off (see figure 1). For reference, the global export value in 2013² was more than 4.000 times that of a century earlier in

1913, and in the current situation import and export together add up to more than half the value of global output [3].

The exponential growth is also visible when plotting the alue of global trade in goods relative to GDP. The sum of global exports composed nearly one quarter of the 2013 gross world product, while this was a mere 14% in 1913 [3]. In the decade up to 2016, the global export of manufactured goods increased from US\$8 trillion to US\$11 trillion while the export for commercial cervices in the same period grew from US\$2,9 trillion to US\$4,8 trillion [4]. Mainly due to a decreased export value of fuels and mining products, the 2016 global exports showed a slight decline compared to the year before. However in relative terms, EU export performed best thanks to consistent merchandise exports [5] [6]. China is the world’s largest merchandise exporter followed by the United States as they exported for US\$2,1 trillion and US\$1,5

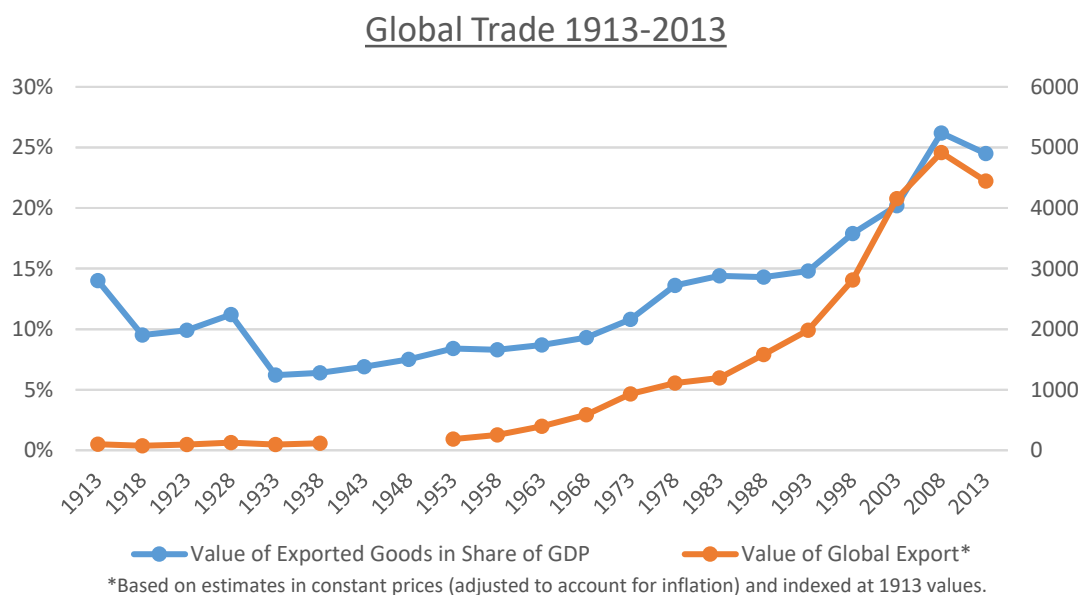


FIGURE 1: GLOBAL TRADE 1913-2013 – BASED ON DATA BY: OURWORLDINDATA.ORG [3]

² Based on estimates in constant prices (adjusted to account for inflation) and indexed at 1913 values.

trillion respectively in 2016 [6]. The 2016 total export by Europe totalled US\$5,9 trillion, of which the majority originated from Germany, The Netherlands and France [6]. In 2015 Japan was the world's 4th largest exporter and the 5th largest importer for merchandise trade and accounted for 4% of global trade [6].

2.2 EU-JAPAN TRADE

The European Union as a whole, is a major player in global trade as it currently is the world's largest exporter of agricultural; automotive; chemical; and fuel & mining products, as well as the second largest exporter of textiles; clothing; and office & telecom equipment [5].

Japan is one of the EU's most important trading partners with a collaboration dating all the way back to 1959 when Japan's first representative to the EU (then European

Communities) was accredited [7]. Today, Japan is the 6th largest market for EU exports, reaching an import value of €60,5 billion in 2017 [8]. The export to Japan alone, provides more than 600.000 jobs within the EU [9].

The largest share in 2017 exports was taken by products in the category for *chemical and allied industries*, accounting for nearly 22% of the €60.5 billion worth of export to Japan. Other main product groups were those in the category for *transport equipment* and *machinery & appliances*, accounting for 19,2% and 18,3% of export respectively [8]. Products in the categories for optical & photographic instruments, as well as, foodstuffs, beverages & tobacco made up for smaller, but still significant shares of 9,5% and 5,4% [8]. The top five groups combined accounted for nearly three quarters of total export to Japan.

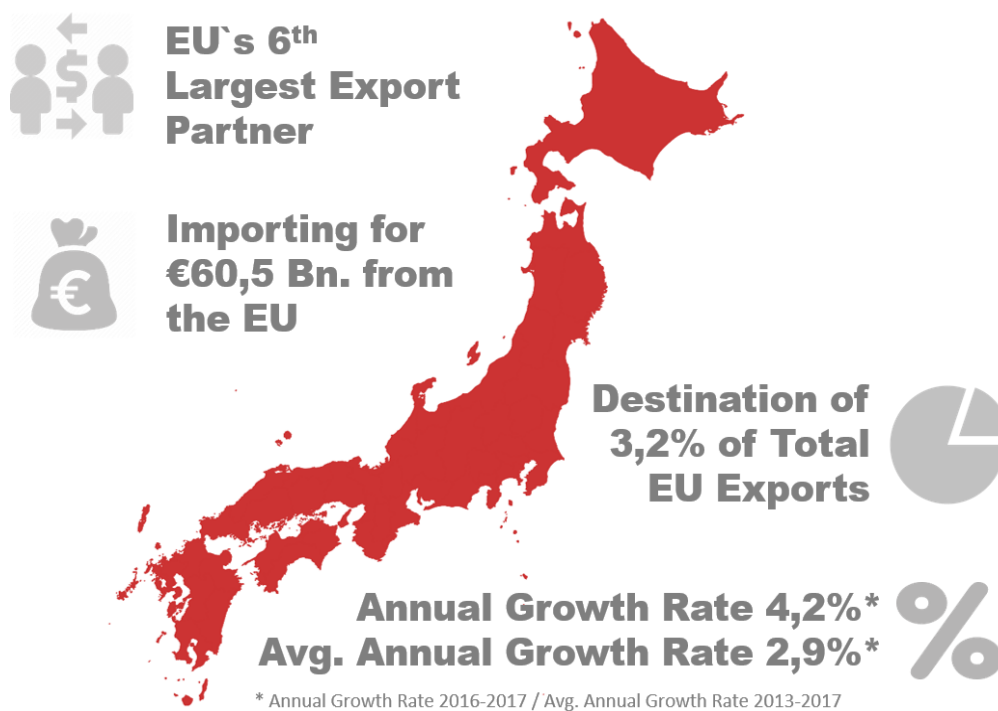


FIGURE 2: EU EXPORTS TO JAPAN IN 2017 – BASED ON DATA BY: EUROPEAN COMMISSION [8]

Composition of EU Export to Japan 2017

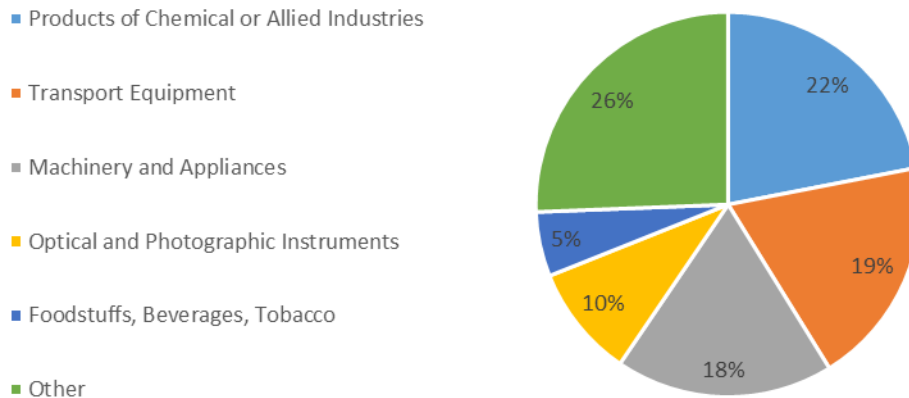


FIGURE 4: COMPOSITION OF EU EXPORT TO JAPAN 2017– BASED ON DATA BY: EUROPEAN COMMISSION [8]

The overall export to Japan in 2017 grew with 4,3%. The strongest growth was seen in the product category³ of *foodstuffs, beverages, tobacco* which increased by 16.8%, followed by *transport equipment* (11,2%). While still the largest by value, exports of products in the category for *chemical or allied industries* decreased with 4% [8].

In 2018, the largest EU exporter to Japan was Germany, accounting for 30% of the total EU export value. The second and third largest exporters were Italy and France, each accounting for approximately 13% of the total EU export to Japan.

Top 10 EU Exporters to Japan 2018

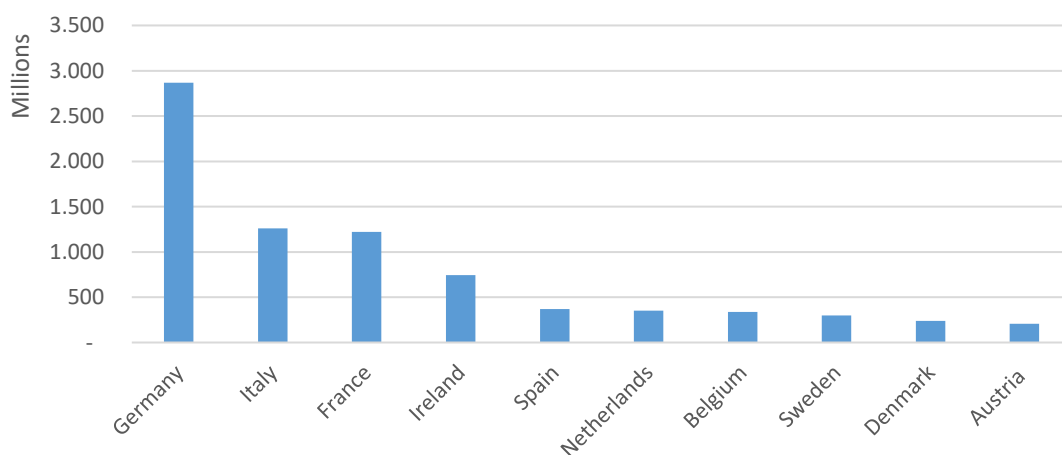


FIGURE 3: THE TOP 10 OF EU EXPORTERS TO JAPAN IN 2018 BY VALUE (EXCL. THE UK) – SOURCE: JAPAN CUSTOMS [10]

³ Categories based on sections of the *Harmonised Commodity Description and Coding System* (HS).

3. THE CULTURAL FACTOR IN CONSUMER BEHAVIOUR

When it comes to international trade there are countless aspects complicating the process. Most likely, aspects as language and regulations come to mind first when considering the export of goods, not to mention logistics. Equally important, although more easily to overlook, are the various cultural aspects and how they affect anything ranging from simple business etiquette to complicated and closed off distribution systems. This rapport however, focusses on the consumer side of the matter and how their cultural background affects their purchase decisions.

3.1 CULTURAL DILEMMAS IN INTERNATIONAL BUSINESS

One of the first strategic marketing considerations when operating internationally, is whether to adopt a global marketing strategy by choosing a homogeneous approach, or deciding on a

more adaptive (i.e., localised) marketing strategy. While the appeal of a universal approach is obvious, recent research suggest an adaptive strategy (or in the very least, partly adaptive) to generally be more effective [11] [12] [13] [14]. Of course, it is easier said than done as fully comprehending one's own culture and its nuances is complicated enough, let alone an unfamiliar one.

Exactly how difficult it is, becomes clear when looking at the endless list of blunders showing large international brands continually failing to properly account for cultural differences in their marketing efforts. Many of these mistakes are particularly embarrassing, as they fail to account for even the most rudimentary cultural differences such as language or religion. Some of the more entertaining examples of high level marketers getting lost in translation are Mercedes trying to sell a car in China by giving it a name that roughly translated as "*rush to die*"; or KFC, trying to translate their well-known slogan



PHOTO 1: A PRINGLES MARKETING CAMPAIGN IN THE UK TARGETING MUSLIM SHOPPERS - SOURCE: CAMPAIGNLIVE.COM [16]

“finger licking good” into Chinese, ended up with a slogan suggesting their guests to eat their own fingers off [15].

Another example painful marketing mishap that easily could, and should, have been avoided is of when Pringles decided to direct their marketing efforts towards the UK’s Muslim demographic by promoting their bacon flavoured crisps [16].

While these examples are quite embarrassing and will, rather likely, have a detrimental effect on the respective companies’ images, they are also relatively simple to avoid as they concern only the most superficial of cultural aspects.

However culture, and how it affects our beliefs; perceptions and, subsequently, our decisions and actions, is an immensely complicated mechanism. While cultural backgrounds as subject in consumer research is a relatively new phenomenon, several studies have already exposed some intriguing and unexpected manners in which culture is believed to influence consumer behaviour. For example, some studies have analysed the use and effectiveness of celebrity endorsements across cultures [17] [18], while others have shown differences in brand evaluation [19] [20] [21] or even the evaluation of brand extensions [22].

In order to better understand the extent to which a cultural background affects consumer behaviour it is necessary to to have a look at the rudiments of consumer behaviour theory.

3.2 CULTURE IN CONSUMER

BEHAVIOUR THEORY

Consumer behaviour entails the activities related to purchase; use; and disposal of good and services (in the effort of fulfilling needs and desires), as well as the emotional; mental; and behavioural responses of the consumer that proceed these activities [23].

When greatly simplifying the comprehensive subject that is consumer behaviour, one could argue that the origin of elaborate (value driven) consumer decision making was primarily facilitated by societies moving from a state of scarcity, to a post-scarcity state. In scarcity societies, decision making is limited to a rather utilitarian process of merely choosing the essentials which, one believed, to offer the best value. Consumers are, after all, only able to make purchases meant to fulfil secondary, and tertiary needs when he/she is no longer restricted by a lacking buying power. In fact, studies of buying behaviour over time have shown that with increasing wealth, buying behaviour diverges and becomes less rational, however more so, value/culture driven instead [24].

The exact definition of *culture* is likely to vary depending on the field to which it is applied, however in its most rudimentary form, culture could be described as being the framework providing any given society, accepted and endorsed, manners of coping with basic conditions and situations that are universal to man [25]. These conditions and situations can be explained as being the universal problems or issues facing every individual (as e.g., the concept of self, or the relationship to authority) and how they are

dealt with [26]. The commonly accepted manners as to dealing with these universal issues, is what characterises the *values* of a particular society [27].

3.2.1 CONSUMER ATTITUDES

The importance of one’s values, and therefore one’s culture, lies in the role values play in the formation of attitudes. Attitudes are the likeliness of which an individual is to evaluate encounters (of any nature) with an *attitude object* in either a positive or negative manner [28].

A more comprehensible explanation of what attitudes are and how they are relevant to consumer behaviour, is offered by the *ABC model of attitudes* which describes attitudes to be a composite of the following elements [29]:

- *Affect*: i.e., feeling towards the attitude object.
- *Cognition*: i.e., knowledge of the attitude object.
- *Behaviour*: i.e., behavioural intentions towards the attitude object.

These three elements are considered to be greatly interdependent and will therefore,

collectively, affect the final consumers’ decisions.

The manner in which attitudes result in certain behavioural intentions towards attitude objects is explained by the ‘Fishbein model’, also referred to as the ‘*theory of planned behaviour*’. This multi-attribute model suggests three variables at play in the consumer decision making process [29] [30]:

- *Attributes*: the object’s attributes.
- *Believes*: Principal knowledge and believes towards the attitude object.
- *Importance weights*: the weighing/prioritisation of the object’s attributes.

The model includes the *prominent believes* about the object, the *object-attribute linkage* (or the likeliness an object has favourable attributes), and the *evaluation of main attributes* [30]; provided the subject is able to identify the significant attributes and their respective weight.

The extended version of the Fishbein model, i.e., ‘*the theory of reasoned action*’, added the influence of the individual’s

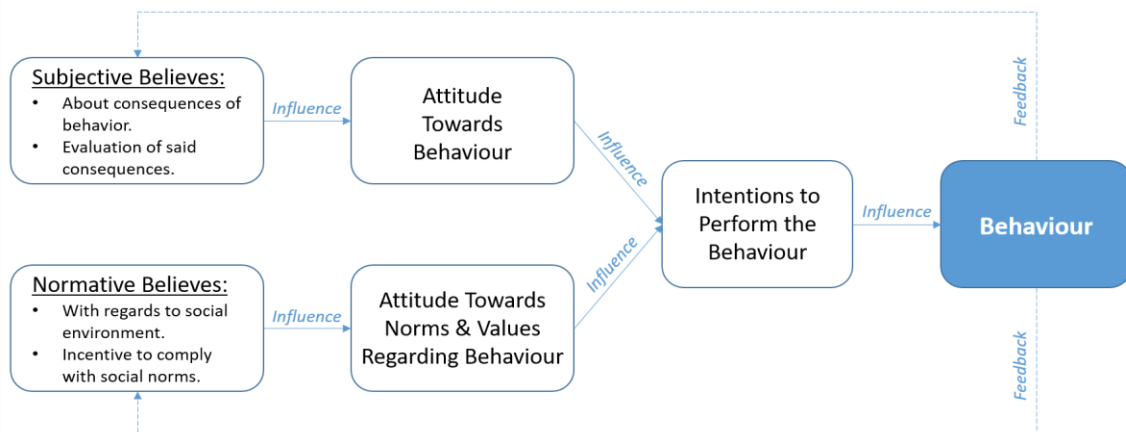


FIGURE 5: CONCEPTUAL FRAMEWORK FOR THE THEORY OF REASONED ACTION – FISHBEIN & AJZEN 1975 [31]

social surroundings on their behaviour. This addition gives a more detailed understanding of the elaborate decision making process (see Figure 5).

Some argue however, that in a multi-cultural context, the Fishbein model might not sufficiently account for the social factor in, for example, collectivist cultures where acting in accordance to social expectation is much more important than in individualist ones [32]. Although this is something to take into account, fact is, the model does to some extent take the social environment into account and, as yet, there has been no conclusive evidence suggesting this model being redundant in a cross-cultural context.

A person's attitude can be directly attributed to his or her values, although typically, attitudes are argued to be the result of learning through experiences (e.g., classical or operant conditioning) [33]. A review of recent research however, has shown culture to be strongly correlated to perception and cognition [34]. One example is the **self-perception and perception of others**, which, for example, is demonstrated in the way Westerners tend to have a self-construal that involves the conception of the "self" as an autonomous and independent person, opposed to the one of Eastern individuals which is more group-oriented [35]. Other examples are the **perception of emotions** which was shown in a comparative study between American and Japanese participants [36], or the **perception of environment**, as was suggested by a study between Western and Eastern participants showing Easterners to pay more attention to context, opposed to Westerners, who focussed more on specific objects [37]. These three examples indicate

the necessity of an adaptive marketing strategy as the perception of messages (e.g., advertisements) are likely to be different across cultures.

Cultural backgrounds are suggested to even account for differences in **sensory perception**, as was (e.g.) shown in a study from 1998, that measured the recognition of certain scents by German and Japanese Participants [38]. Similar differences were found in the perception of audio [39] and visual [40] cues as well, not only confirming the importance of culturally adjusted marketing messages, but suggesting a similar importance to properly adapted product attributes.

With these facts in mind, it will come as no surprise that several studies have shown differences in **information processing** depending on cultural background as well [34]. An example of such a difference in information processing is the way Easterners and Westerners tend to categorise. People in Eastern cultures generally categorise based on relation and interdependence, whereas individuals in Western cultures tend to categorise based on categorical attributes [41] [42]. This dissimilarity in categorisation has, for example, been argued to be responsible for the difference in the evaluation of brand extensions between individualist and collectivist consumers [22].

It is, therefore, easy to understand how one's attitudes are affected by cultural values, as well as culturally conditioned perceptual and cognitive orientations [34].

In the context of this report, and the way cultural backgrounds affect consumer behaviour through attitudes, it is important

to, apart from their formation, understand the purpose attitudes serve to the holder as well. Attitudes serve a specific purpose, as they arise from a person's motives in anticipation of a certain event [43]. The various purposes of attitudes, and the psychological needs they serve, is explained by the *functional theory of attitudes*.

Functional attitude theory suggests five basic functions of attitudes to the human psyche [28] [44]:

- *The Utilitarian function:* Referring to people's aim to maximise reward, while minimising punishment from their direct environment. It describes the pursuit of balance through considerations.
- *The Ego Defensive function:* Serving to protect the individual from undesirable internal and external factors in order to preserve beliefs held about the self, or the outer world.
- *The Value Expressive function:* Which entails attitudes that serve to establish the self-image or identity. It concerns the expression of one's values (see 'sign value' chapter 3).
- *The knowledge function:* Which serves to protect the individual from ambiguity regarding their environment. It refers to the pursuit of knowledge to fulfil the need to understand (see 'uncertainty avoidance' chapter 3).
- *The Social-adjustive function:* Containing those attitudes that protect and benefits one's social status in regards to their social surroundings (see 'collectivism' chapter 3).

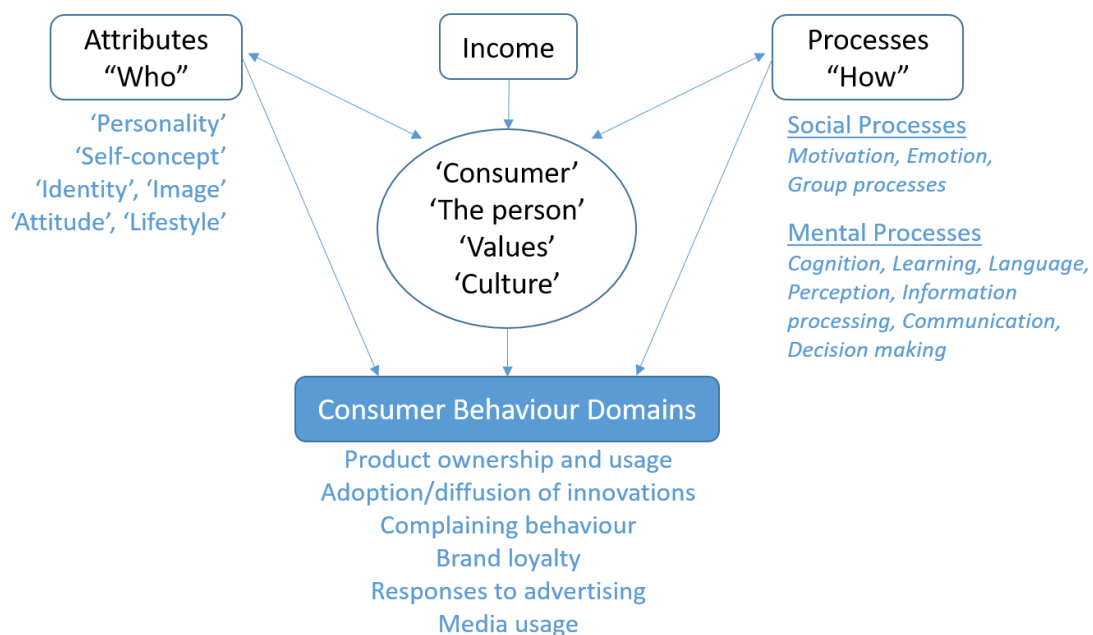


FIGURE 6: THE "CROSS-CULTURAL CONSUMER FRAMEWORK" – DE MOOIJ & HOFSTEDE 2011 [45]/MANRAI & MANRAI 1996 [46]

Each of the mentioned ‘functions’ describes the root and motive a particular attitude may hold to an individual. When taken into account, these functions and respective cultural values can help to explain and understand a consumer’s attitude towards a product, brand, or country of origin, and, subsequently, the effect of culture on their buying behaviour.

A side note to the function of attitudes in consumer decision making in a cultural context, is that there could be a difference in how consumer attitudes should be interpreted as a predictor for buying behaviour in Western and Eastern consumers [45]. However, the limited scientific research on this subject is too situation specific to draw a definitive conclusion.

3.2.2 CONSUMER INVOLVEMENT

The manner in which attitudes and values affect the consumer’s message evaluation and decision making process is largely situation dependent. The *Elaboration Likelihood Model* of persuasion (ELM) defines two possible pathways of processing a message depending on its relevance to the receiver [46]. The model shows the level of *involvement* to be the

determining factor in which of the following two paths a message is being processed:

- *The Central Route:* This process is triggered by a high level of involvement with the message subject and follows the *standard learning hierarchy* of cognition; affect; and behaviour [48].
- *The Peripheral Route:* This process follows low involvement with the message subject. Evaluation relies on peripheral cues, rather than cognition.

Messages that are processed through the *central route* (in case of a high level of involvement), lead to an attitude change that are relatively strong and long lasting. In comparison, changed attitudes as the result of a message processed through the *peripheral route* are more often temporary and are easily changed by contradicting/new messages. The two variations of processing can also be described as being ‘*heuristic*’ (peripheral route) and ‘*systematic*’ (central route) [49]. It has been shown that, in case of strong involvement, a person will more closely evaluate a product for attributes that serve

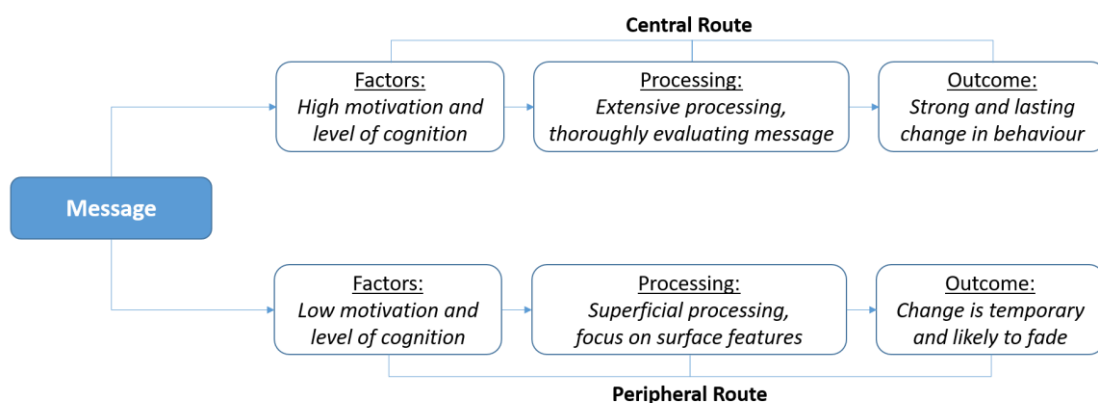


FIGURE 7: THE ELABORATION LIKELIHOOD MODEL OF PURSUASION –PETTY & CACIOPPO 1986 [46]

personal values, including cultural values [50] [51]. The model has been in fact tested, and suggested useful, across cultures [52].

Peripheral cues (also see ‘extrinsic cues’ chapter 4), in this context, are message components that are not directly related to the product. When the receiver is not able or willing to put a high level of cognitive energy in processing a message, he/she will rely on superficial, easy to understand, and appealing aspects of the message to make up his/her mind. A very common example of peripheral cues in advertising are the use of attractive and famous people. There are various types of peripheral cues that, in the context of this report, appeal to the concept of [53]:

- *Liking*: i.e., a positive feeling/attitude towards the respective cue; e.g., a positive feeling towards a country of origin.
- *Authority*: i.e., a cue that is regarded as an authoritative or trustworthy source; e.g., a country of origin that is regarded as an authority in a particular industry.
- *Consistency*: i.e., commitment to rely one’s decision making process on previously made decisions; e.g., commitment, or loyalty, to a particular country of origin.
- *Social Proof*: i.e., using the choices and opinions of others as the premise of one’s own; e.g., being led by the popularity of a certain country of origin for a particular product.

Consumer involvement can be defined as the (perceived) personal relevance of a product (or service) [54], in regards to inherent needs, values and interests [55]. Involvement with a product category has been shown to be one of the main aspect affecting the COO effect [56] [57] [58]. The level of involvement that is evoked by a particular product or service can be measured using the ‘*Consumers’ Involvement Profile*’ which includes the following facets [59]:

- The perceived importance of a product
- The perceived risk of product purchase (consequences of making a poor decision)
- The symbolic, or ‘sign’ value of a product (e.g., prestige of status)
- The hedonic value of a product (e.g., pleasure and enjoyment)

Based on these measurements, products and services can be categorised in different groups. In marketing, the ‘*FCB Matrix*’ is an often used model to distinguish products and services based on the level, and type, of involvement they evoke [60]. The bi-dimensional model uses ‘*High- vs. Low Involvement*’, and ‘*Think vs. Feel*’, to differentiate four product categories. The ‘think-feel’ dimension can also be explained as products that serve a hedonic vs. utilitarian function (e.g., ice-cream vs. a pencil). The evaluation process of utilitarian products typically is fairly rational, focussing on *objective* and *tangible* product attributes. The evaluation of hedonic products is much more *subjective* and *affect driven*, such as aesthetics or taste [61]. The difference in evaluation of the two type of products has shown to affect the COO effect

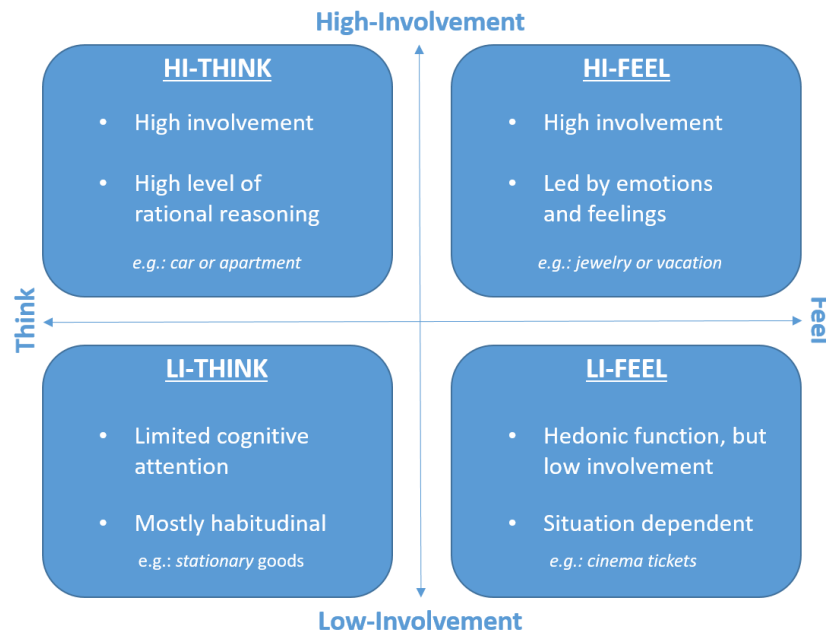


FIGURE 8: FCB MATRIX OF PRODUCT/SERVICE CATEGORY – VAUGHN 1980 [60]

as well [62], suggesting it to be a crucial aspect within the framework of this research.

There are indications that consumers in collectivist societies rely more heavily on utilitarian aspects of a product. For example, Chinese consumers have shown to value facts and a product's functional benefits over feelings in their evaluation [63] [64], which has been corroborated by studies on Chinese advertisements showing a stronger emphasis on utilitarian appeals [65] [66]. Within the context of the COO effect of foreign products in Japan, this could suggest stronger focus on functional aspects of imports and therefore rely on the origin country's image as indication of (e.g.) a product's quality.

The evaluation of products in the *high-involvement & think* (HI-THINK) category usually require a high level of rational reasoning. Examples of such products are a house, or a family car. Products in the *high-involvement & feel* (HI-FEEL) category go

through much less rational evaluation, but are much more driven by emotions and feelings. The level of involvement however, is still high. Examples of products in this category are a classic sports car, a designer dress, or a cruise vacation. Products that do not evoke high levels of involvement but that mostly have a utilitarian function, such as a screwdriver or laundry detergent, belong to the *low-involvement & low-think* (LI-THINK) category. Products that do not evoke a high level of involvement but are predominantly hedonic in nature, such as an ice-cream or cinema tickets, fall in the *low-involvement & feel* (LI-FEEL) category. Impulse purchases for example, mostly fall in the LI-FEEL category.

With such a categorisation, one can determine the evaluation process of a particular product or product category. The evaluation process can, on its turn, suggest the manner in which cultural value are likely to affect the decision making process through their role in attitude formation.

This means that, in order to make accurate assumptions on how a particular cultural background will affect consumer behaviour, all which is left is a thorough understanding of the involved cultural values.

3.3 CULTURAL VALUE MODELS

As mentioned in the previous chapter, cultural values can be considered the characteristic solution of a certain population to problems that are universal to man [25]. In order to distinguish and compare cultures, value-based models are often used to categorise based on common basic values. These cultural models are used more and more in cross-cultural marketing to achieve effective adaptive marketing strategies [32].

3.3.1 THE HOFSTEDE MODEL

There is a variety of models that has found use in the fields marketing, advertising and consumer behaviour. The most established in this regard are the models by Schwartz [67], Inglehart [68], House [69] and Hofstede [70]. However, the model by Hofstede is the one used most often in marketing and sociology research [71] [72] and has proven sustainable in replication studies [32] [72]. For this reason, the cultural dimensions used throughout this

report are those derived from the Hofstede model.

The latest version of the Hofstede model consists of six (two-poled) dimensions, each of which are measured on a 0-100 scale [73]. Based on this model, a total of 76 nations were measured and categorised based on their cultural characteristics [32].

The dimensions over which culture are measured using the Hofstede model are: ‘*power distance*’; ‘*individualism*’; ‘*masculinity*’; ‘*uncertainty avoidance*’; ‘*long term orientation*’; and ‘*indulgence*’ [73]. The definition of these dimensions, albeit simplified, are as follows [70] [73] [74]:

- *The Power Distance (PDI)* defines the degree to which people within a society expect, as well as accept, an unequal distribution of power. People in countries scoring high on the PDI scale expect, and accept a greater level of difference in power within their society.
- *Individualism vs. Collectivism (IND)* refers to the extent individuals in a given society derive their self-image (or identity) from their social group. Individualist generally prefer a less

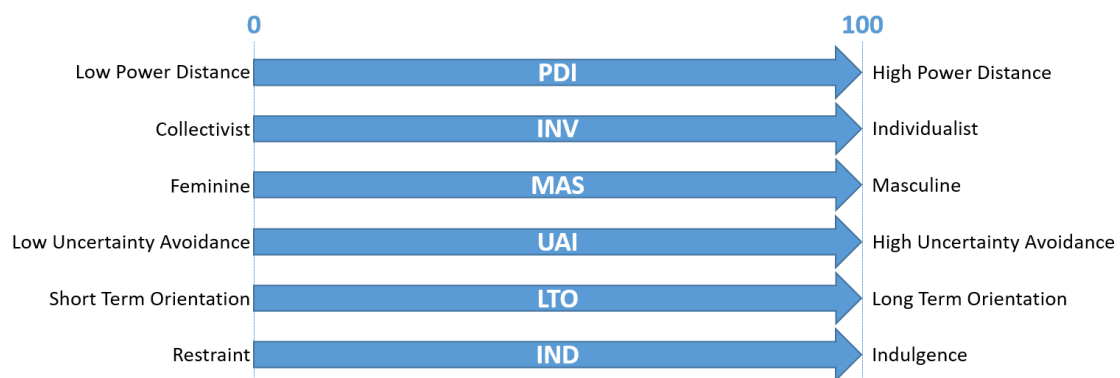


FIGURE 9: THE SIX DIMENSIONS OF THE HOFSTED MODEL – HOFSTED 1991 [73]

interdependent social framework and are more self-oriented. Collectivist generally prefer a more interdependent social framework and (to a greater extent than individuals) obtain their identity from their social group.

- *Femininity vs. Masculinity (MAS)* can be described as the difference in cultures that highly value achievements, material rewards, and assertiveness (Masculine), versus those that value collaboration, mutual care, and overall quality of life (Feminine).
- *Uncertainty Avoidance (UAI)* is the degree to which people are comfortable, and deal, with uncertainty and ambiguity. Individuals in a High Uncertainty Avoidance culture prefer strict regulations and structure, and are generally less accepting of change. People in Low Uncertainty Avoidance societies are more accepting to change and innovation.
- *Long Term Orientation (LTO)* is the degree to which people within a given society have a future oriented attitude. The Short- vs. Long term Orientation refers to how a society prioritises efforts regarding present and future challenges in relation to their past.
- *Restraint vs. Indulgence (IND)* is the difference between societies that accommodate basic human desires

regarding the enjoyment of life (Indulgence) and ones that restrain gratification through strict social norms (Restraint).

3.3.2 JAPAN'S CULTURAL ORIENTATION

ACCORDING TO THE HOFSTEDE SCORES

Japan was one of the 76 countries analysed and indexed by Hofstede, which gives us the opportunity to see how Japan scores across the six dimensions and how this compares to other countries.

Japan's score of 54/100 on the '*Power Distance Index*' (PDI) is relatively low in comparison to other Asian Countries and, only just, qualifies as a 'hierarchical' society. This means that, to some degree, Japanese consumers value products that serve in expressing their social status [24] [45]. This can be through either a product category (e.g., exclusive sports car or jewellery), a particular brand (e.g., a Giorgio Armani jacket opposed to one from H&M), as well as, possibly, a particular product origin (e.g., an exclusive Swiss watch). Also, consumers in high power distance cultures tend to base purchase decisions more on feelings and trust in (e.g.) a brand, rather than extensive information gathering and research [45].

The relatively low score 46/100 on the '*Individualism Index*' (INV) indicates a slight lean toward a collectivist culture rather than an individualist one. A lot (if not most) of the cross-cultural consumer behaviour studies compared individualist and collectivist cultures [24]. One of the first distinctions between the two cultures is the one of '*high-context*' versus '*low-context*' communication. Collectivist cultures generally have an indirect, low-context

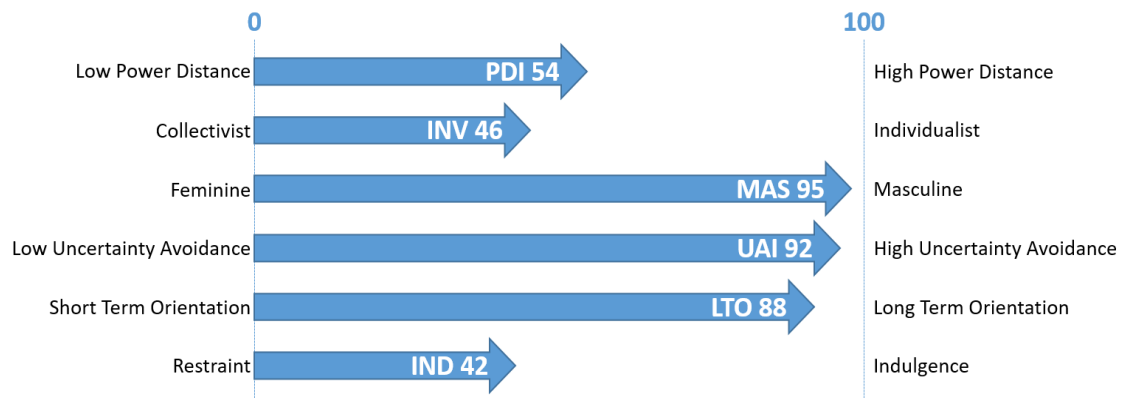


FIGURE 10: THE COUNTRY SCORES OF JAPAN BY HOFSTEDE – DATA SOURCE: HOFSTEDE-INSIGHTS.COM [75]

communication style. Rather than mere persuasion, advertising in collectivist cultures focusses on creating trust and a positive association with the product or brand [76]. For this reason Japanese advertising focusses more on the corporate brand (as a whole) rather than individual product brands [77]. With regard to brands, the abstract brand personality emphasised in the West, tend not to work as well in collectivist cultures; brands are therefore more often linked to a person (e.g., celebrity endorsement) [17]. For the same reason, collectivist consumers pay a lot of attention to product features in their product evaluation (rather than abstract

personality traits), although they are led in their decision making by their trust and overall feeling towards a company; business; or (possibly) country of origin [45]. A survey among Taiwanese consumers (a collectivist society) showed the cultural influence on product attribute evaluation of fashion products [78]. The study measured the effect of both brand origin as well as origin of manufacturing on the perception of quality, style and value. The results showed a strong correlation between the evaluation of certain product attributes for both brand origin and country of manufacturing [78].

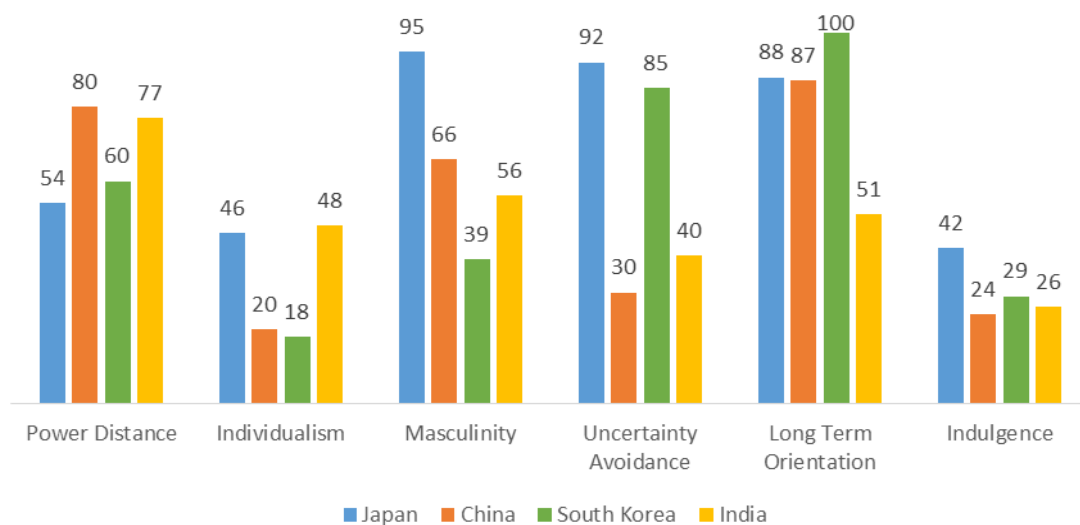


FIGURE 11: JAPAN'S SCORES COMPARED TO CHINA, INDIA AND S. KOREA - DATA SOURCE: HOFSTEDE-INSIGHTS.COM

The different thinking styles in collectivist and individualist people has found to affect the categorisation process as well, making collectivist consumers more accepting of brand extensions than individualists [22]. This was, as was suggested, the result of collectivist having a holistic, rather than an analytical thinking style, allowing them to evaluate a company's products on their overall perception of the company, regardless of the products they produce. Overall, collectivist consumers are relatively loyal and rely more than individualist consumers on the exchange of experiences (positive or negative) with in-group members [45].

Japan scores particularly high on the '*Masculinity Index*' (MAS) (95/100), much higher than many other Asian countries [75]. People in highly masculine societies greatly value achievements and success; subsequently, they equally value products that help display one's achievements and success [24] [45]. Similarly to cultures with a high level of power distance, consumers in masculine societies value exclusive products and brands [45].

Japan also scores quite high (92/100) on the '*Uncertainty Avoidance Index*' (UAI), which could indicate consumers being cautious, or reluctant, to try unfamiliar products [45]. Consumers in high uncertainty avoidance

societies such as Japan also tend to search for 'truths' more before a purchase, as well as relying more heavily on experts and authorities for advice [24]. Another characteristic of high uncertainty avoidance cultures is the relatively passive attitude towards health, which results in people putting a greater emphasis on the quality of food and drinks, as well as use of (e.g.) supplements and medication [24].

Although more in line with other Asian countries, Japan scores quite high on the '*Long Term Orientation Index*' (LTO) as well (88/100). Individuals in a long term oriented society value perseverance, consistency and tend to order their relationships by status [24]. As people from long term oriented cultures value (and invest in) long term relationships, they generally are quite brand loyal.

Regarding the '*Indulgence Index*' (IND), Japan's score of 42/100 suggests a moderately restrained society where people control the gratification of desires in order to adhere to social norms [24] [75]. Due to this dimension being added to the model later [79], there has not been much research regarding its relation to consumer behaviour.

In sum, based on the index scores of the Hofstede model and available literature, the Japanese consumer is likely to show:

1. A preference for product that offer a high 'sign value' (PDI/MAS)
2. Brand preference based on trust, and positive associations (PDI/INV/UAI)
3. Product evaluation based on the perception of a corporate brand as a 'whole' (INV)
4. A high level of customer loyalty and value long term relationships with brands (INV/LTO)
5. Dependence on experts or authority in making purchase decisions (INV/UAI)
6. A focus on product attributes (INV)

These same findings from the Hofstede Country Index can be used to make predictions regarding the Country-of-Origin

Effect in the Japanese consumer. Based on the cultural values, the Japanese consumer is likely to:

1. Value products with an origin which serve as a display of status or success.
2. Have a strong preference for products with an origin that evoke positive associations.
3. Evaluate products based on the perception (image) of the origin country as a whole.
4. Have a high level of loyalty to a particular product origin country.
5. Be more likely to follow trends/suggestion from countries that are perceived as 'experts'.
6. Have a higher than average focus on the product origin country as an attribute.

4. THE COUNTRY-OF-ORIGIN EFFECT

As was established in the previous chapter, cultural values affect consumer decision making through their role in product attribute evaluation. In general, a product (or service) offers a wide variety of attributes, each affecting the evaluation process differently. Some attributes are directly product related, such as material or ingredients, other attributes however are more indirectly related to the product, as for example price or the country of origin (COO). The following chapter will expand on the latter, and explain the manner in which a product's origin influences consumer evaluation and, subsequently, buying behaviour. This influence, is what in consumer behaviour research is referred to as the '*Country-of-Origin Effect*' (COE) [80].

The product attributes, also referred to as '*cues*', are either '*intrinsic*' (i.e., inherent to the product itself) or '*extrinsic*' (i.e., indirectly related to the product). An example of such an extrinsic product cue, is the country of origin (COO).

4.1 BACKGROUND

Due to the rapid rise in globalisation during the 21st century (see chapter 2), the country-of-origin effect has become one of the most extensively researched topics in international business. In its elementary stage, dating all the way back to 1965 [81], research covering the COE consisted mainly of small sample, single cue studies which were mostly demonstrational in nature [82] [83]. It wasn't until the early 1980's, and some critical reviews [84] [85] that the depth and complexity of the subject was uncovered. However, a more recent review

of COO research does in fact suggest the existence and, to some extent, the generalisability of the COE [82] [83].

4.2 COO AS A PRODUCT ATTRIBUTE

While the COO has been proven to affect consumer decision making, it is only one aspect of many that come to play in the evaluation of a product. As one would expect, the interrelation of various product attributes and their role in product evaluation is rather complex, and therefore, requires some elaboration on the types of product attributes and the various ways they affect the evaluation process.

4.2.1 PRODUCT ATTRIBUTE EVALUATION

The attributes, or '*cues*', by which a product is evaluated can be categorised in two categories [86]:

- *Intrinsic Cues*: Attributes or characteristics that are inherent to the product, such as: material (e.g., polyester or cotton), performance (e.g., horsepower, wattage), or flavour (e.g., strawberry or vanilla).
- *Extrinsic Cues*: Characteristics that are externally attributed to the product, such as: brand, place of purchase, price, or country of origin.

The extent to which consumers rely on either intrinsic or extrinsic cues, as well as the ability to accurately evaluate these cues is rather situation dependent [87] [88].

Certain extrinsic cues, particularly price, have in some cases shown to even be favoured over intrinsic ones [89]. Although generally speaking, consumers tend to rely more heavily on extrinsic attributes in their

evaluation of a product when they do not have sufficient knowledge/understanding of a product, or lack the intrinsic cues [90].

Consumers knowledge can be categorised in either '*objective knowledge*' or '*subjective knowledge*'. Objective knowledge can be described as current and accurate information, typically resulting from extensive experience with the product within a certain category (i.e., instrumental learning) [91]. Consumers with this level of knowledge are more capable of making distinctions and prioritisation between product attributes/cues [88]. For this reason, this type of consumer is less likely to heavily rely on extrinsic cues in their evaluation process [92]. A high level of product expertise does not mean however, a consumer won't be affected by any extrinsic cues. In fact, certain attitudes or biases can still prevail if there are strong enough [91].

Subjective knowledge, is the self-assessed level of knowledge is usually based on limited personal experience and lacks reliable information sources. This perceived expertise leads to poor prioritisation (or even undervaluation) of important intrinsic cues [93]. Subsequently, subjective knowledge is much more likely to result in a reliance on extrinsic cues for product evaluation. Similarly, a low level of self-confidence (whether based on limited knowledge or not) has shown to, in certain situations, influence the prioritisation of cues, in favour of the extrinsic ones [94].

Another reason for reliance on extrinsic cues is a lack of product knowledge/understanding when evaluating a high involvement product. In this

scenario, extrinsic cues might be more easily available [95] [96].

Do mind, that while '*extrinsic cues*' might sound similar or interchangeable with the '*peripheral cues*' covered in chapter 3, they are however, not necessarily related. Arguably, peripheral cues will often be extrinsic in nature (e.g., a clearly displayed discounted price or brand logo), however, peripheral cues can be intrinsic in nature as well (e.g., the clear display of certain appealing ingredients on a product's packaging). Besides, as was previously explained, the dependency on either intrinsic or extrinsic cues is not necessarily related to one's level of involvement, but more so, on knowledgeableability and the availability of information.

As mentioned, the country of origin is an *extrinsic cue* or, in other words, an intangible product attribute [97]. The country of origin can affect the evaluation of products and product attributes in two ways, i.e., the "Halo Effect" and the "Summary Effect" [95] [97].

The "Halo Effect" entails an evaluation of product attributes by consumers based on their image of the respective country of origin which, subsequently, affects the evaluation of the product itself. This effect is, however, believed to be mainly present in the evaluation of products from an origin of which the consumer has had no previous experience. For example, if 'consumer A' believes German products to be highly reliable, it will be likely that during the evaluation of e.g., a German watch 'consumer A' will rely on these believes and will trust the watch to be highly reliable, even when he/she has had no previous

experience with this product (i.e.: 1st Country image; 2nd Believes; 3rd Attitude) [95].

The “Summary Effect” (or “Categorisation theory” [98]) describes a type of generalisation by the consumer regarding a certain origin country based on specific product attributes. An example of this would be if ‘consumer A’ believes Kia to make small and affordable cars, Hyundai to make small and affordable cars, and based on this forms an image of Korea as making predominantly small and affordable cars. (i.e.: 1st Believes; 2nd Country Image; 3rd Attitude) [95].

Besides serving as a mere cognitive cue, COO can also have a strong emotional or symbolic load [99] [100]. The country of origin can associate a product with prestige, exoticness, or authenticity. The COO can even cause an emotion attachment to a product by relating to a sense of national identity and pride [101] (see also the “value-expressive function” in Chapter 3.2.1).

Interestingly, the specific moment, or order, in which the consumer is presented with the COO, has shown to affect the evaluation of all product attributes. Studies by Hong and Wyer [102] [103] discovered that the COO arouses curiosity regarding a product’s quality, and subsequently increases the evaluation of product attributes. They also discovered that when the COO was presented simultaneously with other intrinsic cues, it was regarded as just one of many product attributes. However when the COO was presented before the other intrinsic cues, the COO was shown to have a stronger effect on a product evaluation, but also, influence the interpretation of other

(later presented) product attributes. This ‘*product attribute-effect*’, as it was named, not only shows the complex role COO plays in product evaluation and consumer decision making, it also shows the potential of COO for use in marketing communications.

4.2.2 THE COUNTRY-OF-ORIGIN EFFECT IN THE JAPANESE FOOD MARKET

Based on the theory covered above, we can conclude that the COO of food products will be likely to matter most when the safety or quality of the product is of extra concern or when the ‘intrinsic cues’ or other important information are not available. The COO could therefore be particularly important to:

- Fresh or perishable food products
- High priced food products
- Unfamiliar food products
- Frozen food
- Pre-made meals
- Processed foods
- Home delivered food
- Food products bought online (e-commerce/web shops)

In the case of perishable goods, when quality and freshness are of special concern, the origin can be an important indicator. This goes for products as fruits and vegetables, but likely even more so for raw meat of fish, of which bad quality or lack of freshness can pose a serious health threat. Understandably, this will especially be the case for the health conscious and uncertainty avoiding Japanese consumer (see chapter 3.3). The same, reassurance or peace of mind the COO can give, will also work (to a certain extent) for product the consumer is unfamiliar with.

For high-priced or luxury food products on the other hand, the origin can help justify the high price by adding to the 'exclusivity', 'authenticity', or 'prestige' of the product. Again, something that will particularly appeal to the Japanese consumer (see chapter 3.3).

The examples above describe products for which the COO could have more pronounced effect in Japan through characteristic cultural values. However there are also sociological factors to be taken into account.

Due to the aging population, demanding professional lives, and high number of single person households, the grocery market in Japan is particularly focussed on convenience. This has led markets for (amongst others) frozen foods, pre made meals, and processed food products to show significant growth in recent years [104] [105] and are expected to continue doing so in the years to come [106].

The thing with frozen, processed, or other concealed food products is however, that the direct product aspects (appearance, smell, texture, flavour) are hidden, therefore the consumer is likely to rely more on secondary factors such as brand, price, or the country of origin.

The same goes for products bought online, which, coincidentally, is another one of Japan's fast growing markets, especially for food products [107]. As many of the primary characteristics of food products are difficult (or even impossible) to convey online, it would definitely make sense for web retailers to accentuate the origin of products in their communication.

4.2.3 THE COUNTRY-OF-ORIGIN EFFECT IN THE JAPANESE FASHION & APPAREL MARKET

Fashion and apparel is a rather broad product category and product in this group can range widely in both price and function. However, while it is certainly possible for products in this category to fulfil a purely utilitarian function, it is very likely the product to serve a certain hedonic function as well.

Typically, fashion or apparel products will not require a high level of knowledgeability for evaluation and are therefore less likely to cause any ambiguity. That being said, while personal taste is of course subjective, the rules of fashion (ironically) are not. Therefore, there might be situation where the consumer relies on the country of origin (or brand origin) for reassurance or approval.

With respect to the Japanese consumer, this could be particularly applicable due to the high uncertainty avoidance and collectivist culture, which is likely to make it more important for the consumer to make choices that will not compromise his/her social position.

4.2.4 THE COUNTRY-OF-ORIGIN EFFECT IN THE JAPANESE ELECTRONICS MARKET

The situation for electronic products is likely to be quite different from both the food and fashion market. Main differences, especially compared to food products, is that electronic products are usually higher in price and therefore evoke higher levels of involvement. Another difference is that electronics usually are functional products, unlike food and fashion which are more likely to fulfil a hedonic function. Both the involvement and the functional nature of

the products cause the evaluation process to be more rational and less based on emotions. Because of this, emotional associations with a country are less likely to have a large impact on the evaluation process.

This is not to say that the country of origin is not to have any effect at all. Because electronic products can be complicated to compare for consumers that are not knowledgeable enough to properly assess and compare the product's properties, the consumer might rely on extrinsic cues like "Made in...." for reassurance or reference. Specifically to the Japanese consumer, this very much in line with the high uncertainty avoiding culture (see chapter 3).

In rare cases, there could also be an emotional factor at play when the product offers a certain sign value to the consumer. An example of this can be Leica, a German camera manufacturer that targets the high-end section of the camera market and has a strong following of enthusiasts. The company's long heritage and the fact that, to this day, their cameras are still made in

Germany is a large part of the appeal and an incredibly valuable product aspect. Again, when looking specifically to the Japanese consumer, this aspect can be particularly relevant due to the high masculinity and power distance that characterise Japanese society (see chapter 3).

4.2.5 THE COO AND PURCHASE PRIORITIES OF THE JAPANESE CONSUMER

The fact that the COO does actually matter in the product evaluation is also shown by an extensive analysis of a series of surveys performed by MyVoice on the purchase priorities of Japanese consumers for various types of products [108]. The surveys ask participants to rank the importance of a series of product attributes (ranging between 19 and 25) on importance. Unfortunately the country of origin wasn't always included as an attribute (or element). However, when accounting for all elements related to a product's origin (such as the preference of a domestically

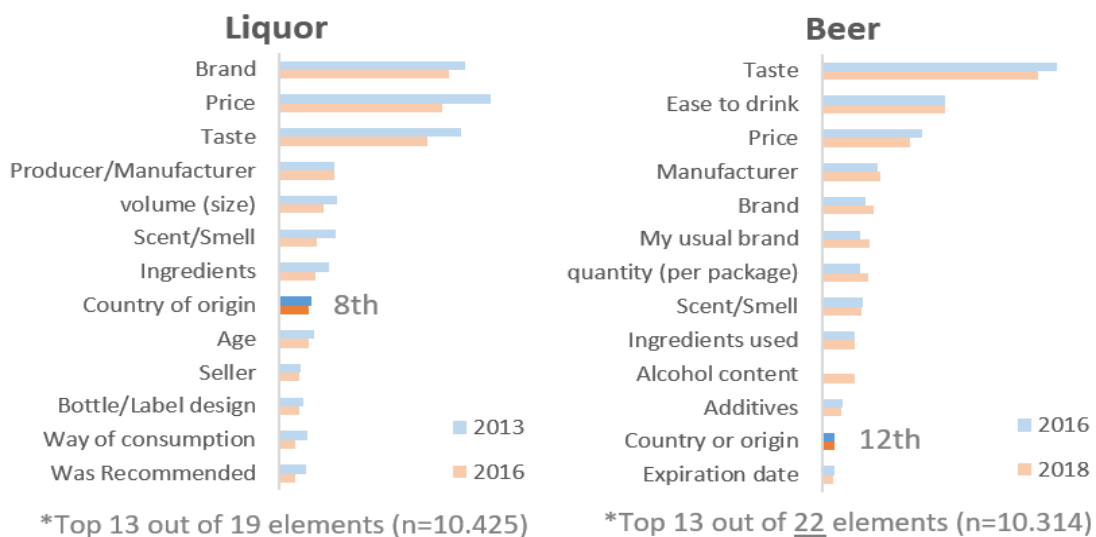


FIGURE 12: AN ANALYSIS OF SURVEYS ON PRIORITIES OF JAPANESE CONSUMERS (ALCOHOL). DATA SOURCE: MYEL [108]



PHOTO 2: THE LIQUOR DEPARTMENT OF A JAPANESE DON QUIJOTE STORE DISPLAYING THE ORIGIN COUNTRIES.

evaluation of liquor (of a 19 total) and the 12th (out of 22) most important one when purchasing beer. Particularly in the case of liquor, the display of the origin country is very common in Japan (see photo 2).

A reason that the COO was said to be more important for liquor purchases than for beer could be the fact that, although both are hedonic products,

produced product over an imported one) there were a total of 16 survey found which included origin. Of all these analysed surveys, origin related elements consistently ended up in the top 13 priorities, regardless of product category.

liquor is generally more expensive, and therefore, requires a higher level of involvement (see chapter 3.2.2). Another reason, at least in some cases, could be a lack of knowledge about the liquor products, requiring the consumer to more heavily rely on extrinsic cues (see chapter 4.2).

Figure 12 shows that in two separate surveys on purchase priorities for liquor and beer, the COO was said to be the 8th most important product attribute in the product

When looking at four individual survey results on product categories of a more

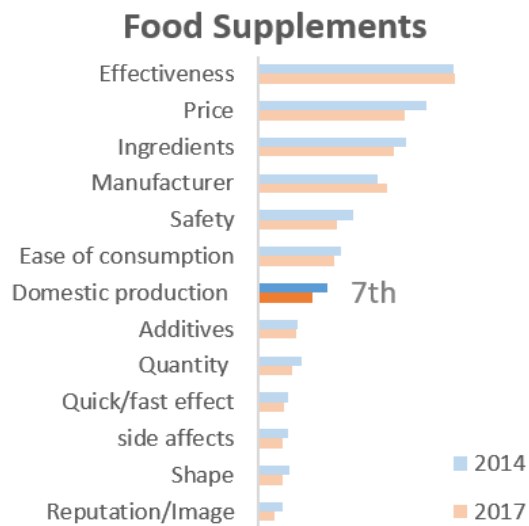


PHOTO 3: EXAMPLES OF ORIGIN COUNTRY DISPLAY ON FUNCTIONAL PRODUCTS IN A JAPANESE ELECTRONICS STORE, SHOWING A HEARTMONITOR (JAPAN), AN ELECTRIC RASOR (GERMANY), AND A PRESURE COOKER (FRANCE).

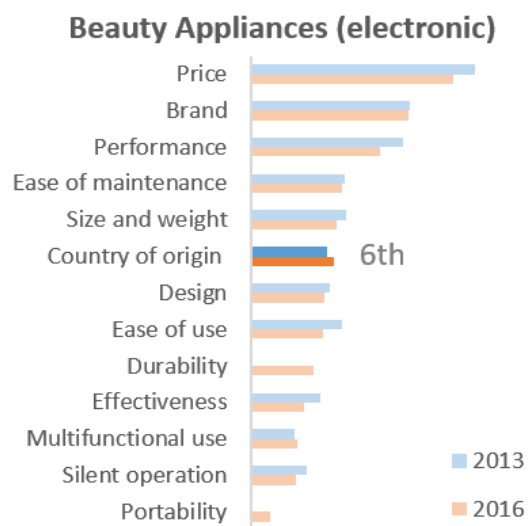
functional (utilitarian) nature, we see similar results. Figure 13 shows the purchase priorities of food supplements (e.g., vitamins); electronic beauty appliances (e.g., electric razor or curling iron); electric healthcare appliances (e.g., blood pressure monitor); and flat screen TV's. In case of the surveys on food supplements and TV's the respondents were asked about their preference for domestically produced products over

imported ones. While this is not the same as the COO necessarily, it does show that a product's origin is of considerable importance to the consumer.

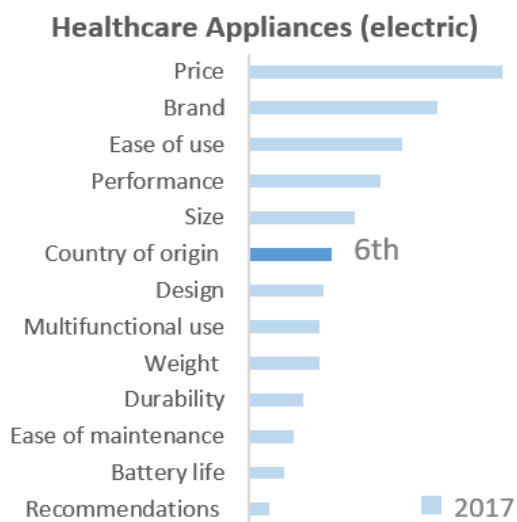
For these four product in particular, the origin seems to be a main priority in purchase evaluation as it shown to be the 7th (out of 24) most important attribute for food supplements, the 6th most important one for both beauty and healthcare



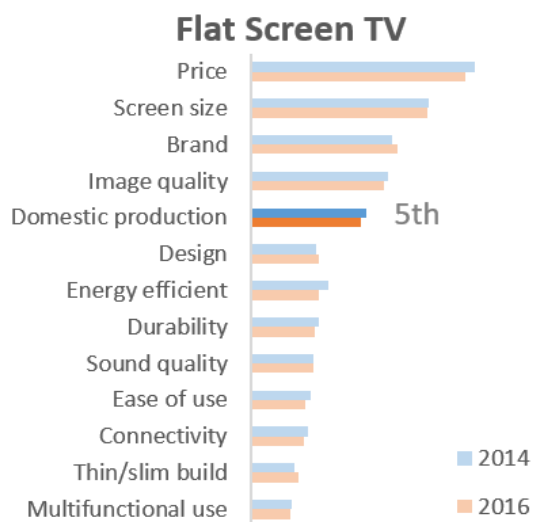
*Top 13 out of 24 elements (n=11.195)



*Top 13 out of 22 elements (n=11.437)



*Top 13 out of 23 elements (n=10.709)



*Top 13 out of 27 elements (n=11.553)

FIGURE 13: AN ANALYSIS OF SURVEYS ON PRIORITIES OF JAPANESE CONSUMERS (FUNCTIONAL). DATA SOURCE: MYEL [108]

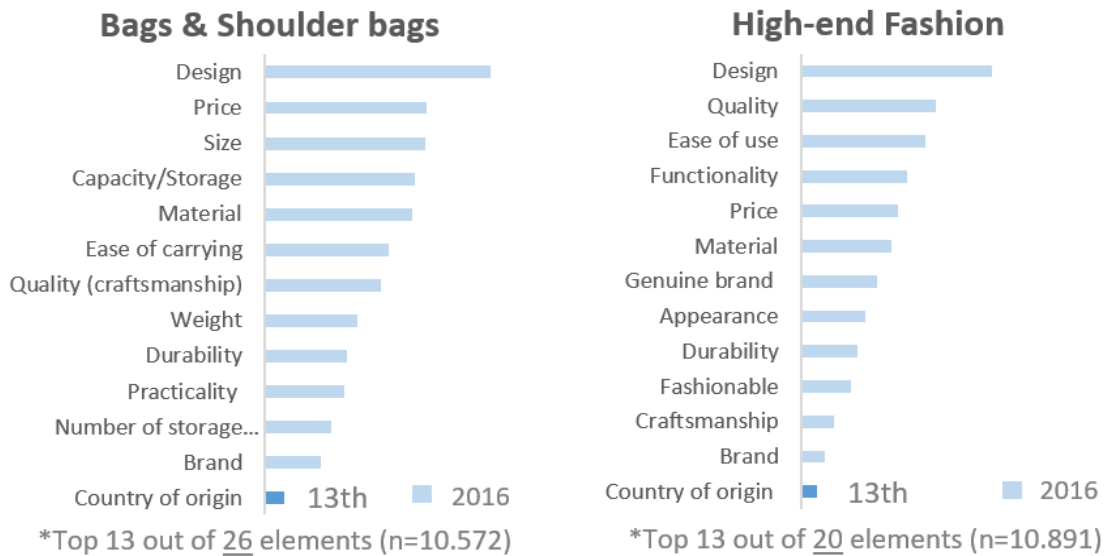


FIGURE 14: AN ANALYSIS OF SURVEYS ON PRIORITIES OF JAPANESE CONSUMERS (FASHION). DATA SOURCE: MYEL [108]

appliances (out of 22 and 23 respectively), and even the 5th most important attribute when buying a television [108]. A manifestation of these consumer priorities can be found in Japanese stores where the display of COO for functional products is quite common (see photo 3).

The reason the product origin seems to be particularly important to these products could be due to the fact that these products all evoke high levels of involvement, albeit for slightly different reasons. Supplements and healthcare appliances both are related to the consumer’s health and wellbeing,

and are therefore subject to more careful evaluation. A behaviour that, in case of Japan, might very well be augmented due to its ‘high uncertainty avoidance’ culture (see chapter 3.3.2). For all four product types however, goes that they are evoke high involvement due to their higher price, and hence a more careful evaluation of their attributes.

For fashion items such as bags and high-end fashion (see figure 14) the COO importance is less pronounced, however still in the top 13 (of the 26 and 20 attributes measured respectively). A reason the COO seems to be



PHOTO 4: EXAMPLES OF ORIGIN COUNTRY DISPLAY IN FASHION GOODS, SHOWING ITALIAN WATCHES, TIES, AND SUNGLASSES

less important for these two product types than that was the case in the previous mentioned ones, is that, although high price, they are highly hedonic in nature. This means that the decision making process is more likely being led by emotional process, rather than purely rational ones. It could also be that in case of high-end fashion and bags, the consumer is more knowledgeable (whether subjective or objective) and feels therefore more confident in relying more heavily on intrinsic cues.

That being said, examples of the origin country being used in marketing messages of (hedonic) fashion and apparel products still rather common in Japan (see photo 5).

The collection of food products, shown in figure 15, again show the importance of the origin of products to the Japanese consumer. For raw meat, the COO was even given as the 2nd highest priority (out of 21). This is likely due to a perceived risk of consuming bad/low quality meat, but also due to the fact meat (beef in particular) is relatively high priced in Japan and therefore is subjected to a higher level of evaluation.

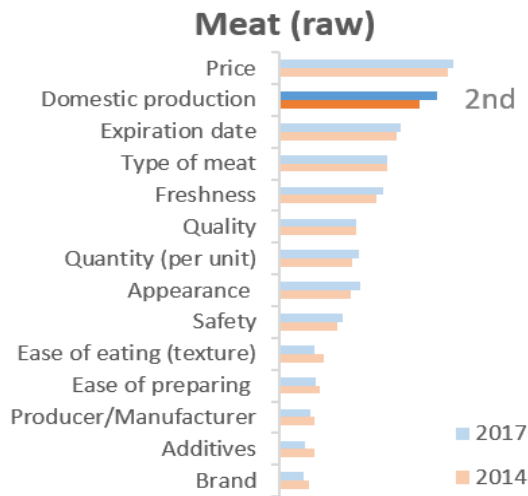
Pork and bacon for example, are relatively cheap and, especially when processed (such as bacon), less of a health concern.

In the case of frozen food, for which COO was said to be the 4th most important aspect (out of 22), it might be the lack of intrinsic cues (look, taste, smell) available for evaluation which requires a greater reliance on extrinsic cues such as COO. The same could be the case for processed fish products, for which the origin was said to be the 5th main concern. The lack of intrinsic cues might in this case as well, cause people to rely more on the origin country in their decision making.]

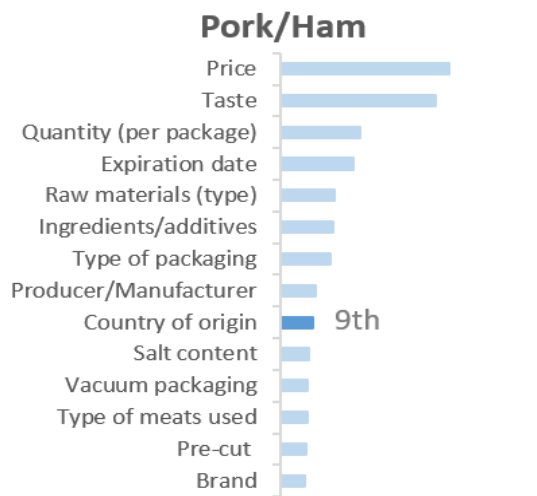
Over all, for each of these six food products, the origin was consistently mentioned in the top 10 of most important product attributes. This indicates that, in general, the origin of food products is one of the main concerns for the Japanese consumer, and therefore, an important product attribute. It will, therefore, come as no surprise that in Japan origin countries are abundantly used in marketing messages (e.g., packaging) of food products.



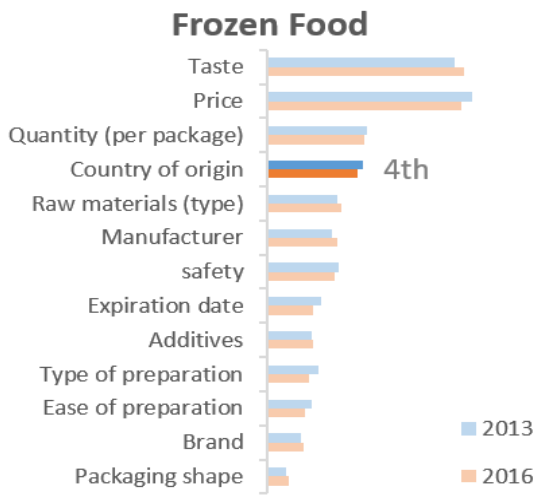
PHOTO 5: EXAMPLES OF ORIGIN COUNTRY DISPLAY ON FOOD ITEMS, SHOWING AMERICAN AND AUSTRALIAN BEEF, FRENCH AND SPANISH CHEESE, AND AMERICAN AND GERMAN CONFECTIONARY.



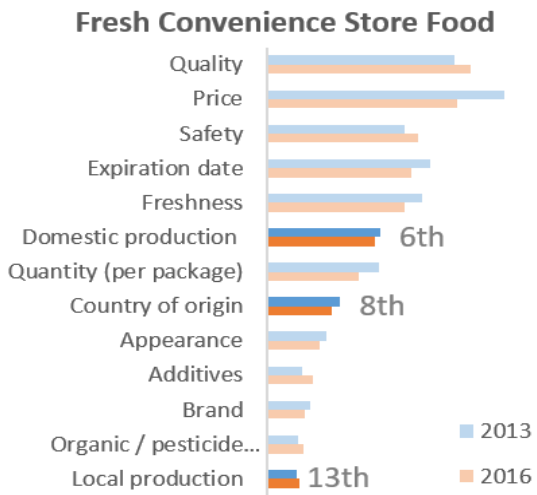
*Top 13 out of 21 elements (n=10.970)



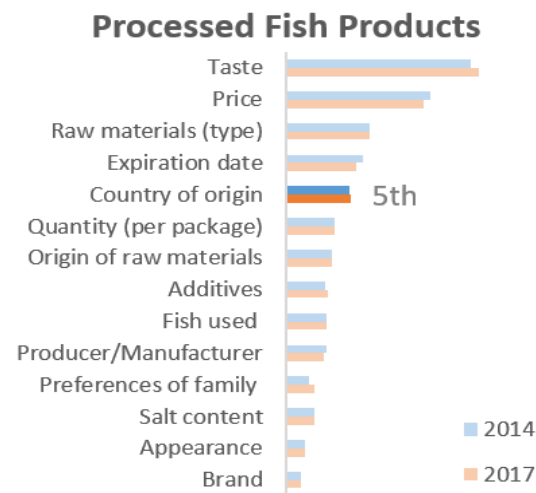
*Top 13 out of 26 elements (n=11.474)



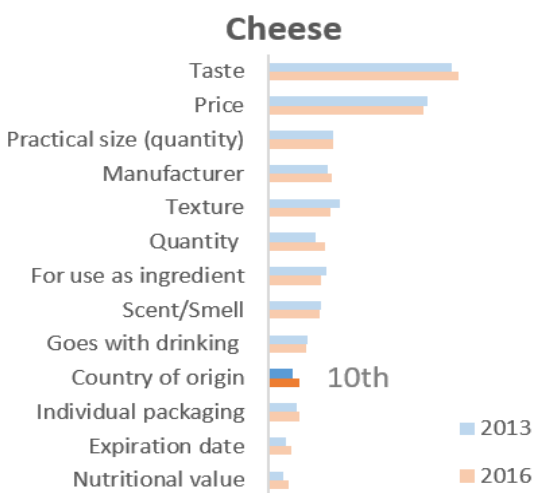
*Top 13 out of 22 elements (n=11.116)



*Top 13 out of 23 elements (n=11.048)



*Top 13 out of 23 elements (n=11.198)



*Top 13 out of 21 elements (n=11.029)

FIGURE 15: AN ANALYSIS OF SURVEYS ON PURCHASE PRIORITIES OF JAPANESE CONSUMERS (FOOD). DATA SOURCE: MYEL [108]

The examples below show some examples for various food products such as meat, cheese and confectionary found in Japanese stores, with a prominent display of their origin.

These findings, supported by theory, explain how the country of origin, as an indirect product attribute, plays a significant role in a product's evaluation. The findings also show that, in case of Japan, the origin country appears to be particularly important for consumer decision making.

4.3 COUNTRY IMAGE

The proceeding chapters have elaborated on how and why a product origin is an important product attribute, and established that the country image (CI) plays a significant role in consumer evaluation processes.

The definition of the concepts that is 'country image' tends to vary across the field. As such, it has been described as 'perceptions' [95]; 'associations' [109]; 'believes' [110]; or even 'stereotypes' [101]. It is, however, suggested that these definitions fail to fully cover the comprehensive construct of country image. Instead a more comprehensive concepts is provided by the theory of reasoned action [111] (Fishbein and Ajzen [31]) as covered in chapter 3. The theory of attitudes could more accurately explain for positive or negative country evaluations due to the fact that besides cognitive aspects, it accounts for affective and conative aspects as well.

Based on the theory of attitudes, we can explain the CI formation and following behaviour as a result of [111] [112]:

- *Cognitive processes:* e.g., a consumers' perception of a country's industrial development and technological advancement.
- *Affective processes:* emotional and symbolic values attributed to a specific origin country, or feelings regarding a country's (e.g.) people or cultural aspects.
- *Conative Processes:* the desired interaction with, or behavioural intentions toward an origin country.

However, with Japan being the focus of this research, it would make sense to include the often discarded normative factors regarding CI and behaviour [112] [113].

- *Normative processes:* social influence or the conformity to social standards.

Being a collectivist society, people rely more on opinions and views of in-group members (see chapter 3) and tend to avoid behaviour that is not in line with that of people in their social environment [45]. In the context of this research, this could, for example, be illustrated by people avoiding products from a certain origin due to (political) animosity towards said origin within their social environment (boycott). This suspicion is corroborated by a study showing the COO effect among Chinese consumers to be different in products that are bought for private consumption, versus those bought for public consumption.

Based on the theory of attitudes, we can know a country image to result from knowledge and experience (familiarity) with

a certain country. This familiarity can be gained directly (e.g., through visits, interaction with people, or experience with products from a particular country), or indirectly (e.g., through media or social environment).

A country image can be divided in two levels, i.e., macro and micro country image [114], of which the macro level can be considered as the antecedent of the micro level [115].

- *Macro Country Image*: which covers a consumers' country-level associations and can be defined as a collective of all descriptive, inferential and informational beliefs a consumer has about a particular country. The macro level image entails general (e.g.) political, economic, technological, or cultural aspects of a country.
- *Micro Country Image*: which covers a consumers' product-level associations and can be defined as a collective of all descriptive, inferential and informational beliefs a consumer has about products from a particular country. The micro level image entails specific product related aspects such as (e.g.) quality, reliability, prestige, or innovativeness. The micro level can be measured both in a general sense, as well as product specific.

The micro country image, can on its turn, be considered an antecedent of country-of-origin image (COI) or product country image

(PCI). Both COI and PCI entail the image (in the consumers' eyes) of a country as a supplier of a given product, and as such, will affect the evaluation of said product. Although it should be noted that even though COI and PCI are often used interchangeably, they are (by some) considered to be slightly different [111]. However, for the purpose of this research, we will limit ourselves to the use of PCI (Product Country Image) when referring to the image of a country in regards to a specific product or product group.

4.4 COUNTRY EQUITY

The role of 'country image' is well covered in COO effect research and is believed to be the most reliable indicator of a possible COO effect. However, there might be a more distilled and accurate way to measure or predict the effect a product origin country has on consumer behaviour, the 'country equity' (CE).

The term 'country equity', also referred to as 'nation equity', is inspired by the term 'brand equity', a concept extensively covered in marketing research which entails the value of a product or service derived from the brand [116]. In business, brand equity management is regarded as a vital activity due to its proven effect on, e.g., bargaining power and customer loyalty [117].

Country equity, when simply put, entails the value a particular country (including its name, references and symbols) endows on its originating brands, products or services [118] [119] [120]. The concept of country equity is relatively new, however, in more recent years it has found more and more coverage in marketing research [114].

A strong country equity can offer a significant benefit to its originating exporters. A high CE can help a country attracting tourists, foreign direct investment, and talented people [114] [121]. For individual businesses from a country, a high CE can offer great benefits by [114]:

- Help overcoming trade barriers in foreign markets.
- Offer a stronger bargaining position with channel members
- Higher customer loyalty
- A higher viability of brand extensions
- A higher (justifiable) price for their products or services

The concept of 'country equity' elaborates on the one of 'country image' as covered in the previous chapter. While the CI can be regarded as the aggregate of the micro and macro country images, the concept of 'Country Equity' further expands on the CI in greater detail. Besides the country image, country equity includes the additional [114]:

- *Country awareness*: Similar to brand awareness, can be defined as the ability (of the consumer) to recognise/recall a particular country as a producer of a particular product category. A high country awareness means there is a strong link, in the consumer's perception, between a country and a product category. Country awareness is essential for country equity to be possible.

- *Country-of-origin associations*: This can be defined as the collection of descriptive, inferential, and informational beliefs regarding a certain country in general (macro) or products from this country (micro).
- *Perceived quality*: Although also mentioned as a component of the micro country image, it is argued to deserve a more prominent position in country equity (as this is the case with brand equity). The perceived quality can be defined as a country's products perceived overall quality or superiority compared to alternatives (other countries).
- *Country loyalty*: Similar to brand loyalty, country loyalty can be defined as the preference of products from a particular (focal) country over similar products (substitutes) from other countries.

The importance of country perception and overall attitude in purchase decisions was shown in a survey among Japanese consumers⁴. The respondents were given several statements (agree/disagree) measuring the role of a country image in buying behaviour (see figure 16).

⁴ Japanese respondents, age > 17, n=161

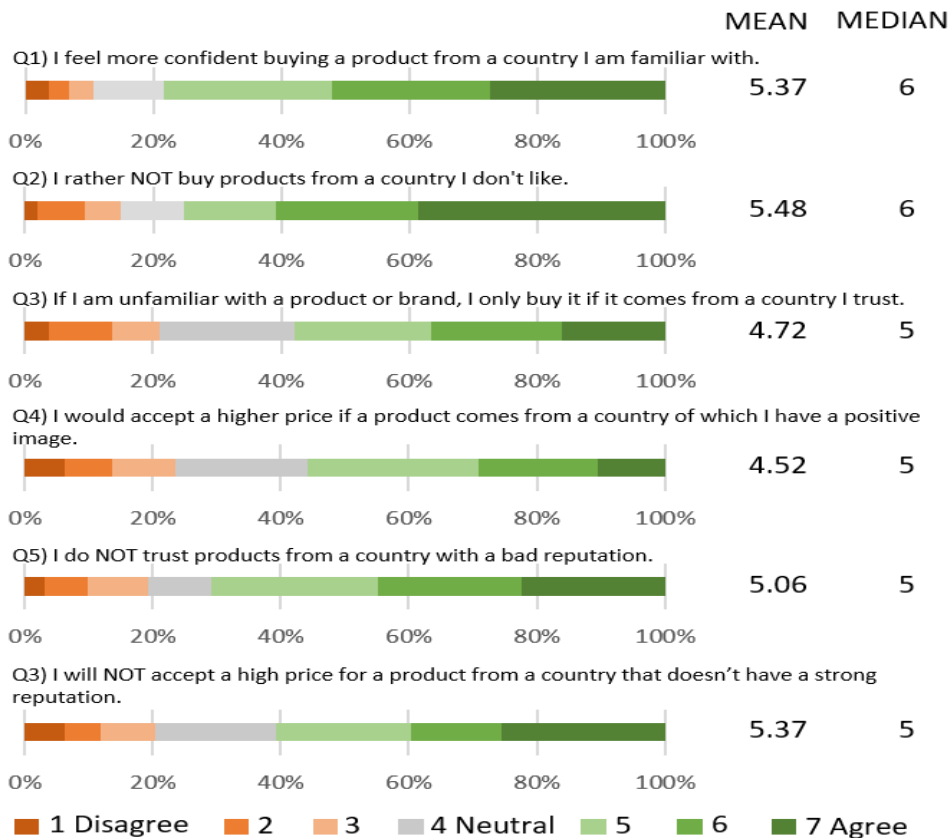


FIGURE 16: SURVEY RESULTS ON THE IMPORANCE OF COUNTRY IMAGE IN CONSUMER DECISION MAKING (TRANSLATED)

The results suggest that, in case of the Japanese consumer, the respective country image to have a significant effect on buying behaviour. The country's image seems to affect the willingness to pay a premium price for a product, as well as consideration of the purchase in the first place. While

merely offering a grossly simplified representation of consumer preferences, the results do seem to support the concept of country equity. This does, however, raises the question on the measurability of country equity.



PHOTO 6: TWO JAPANESE BUSINESSES WITH, RESPECTIVELY, FRENCH AND BELGIAN INSPIRED BUSINESS CONCEPTS.

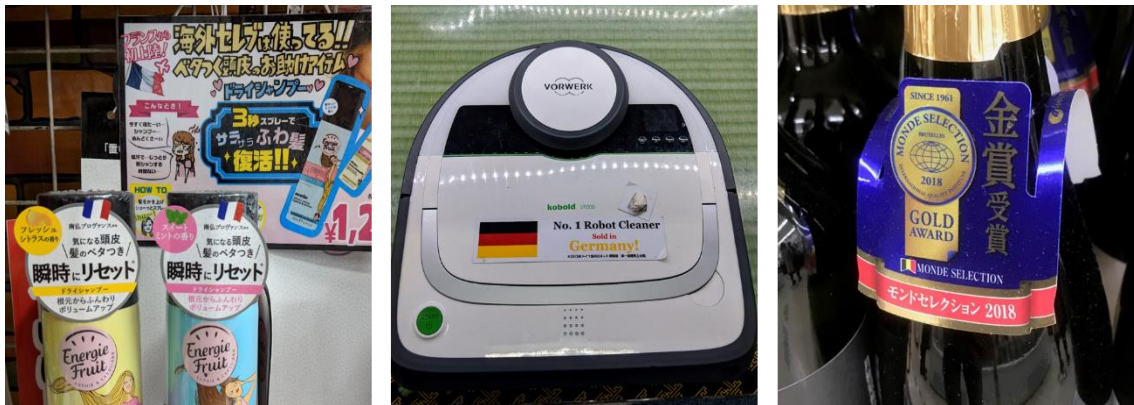


PHOTO 7: SUCCES/POPULARITY IN OTHER COUNTRIES USED IN MARKETING MESSAGES IN JAPAN FOR, RESPECTIVELY, A DRY SHAMPOO SPRAY, A ROBOT VACUUM CLEANER, AND A JAPANESE SAKE.

A good indication of a high country equity can be found in local business using references to a certain country as a business concept, or as a tool in effort of creating a competitive advantage.

Examples of such business in Japan can be found in 'Manneken', a Belgian waffle store, and 'Vie de France' a French style bakery and café (see photo 7). Both are Japanese initiatives, but rely heavily on the association with a foreign country in their business concepts.

Another good indicator of a high country equity is the use of success or popularity in a foreign country in a marketing message on the domestic market.

The examples in photo 7 show a dry shampoo spray, with a claim that the product is used by French celebrities; a robot vacuum, with the claim to be the number one seller in Germany; and a Japanese sake, proudly advertising having won a contest in Belgium (see picture 7). These messages serve as a form of approval of a respected source (see 'social proof' and 'authority' chapter 3.2).

4.5 COO IN THE EVALUATION PROCESS

The previous chapters explained how the consumer evaluation process is affected by a number of factors. Simply put, the level of involvement with the subject (product or product attribute) determines the level of mental effort used in the evaluation. A high mental effort, i.e., a rational evaluation, will rely on existing knowledge and available information. In the situation of low consumer involvement the evaluation will be based more on superficial aspects and rely more on feelings and emotions rather than rationality. The COO takes part in the evaluation process either way, albeit in a different manner depending on involvement, knowledge and available information.

4.5.1 THE 'COO-ELM'

To lay out the role of COO in product evaluation in a visual way, we use a model suggested by Bloemer, Brijs and Kasper [113] named the 'COO-ELM model'. The model is, as the name suggests, based on the 'Elaborate Likelihood Model' by Petty and Cacioppo [46] (see Chapter 3.2), and incorporates (amongst others) factors such as involvement (see Chapter 3.2), and

knowledge (see chapter 4.3) to determine the role of an origin country in the consumer evaluation process. The model shows the COE to depend on the following factors:

- The *presence* of COO information: If the COO is not known, there can be no COO-effect.
- The *predictive value*: The degree to which a consumer believes the COO to relate to specific product characteristics.
- The *confidence value*: The degree of confidence a consumer has in relying on the COO for his/her product evaluation.
- The *motivation* to process information regarding the COO.
- The *ability* to process information regarding the COO.
- The *moment* the COO is presented: Depending on whether the COO is presented before or after other product information.
- The level of *knowledge* about products from the country in question.

The flowchart of the 'COO-ELM model', as shown in figure 17, shows that these aspects result in one of seven possible types of country-of-origin effect [113].

- *General Halo Effect*: When the COO-cue is the only cue present, but the consumer has a low level of

knowledge about products from this particular country, the consumer is forced to base his/her evaluation on spontaneous, stereotypical beliefs about a country and (general) products from this country.

- *General Default Heuristic*: When the COO-cue is the only cue present, but the consumer has a moderate level of knowledge about products from this particular country, the consumer relies in his/her evaluation on the limited available 'product-country' knowledge, as well as 'product-country' knowledge for other (unrelated) products from the respective country.
- *General Summary Construct*: When the COO-cue is the only cue present, but the consumer has a high level of knowledge about products from this particular country, the consumer will rely for evaluation on his/her extensive knowledge of the product.
- *Specific Halo Effect*: If the consumer has a low level product-country knowledge and has access to other product information as well, but lacks the confidence; motivation; or ability to process this additional product information, the consumer relies his/her evaluation on the limited (and general) COO knowledge.

- Specific Default Heuristics: If the consumer has a moderate level of product-country knowledge and has access to other product information as well, the COO-cue and additional information will affect each other's interpretation, and hence, the evaluation process.
- Specific Summary Construct: if the consumer has a high level of product-country knowledge and has access to other product information as well, the additional product information will not affect the product's evaluation.
- Product Attribute: If the COO and other product information is available and presented at the same time (or the COO after other product information), and the

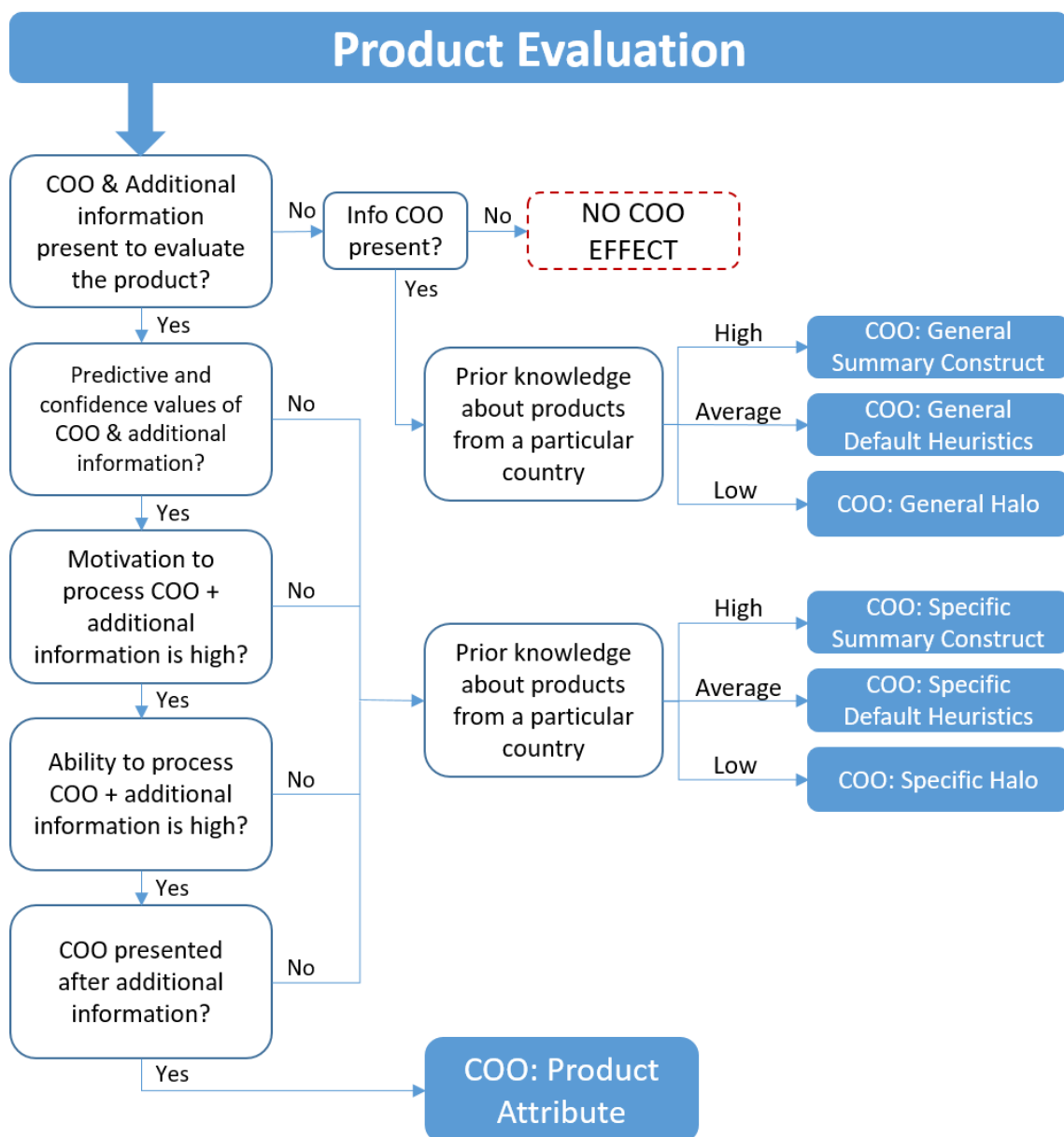


FIGURE 17: THE COO EFFECT ON PRODUCT EVALUATION FLOWCHART, A SIMPLIFIED VERSION OF THE 'COO-ELM' MODEL BY BLOEMER, BRIJS & KASPER [113]

consumer has the confidence; motivation; and ability to process the information, the COO will function as any other product attribute.

This model, while theoretical, gives us an understanding of the various ways the COO can interfere in the product evaluation process in different scenarios.

4.5.2 PRODUCT ORIGIN CONGRUENCY

There is, however, a factor the 'COO-ELM' model does not take into account, and quite an important one at that. This missing aspect is the 'fit' or 'congruency' between the product and country of origin, as perceived by the consumer [122].

A *high product/COO-fit* means that, in the consumer's perception, the product has a strong relation to the COO. This could be the result of (1) the product historically originating from the COO (e.g., sushi from Japan), or (2) the particular country having

a very strong image for a certain type of product (e.g., cars or electronics from Japan). The former type would be related to perceived 'authenticity', while the latter is more 'stereotypical' in nature.

A *low product/COO-fit* means that, in the consumer's perception, there is no (or little) congruency between the product and the COO. This low 'fit' can result from (1) a product not having the (perceived) historical link with the COO (e.g., sushi from Vietnam), (2) a COO not being commonly known for producing a certain type of products (e.g., cars or electronics from Vietnam), or (3) when country association have a direct in congruency with a product category. For example, German associations with solid engineering; reliability and safety, are a good fit for products where these qualities are valued (such as with cars or machinery), but can be highly contrasting (and even conflicting)

Czech Republic



PHOTO 8: THE CZECH ORIGINATING SAUSAGE IN A HOLLOW BUN (PÁREK V ROHLÍKU) IS SOLD IN JAPAN AS A 'FRANCE DOG'. PHOTO SOURCES: PRAHANADLANI.CZ [132] AND IMACHIKA.COM [131]

Japan



with qualities that are important for, e.g., fashion or food.

This 'fit' or 'congruency' has been shown to affect the country-of-origin effect and the evaluation of the COO as a product attribute [123] [124] and is therefore an important aspect to take into account.

A side-note on a products historical origin is that this is largely dependent knowledge/information and can vary per individual or society. The example in photo 8 shows that the sausage in a hollow bread called 'párek v rohlíku', originating from the Czech Republic, is sold in Japan as a 'France Dog'. In this case, the seller has chosen to completely disregard the original (authentic) origin of the product, and instead selling it under a name suggesting a French origin. While this decision was undoubtedly made in order to capitalise on the much stronger country image of France when it comes to food products and, to the uninformed consumer, will still be a good product/country fit. As such, this 'France Dog' is also an excellent example of 'country equity' at play.

4.5.3 JAPAN AND THE COUNTRY EQUITY'S HALO EFFECT

Continuing on the example of the 'France Dog', the relation between high country equity and incongruent products in Japan seems to be somewhat different than is the case in Western countries.

In chapter 3 it was explained that a *holistic* thinking style is one of the characteristic trait of people in collectivist societies (opposed to an *analytical* one in individualist societies). A holistic thinking style means objects are perceived in relation to their environment and context [125], as such, the categorisation process is based on interrelations and the larger picture, rather than grouping based on rules and features.

As mentioned before, the holistic thinking style in collectivists has proven to make people more accepting of brand extensions than people from individualist societies [22]. As a drastically simplified example, someone with an analytical thinking style might like Mercedes cars very much, however he/she might be less accepting of



PHOTO 9: GERMAN AND FRENCH COUNTRY SYMBOLS ON, RESPECTIVELY, TABLE SALT AND BOTTLED WATER SOLD IN JAPAN.

the idea of a Mercedes made motorcycle, and even less so of a Mercedes made smartphone. This is because, in case of an analytical thinking style, the positive association is with Mercedes as a producer of automobiles, more particularly, high-end automobiles. Motorcycles, due to their different features, would belong in a different category and therefore will not enjoy the same positive association as do

ones, to accept Mercedes producing motorcycles and smartphones (theoretically, that is).

The same principle therefore, can, with not too much imagination, be applied to a positive country-product-image or a high country equity. Particularly considering that the 'halo construct' (mentioned in chapter 4.2) already describes such an effect in situations where the consumer has little to



PHOTO 10: A JAPANESE CURRY RESTAURANT AND A RAMEN RESTAURANT USING REFERENCES TO FRANCE AND ITALY. SOURCES [133] [134]

cars. In case of a smartphone, this would be so far from the perception of Mercedes as a car manufacturer, that this would be seen as highly incongruent and therefore (most likely), not an appealing option.

For someone with a holistic thinking style on the other hand, the positive (and completely hypothetical) association with Mercedes as a brand and the trust in the company providing high quality, reliable, innovative products that function as status symbols, will serve as a reference for evaluating other (non-automobile) products from the company. Meaning that consumers in collectivist societies would be more likely than ones from individualist

no experience with a product. If this effect is amplified by certain cultural characteristics, such as a holistic thinking style, this could indicate a positive country image to more easily lead to a high country equity in Japan than it would in Western countries.

In fact, examples of this are abundantly available. While certain combinations of country symbols and products are to be expected and will certainly not come at a surprise, as say, French country symbols on certain cheese, and German country symbols used for high-end electronics or cars. However less to be expected (that is, from a Western perspective) are prominent

French country symbols on bottled water or German country symbols on table salt (see picture 9). In societies with an analytical thinking style these country references for these particular products would (likely) be considered incongruent and, therefore, not add any value.

Other striking examples of highly incongruent product/country combinations found in Japan are that of Japanese curry restaurants and a ramen restaurants, two distinctively Japanese concepts, using references to France and Italy in effort to obtain a competitive advantage (see picture 10).

In this case, the country equity of France and Italy is high enough, it can even add to the value of concepts that are inherently Japanese.

This would suggest that, in Japan:

- A positive product country image is less confined to particular product

categories, but instead is perceived in the context of the country in general, affecting most (if not all) of its originating products (i.e., a 'halo' effect) to some form or degree.

- The pay-off of a high country equity in Japan has the potential of being much higher than in Western countries due to the flexibility and wider range of applications.
- A high nation equity in Japan offers a lot more opportunities for exporters and entrepreneurs than it would in Western countries.

This knowledge does not only confirms the value of a high country equity, it also suggests interesting strategic applications for EU business exporting to Japan.

5. EUROPEAN COUNTRY IMAGES IN JAPAN

To corroborate the, so far, anecdotal examples of EU country equity, two separate (but related) surveys conducted during this research measured the product country image for the EU's seven largest exporters⁵, as well as the EU as an origin by itself. The surveys⁶, conducted in Japan, measured the images on several key product aspects (based on findings covered in chapter 4) of 3 product categories. Apart from the surveys, the research relies on a series of interviews with Japanese importers, retailers, and people active in country branding for several EU countries regarding the role of product origin in consumer decision making and the reputation of European countries.

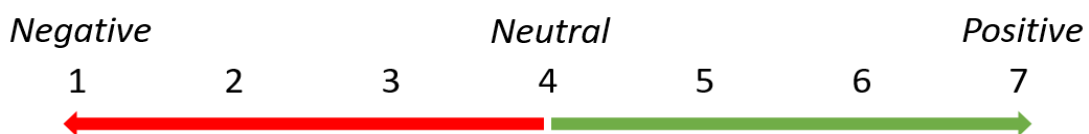
5.1 THE PRODUCT-IMAGE OF THE EU

The image of the EU in Japan relies mainly on that of Western European countries which, appears to be, consistently positive. While the larger countries like France, Germany and Italy have deep settled and

extensive images, for many of the smaller and lesser known countries, the EU image serves as a reference. Therefore, for many exporters, the perception of the EU and its originating products is of equal importance as the image of their respective origin country by itself.

Respondents were asked to rate the EU as a product origin on several aspects relevant to the respective products. The product categories included in the survey were 1) food products (examples given: meat & vegetables); 2) fashion products (examples given: jackets & sunglasses); and electronic appliances (examples given: electric toothbrush & microwave). The example product were specifically selected due to their non-specific nature (with regards to: gender; age; or income). The rating of the product aspects was measured on a 7 point Likert scale. The two products for each of the three product categories were measured separately but later combined into one representation of the product category. Because of the anticipated overall image of the EU was positive, and to avoid a

The Common Likert Scale



The Scale Used



FIGURE 18: AN EXAMPLE OF THE TYPE OF SCALE USED FOR THE SURVEYS AND HOW IT DIFFERS FROM A USUAL LIKERT SCALE.

⁵ Based on 2018 export to Japan – Source: Japan Customs [10]

⁶ Japanese natives, age > 17, n=161/n=114

‘central bias’, the neutral (usually the middle option) was omitted and instead ranked from ‘positive’ to ‘very positive’ (on the far end of the scale) (see figure 18). This approach allowed for a more detailed insight in the variations of positive perceptions.

When asked about the image of EU originating meat and vegetables the Japanese respondents were, as was expected, reasonably positive. The safety of EU originating food products was well regarded in particular (see figure 19), with nearly 80% of respondents having a positive perception. European food products also positively rated for ‘healthiness’ (74%), taste (67%), and quality (66%). While these results are not measured against other (Western) food exporters like the US, Canada, or Australia, and therefore do not give a relative impression of image, the image can still be interpreted as distinctly and consistently positive.

The survey tested the product associations for meat and vegetables alone, meaning there could be slightly different associations with other food products (e.g., processed

food product). However, due to the general nature of the measured product attributes, the results are not likely to vary a lot for other food (or food related) products. This means that exporters from countries that do not have well established images in Japan in particular, can still rely on (to a certain degree) the overall image of the EU and its associations with (e.g.) safety and quality of food products.

Europe’s reputation for fashion and apparel products appears to be quite positive as well (see figure 20). The survey measured the associations with two example products (Jackets/coats and sunglasses). The European origin of the two products were regarded as very fashionable. More than 80% of the respondents associated ‘fashionable’ with European example products, of which 18% even ‘highly fashionable’. The value and quality of EU fashion product was rated quite positively as well. About 80% of the respondents associated the EU originating fashion products with a high value (justifiable price), for 10% this association was even ‘very high’. About 76% of the respondents expected the example products to be of

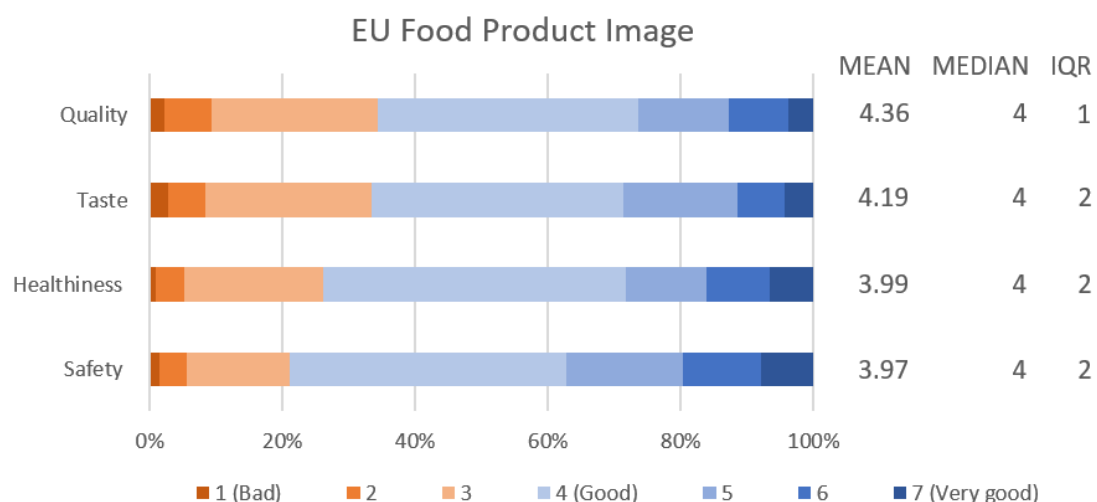


FIGURE 19: SURVEY RESULTS FOR THE EU FOOD PRODUCT IMAGE (MEAT & VEGETABLES)

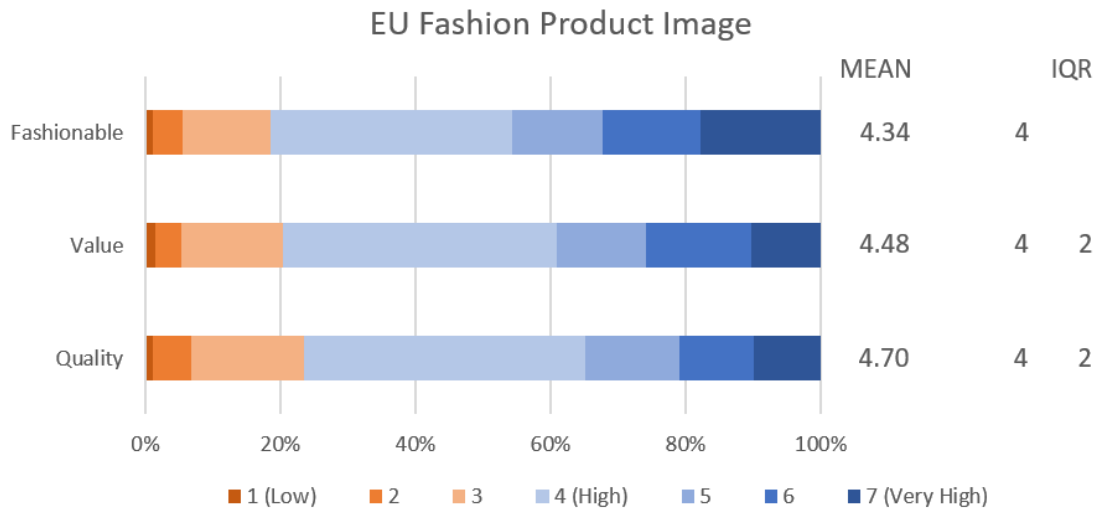


FIGURE 20: SURVEY RESULTS FOR THE EU FASHION PRODUCT IMAGE (JACKETS & SUNGLASSES)

good quality, and, similarly to ‘value’, about 10% even expected the quality to be ‘very high’. This means that the European origin offers EU exporters of fashion and apparel products a valuable ‘base’ image to be used to their advantage in the marketing strategy.

The European image in regards to producing electronic appliances is somewhat less positive compared with food and fashion products. The products chosen to serve as an example of electronic products were electric toothbrushes and microwaves, both

commonly used products. Just over half of the respondents associated ‘high value’ with European electronics. The number of respondents that associated the EU with ‘good quality’ electronics appliances was even below 50%. However, it appears that European electronic products have a particularly weaker image in regards to innovativeness. The share of respondents that associate EU electronics with any level of innovativeness is less than 35%. In fact, 10% of the respondents even answered the innovativeness of EU products to be ‘low’

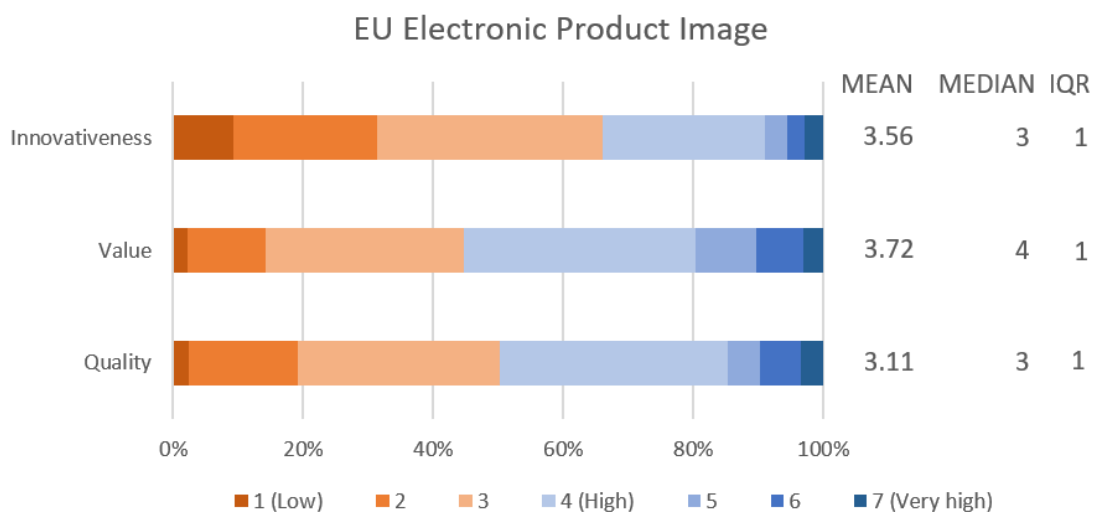


FIGURE 21: SURVEY RESULTS FOR THE EU ELECTRONIC APPLIANCES IMAGE (ELECTRIC TOOTHBRUSH & MICROWAVE)

(the lowest rating). These results show that EU exporters of electronic products are likely to have to put more emphasis on these aspects of their products in order to appeal to the Japanese consumer.

The survey shows that while the EU, as a product origin, generally has a positive image, this perception is, as one would expect, not equal among all product categories. The positive take-away from these results are that, even for exporters from countries that are not well known in Japan, the European origin will, in the very least, evoke modest positive associations.

5.2 EU COUNTRY IMAGES

While the findings on the EU image in Japan will make seem it unlikely that any European country by itself would have a negative image, it is to very likely the images of the respective countries included in the survey to be significantly different. To get a better insight in the individual images of European countries, the surveys included a comparison between seven EU nations. For practical reasons, the countries included in the survey were limited to the seven largest EU exporters⁷, i.e., Germany, Italy, France, Ireland, Spain, the Netherlands, and Belgium.

To make an assessment of the effect the country image has on the evaluation of foreign products, there has to be some insight in the general attitude towards the respective country. In order to acquire such insights, the survey contained a series of questions measuring the interest in several cultural aspects of the seven countries. Interest, in this context, was used as an

indication of involvement and attitude towards the respective countries and as such, served as an indirect measurement of the image.

The survey asked for the respondent's interest in:

- The country as a tourist destination
- Interacting with its people
- Learning the language(s)
- Trying its traditional cuisine
- Its originating music
- Its originating art

Although the interest, measured among the respondents, does somewhat differ dependent on topic, there is a discernible pattern in the distribution of interest among the countries. In average, the interest in European countries as travel destinations, similar to the interest in the local cuisines, is quite high, albeit with notable differences between the seven countries. For example, the most favourable travel destination, Italy, was scored 'very interested' by 47% of respondents, while the least favourable destination (Ireland) was only mentioned by 27% of the respondents in the same category. The interest in local cuisines showed a similar distribution in interest, with Italy being scored 'highly interested' by 47% of respondents compared to Ireland, receiving lowest (relative) interest (23%).

The respondent's interest in the countries' cuisine, art, and people was also quite high, however much more uniform among the different nations. Particularly the interest in interacting with local people varied very little between the most favourable nation

⁷ Based on export to Japan by value in 2018

Consumer Interest in:

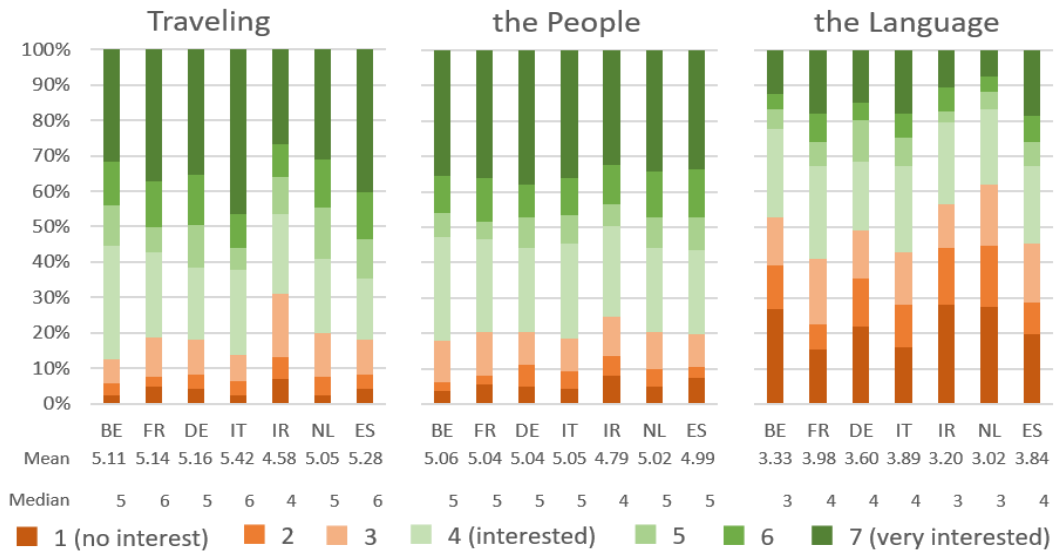


FIGURE 22: SURVEY RESULT OF INTEREST IN EU COUNTRIES - SHOWING TRAVEL, THE PEOPLE, AND THE LANGUAGE

(Germany) which was mentioned by 38% as ‘very interested’, opposed to the least favoured country (Ireland) which was mentioned by 32% of respondents as being ‘very interested’. The distribution in interest for music and art was more similar to that of cuisine and traveling, but with more modest differences.

The one cultural aspects that stand out is the interest in learning the local languages, which was consistently lower for all countries. However, the distribution was in comparable to that of the other questions. The main difference here being, the distribution to be better measured by using the scores for disinterest, or, ‘not

Consumer Interest in:

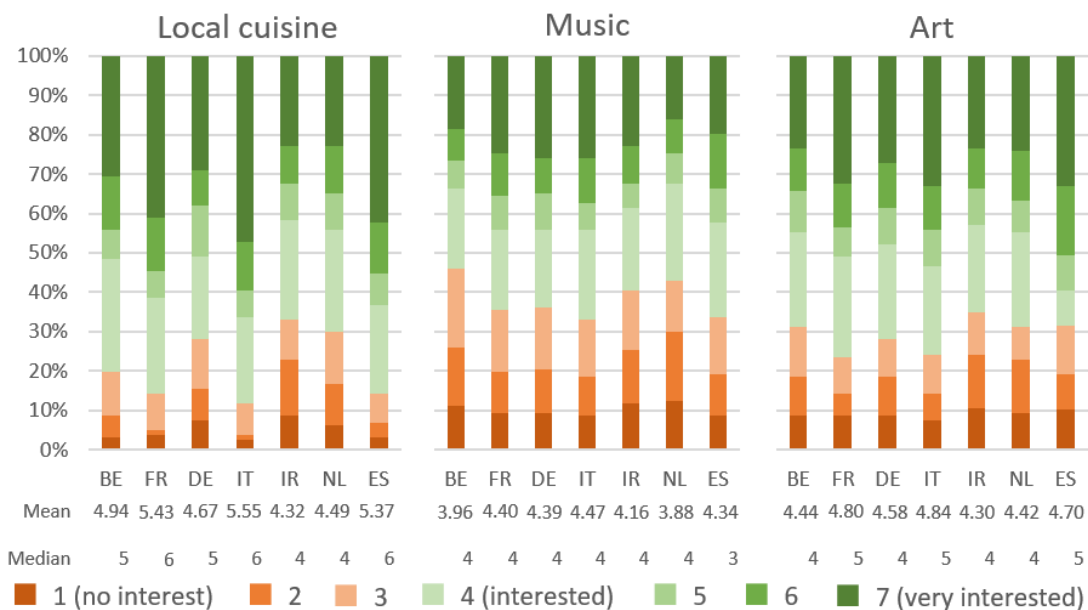


FIGURE 23: SURVEY RESULTS OF INTEREST IN EU COUNTRIES – SHOWING: LOCAL CUISINE, MUSIC, AND ART

interested’. The disinterest in the language was lowest for the countries France (16%) and Italy (16%), but highest for Ireland (28%) and the Netherlands (27%) meaning the interest was notably lower in the latter two.

What is most important to take away from these results is the consistency in interest among the various cultural aspects. The results show a consistently higher interest (with one exception) in the aspects related to Italy, France and Spain, and much lower on the countries Ireland, the Netherlands and Belgium.

These differences are also quite evident when looking at an aggregate of the results as shown in figure 24. This consistency suggests the interest measurements to be a reliable indication of the overall favourability of (or attitude towards) the countries. As such, these results can be used to see if there is any correlation between the (overall) country image and the evaluation of its products, which was measured in another survey.

5.3 THE PRODUCT-COUNTRY IMAGE OF EU NATIONS

Similar to the EU product image survey results covered in the beginning of this chapter, the same products and product aspects were measured for the seven European countries individually. As before, the three product categories were given the same two example products to measure the same product aspects.

5.3.1 THE PRODUCT-COUNTRY-IMAGE OF FOOD PRODUCTS

As was shown earlier this chapter, the EU as a whole has a rather positive image when it comes to food, with food products being highly regarded for their safety, taste, quality, and healthiness. The following survey results, which compare the individual European countries for on the same aspects, corroborate the earlier findings.

The survey results show that the European countries have a good reputation for food safety, in particular France and Germany were rated with a ‘very safe’ by 13% of the respondents. The percentage of

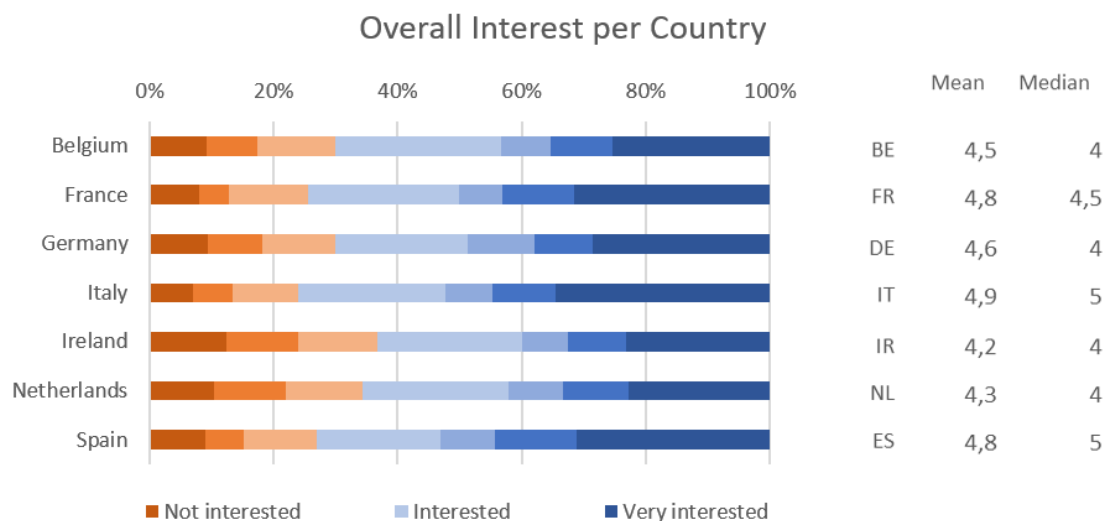


FIGURE 24: AN AGGREGATE OF THE SURVEY RESULTS ON CONSUMER INTEREST IN THE SEVEN EU COUNTRIES

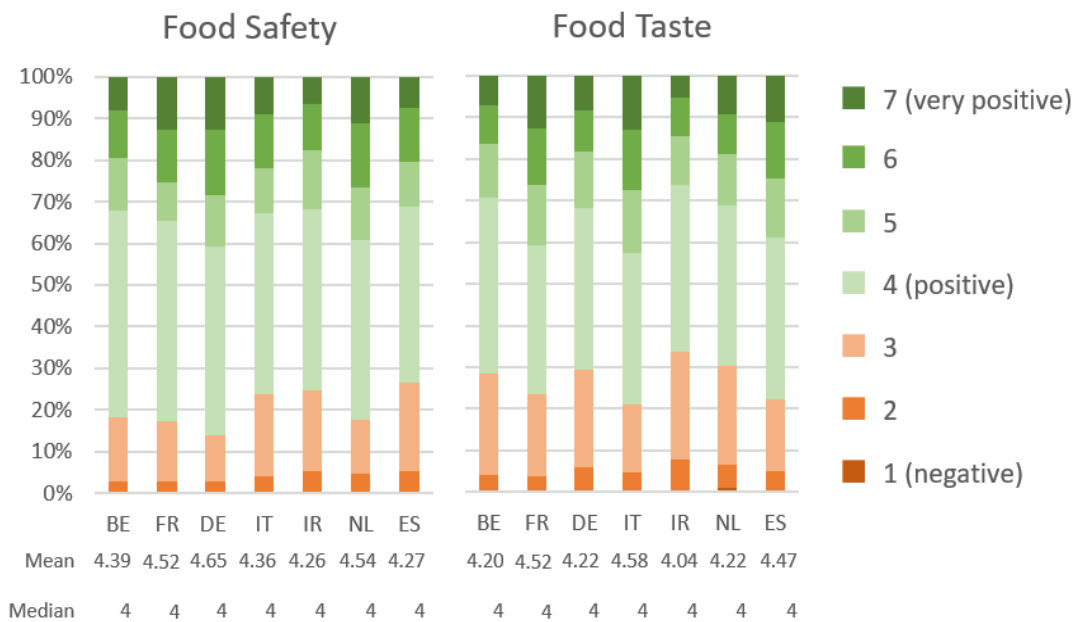


FIGURE 25: SURVEY RESULTS ON THE ‘PCI’ OF EUROPEAN COUNTRIES – SHOWING: FOOD SAFETY & TASTE

respondents that did not give a positive score to food safety was highest for Spain, however, as this was only the case for 27%, this share is still rather low. In general, the safety of food products imported from these countries seems to be of little concern to the consumer as the overall positive evaluation of food safety was never less

than 73% of respondents. Similarly, the food taste was evaluated quite positive as well, in particularly for Italy; France; and Spain, of which the food was considered of ‘very good taste’ by 13%; 13%; and 11% respectively. The countries that were perceived as less favourable in this regard were Ireland, the Netherlands and

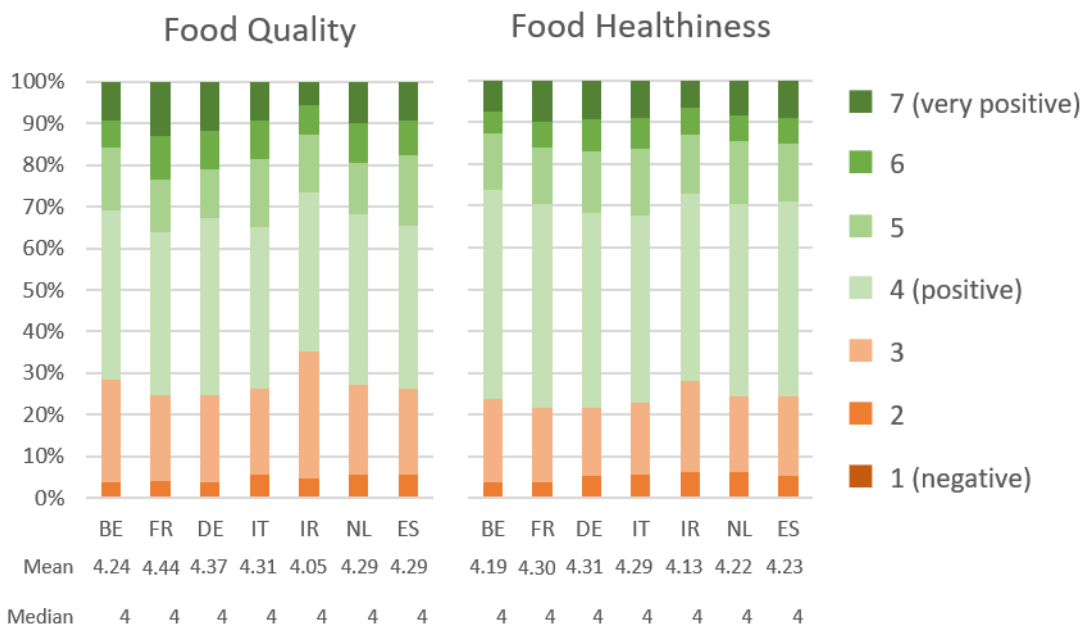


FIGURE 26: SURVEY RESULTS ON THE ‘PCI’ OF EUROPEAN COUNTRIES – SHOWING: FOOD QUALITY & HEALTHINESS

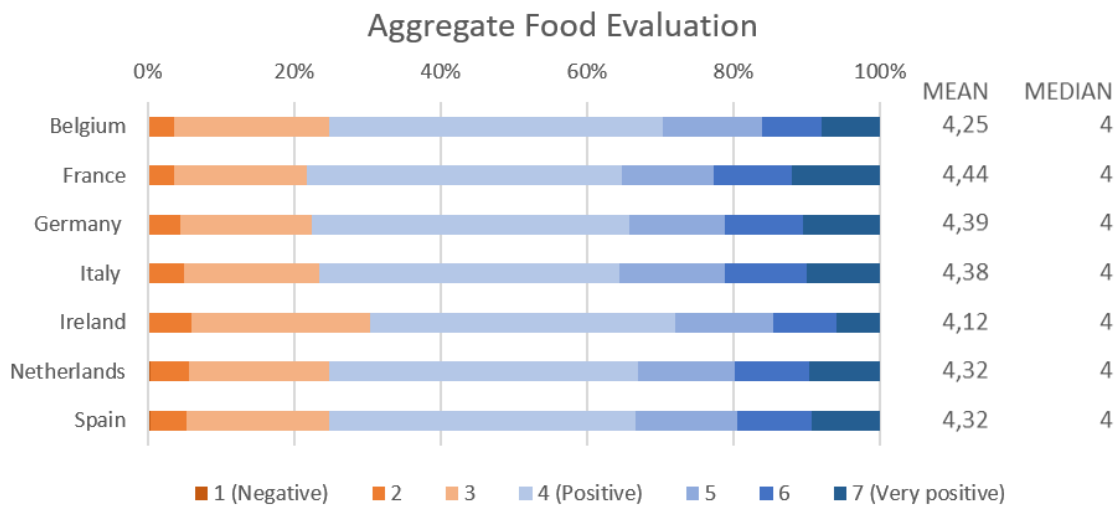


FIGURE 27: AN AGGREGATE OF THE SURVEY RESULTS ON THE 'PCI OF EUROPEAN FOOD PRODUCTS

Germany. Although it is important to notice that the overall evaluation for food taste, is still predominantly positive for all countries.

Food quality overall, was rated slightly less positive than 'taste' and 'safety', however only marginally so. The evaluation of food quality does appear to be more consistent with only marginal differences among the seven countries. Ireland is the only country of which the overall positive evaluation for quality was below 70%. The evaluation of food healthiness was similar to quality, generally positive with only minor differences among the nations. Especially the most positive rating (very healthy) was quite consistent.

While the differences are minor, the overall evaluation does show a distribution that is similar to the one that was found in the results of the survey regarding country interest (attitude) covered earlier this chapter. The food products from the same nations that evoke higher levels of interest (i.e., France and Italy) were evaluated significantly more positive, suggesting some form of correlation.

5.3.2 THE PRODUCT-COUNTRY-IMAGE OF FASHION & APPAREL PRODUCTS

The situation for fashion and apparel products is similar to that of food, as in that the product evaluation is generally positive, although the differences among the included countries are much more pronounced.

Whether it concerns the quality, value, or fashionableness, fashion products from Italy and France are evaluated significantly more positively than those from the other countries. Particularly the fashionableness of the example products was perceived as 'very high' by 37% of respondents in the case of Italy, but only a mere 1% in the case of Ireland. The gap between the two extremes, in this case Italy and France versus Ireland and the Netherlands is much larger than was the case with food products. That being said, negative evaluations were still quite low for all of the included countries.

At first glance, when comparing the results of the individual product aspects (or the aggregate shown in figure 28) to the



FIGURE 28: SURVEY RESULTS ON THE 'PCI' OF EUROPEAN COUNTRIES – SHOWING: FASHION PRODUCTS

country interest (attitudes) survey covered earlier this chapter, there appear to be a correlation here as well. The products from the countries that scored higher on consumer interest in the first survey, were evaluated significantly more positively in the second survey. Vice versa, the fashion products from countries that evoked lower levels of interest were evaluated considerably less positive.

5.3.3 THE PRODUCT-COUNTRY-IMAGE OF ELECTRONIC APPLIANCES

The situation for electronic appliances on the other hand, seems to be very different from the other product categories. The example products, an electric toothbrush and a microwave, were notably evaluated less positive than the food and fashion products. However, considering Japan's enormous electronics industry, this should

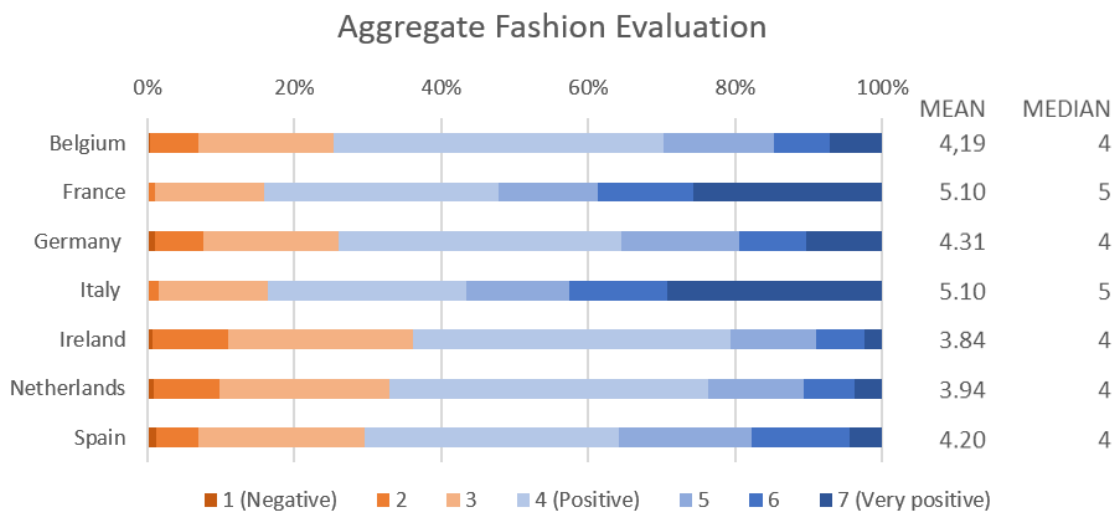


FIGURE 29: AN AGGREGATE OF THE SURVEY RESULTS ON THE 'PCI OF EUROPEAN FASHION AND APPAREL PRODUCTS

Electronic Appliances

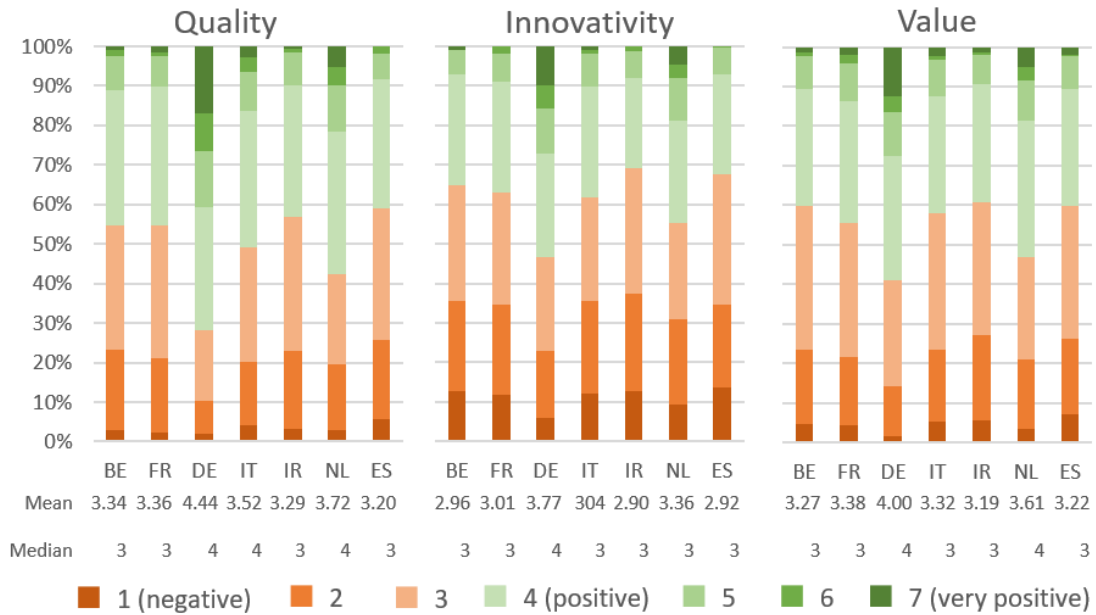


FIGURE 30: SURVEY RESULTS ON THE 'PCI' OF EUROPEAN COUNTRIES – SHOWING: ELECTRONIC APPLIANCES

not come as much of a surprise. Therefore, the fact that EU products are regarded less desirable when compared to food or fashion products should not be the main takeaway from these results.

What is far more interesting is the differences among the countries themselves. The results from the former two product categories showed a tendency

of a more positive evaluation of France and Italian products in particular, while Dutch and Irish products were rated far less positive. These results were, as noted before, congruent with the results from the country attitude survey.

What stands out from these results is that for each of the product aspects (quality; value; innovativeness) it were Germany and

Aggregate Electronic Appliances Evaluation

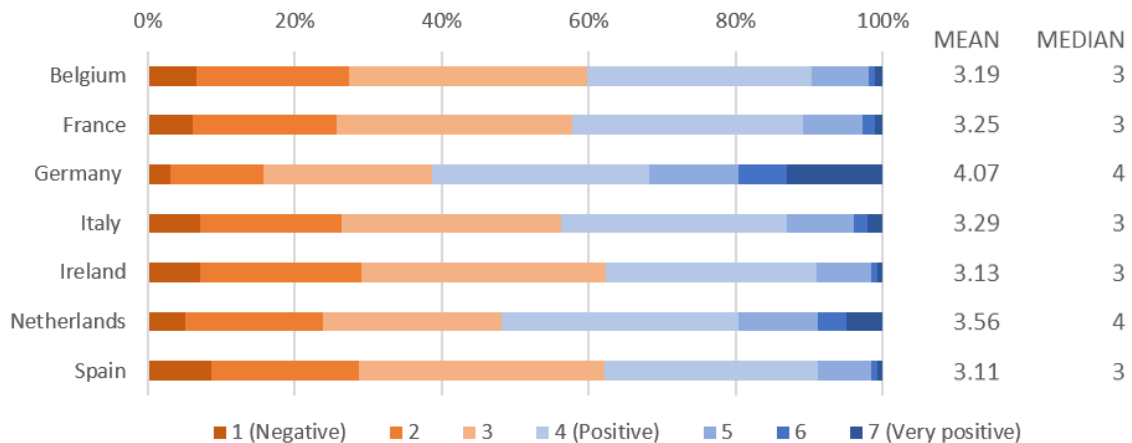


FIGURE 31: AN AGGREGATE OF THE SURVEY RESULTS ON THE 'PCI' OF EUROPEAN FASHION AND APPAREL PRODUCTS

the Netherlands that evoked much more positive associations than the other countries. Italy and France, the nations that consistently more positive associations for the other product categories, were not rated much different from, e.g., Spain or Belgium. A possible explanation for these findings could be the predominantly utilitarian nature of electronic appliances opposed to the more hedonic type products like food or fashion which could affect the evaluation process.

5.4 IN SUM

Both the country attitude survey and the product-country image survey confirmed the, overall, positive image of Europe and European countries in Japan. While the respective images do vary between the individual nations, there appears to be a general image of Europe that is likely to benefit EU businesses on the Japanese (consumer) market to a certain extent. However, the overall effect of the country image on consumer evaluation, is largely dependent on the respective product category.

6. INCORPORATING THE COE INTO THE POSITIONING STRATEGY

The following chapter and its including recommendations are based on the findings from the research preliminary to this report. The recommendations are based on the general theoretic foundation for the Country-of-Origin Effect, as well as findings specific to the Japanese market and consumer.

6.1 MEASURING COUNTRY IMAGE & COUNTRY EQUITY

If there is to be taken away anything from this research, it is that one's origin image should be taken into account when entering new markets. In fact, a thorough understanding of one's origin image in the target market should be given a high priority in one's market assessment and, subsequently, be incorporated into the positioning strategy.

For starters, an assessment of the general attitude towards the respective country will provide a valuable indication of the effectiveness of COO usage in the product's positioning. Do mind, that in order to acquire an accurate impression of a country image, the measurement should be in comparison to other countries.

An important distinction in country image, as was learned from the research results, is whether the country image (assuming it is positive) is based on emotions (emotional associations) or more rational associations. The nature of the associations will, to a certain extent, determine the COO effect, depending on the product's function (hedonic/utilitarian).

For accurate results, the measurements should include the country perception of a wide variety of product properties (consumer priorities) as well as (ideally) other product categories.

6.2 MAKING USE OF THE EUROPEAN IMAGE

For European exporters from countries that do not have a distinctive country image in Japan, the general European image can offer a strategic benefit. Product associations of the Japanese consumer with Europe includes:

- High quality
- High value / Exclusivity
- Safe / Reliable

As each of these properties are extremely important to the Japanese consumer, using the European origin can offer EU exporters a significant competitive advantage over (non-European) competitors. Therefore, for exporters of lesser known EU countries, a positioning as a 'European country' can actually increase its appeal.

While each of these associations are positive in nature, they might not apply to all products equally. The high value & exclusive image of European products is likely to better fit hedonic products, while safety & reliability apply more to functional/utilitarian products.

For this reason, it is important to understand exactly how the Country-of-Origin Effect applies to different types of products.

6.3 APPLICATION PER PRODUCT

CATEGORY

In order to determine the effect of one's origin on the consumer evaluation in the target market, exporters can use the product categorisation as used in the FCB matrix. The respective category will provide an indication of the extent of the COO effect for a particular product.

HI-THINK: The origin of products that evoke high levels of involvement and undergo an evaluation process that is predominantly based on rational considerations, will only have a moderate effect on consumer decision making. Products in this category are ones requiring a relatively high investment and are functional in nature, e.g., a car or refrigerator.

The COO can be used in the product's evaluation when product knowledge of the consumer is limited, or, through the summary effect when the origin country is perceived favourably for certain key product attributes.

HI-FEEL: The origin of products that evoke high levels of involvement and undergo an evaluation process that is predominantly based on emotional associations, will have a high effect on consumer decision making. Products in this category are ones requiring a relatively high investment and are hedonic in nature, e.g., jewellery or fashion products.

The COO can be used to appeal to the consumer through positive country associations and attitudes. Product in this category can benefit from a positive CI through the 'Halo effect' even if the

consumer has no previous experience with the respective product.

LI-FEEL: The origin of products that evoke low levels of involvement and undergo an evaluation process that is predominantly based on emotional associations, will have a high effect on consumer decision making. Products in this category are ones requiring a relatively low investment and are hedonic in nature, e.g., confectionary.

Due to a higher reliance on extrinsic cues (low involvement), the COO can be used to distinguish a product from others. Also, the hedonic nature of the product allows for country symbols being used to evoke positive associations and, as such, a favourable evaluation.

LI-THINK: The origin of products that evoke low levels of involvement and undergo an evaluation process that is predominantly based on rational considerations, will likely have a low effect on consumer decision making. Products in this category are ones requiring a relatively low investment and are functional in nature, e.g., stationary goods.

Product in this category are least likely to benefit from a positive CI of high CE of the origin country. References to the COO can have some effect through offering an extrinsic cue that could help to distinguish, an otherwise, highly homogenous product.

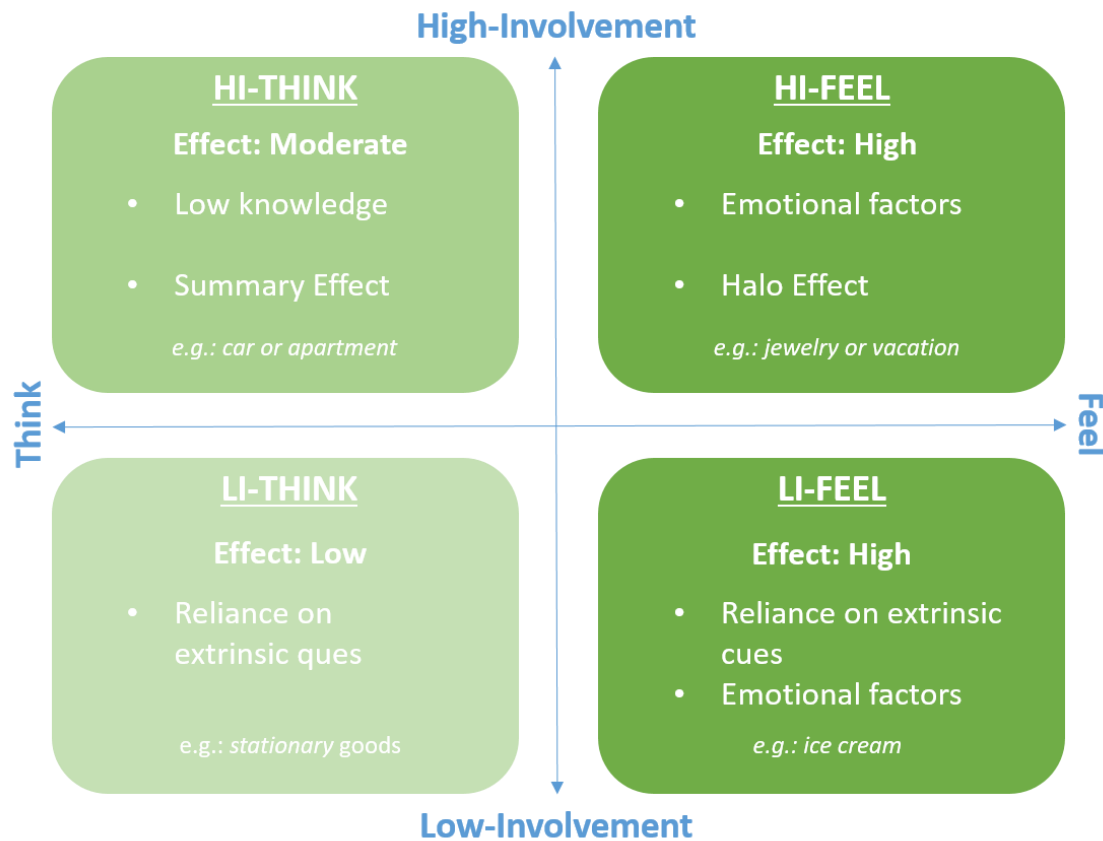


FIGURE 32: THE EXTEND OF THE COE FOR VARIOUS PRODUCT GROUPS BASED ON THE FCB MATRIX

The model (see figure 32) will give an indication of the expected benefit an exporter can achieve from the country-of-origin effect. As such, this categorisation will help determine how to use the COO, and to what extent it should be part of the product's/brand's positioning.

6.4 MAKING USE OF COUNTRY EQUITY

The benefits obtained from the COE do not rely on product type alone. The respective country image, or rather, the country equity, will to a far greater extent determine how an origin can be used in a positioning strategy. A high country equity will offer a far greater flexibility and range of possibilities in using origin references successfully.

Product Origin – High Congruency: Using the origin of a product when the product/origin combination is perceived as expected by the consumer (i.e., a high congruency), COO references do not require a particularly high CE in order to be successful. In fact, for highly congruent products, country (origin) references are likely to be expected.

Examples of such product/origin combinations: French wine or Swiss watches.

Product Origin – Low Congruency: Using the origin of a product when the product/origin combination is perceived as unusual by the consumer (i.e., low congruency), COO references will require a higher CE in order to be successful. The

lower the congruency, the higher the CE will have to be to compensate.

Examples of such product/origin combinations: French milk or Swiss shoes

Concept Origin – High Congruency: Using the origin of a concept when the concept/origin combination is perceived as expected by the consumer (i.e., high congruency), COO references do not require a particularly high

Concept Origin – Low Congruency: Using the origin of a concept when the concept/origin combination is perceived as unusual by the consumer (i.e., low congruency), COO references will require an exceptionally high CE in order to be successful.

Examples of such concept/origin combinations: a Swiss seafood restaurant or a Canadian coffee shop.

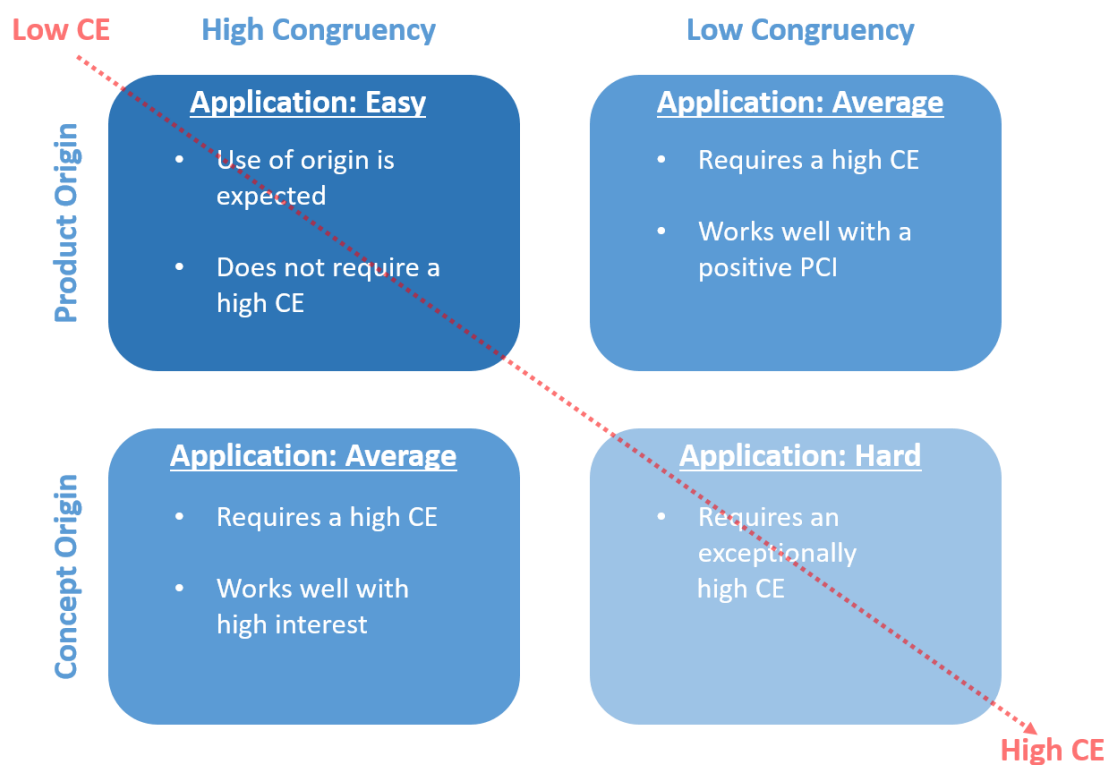


FIGURE 33: THE FLEXIBILITY USING THE COO IN THE POSITIONING STRATEGY DEPENDING ON COUNTRY EQUITY

CE in order to be successful. In many cases origin references will be expected, however, in case there is no CI or a very low CE, the country references might not offer any benefit.

Examples of such concept/origin combinations: a pizza restaurant using an Italian theme or a Japanese bakery selling croissants using French references.

6.5 ADAPTING THE POSITIONING STRATEGY TO THE JAPANESE MARKET

Lastly, in efforts of successfully incorporating the COO and the COE in the positioning strategy, local culture should be taken into account as well. In Japan, a collectivist society with a high level of power distance, masculinity and uncertainty avoidance, there are several

values that can be appealed to by using COO references.

Trust/Reassurance: The country of origin can be used to evoke a sense of trust of reassurance in the Japanese consumer. If the CI and CE allow for it, appealing to this value can offer a significant competitive advantage.

Applies particularly to: Food products & High involvement products (in case of low knowledge)

Status/Sign value: By suggestion of exclusivity, authenticity, or quality, the COO can also be used to add to the sign value of a product if the country associations fit this purpose.

Applies particularly to: High-involvement hedonic products (jewellery or high end fashion) & high-end and highly congruent food products (e.g., Russian caviar).

Expert/Authority: In some cases, country references can be used as proof of expertise or authority. Although a high CE does help in most cases, the expert/authority role can be achieved without in a scenario where the origin associations fit the main product priorities (a high PCI)

Applies particularly to: highly congruent products (e.g., Italian pizza, French wine) and in case of certain product associations (PCI) as, e.g., German engineering or Italian design.

Likability: The overall positive associations towards a country (attitudes) are particularly important in collectivist societies and will have a higher than average affect all product types (albeit to different extents).

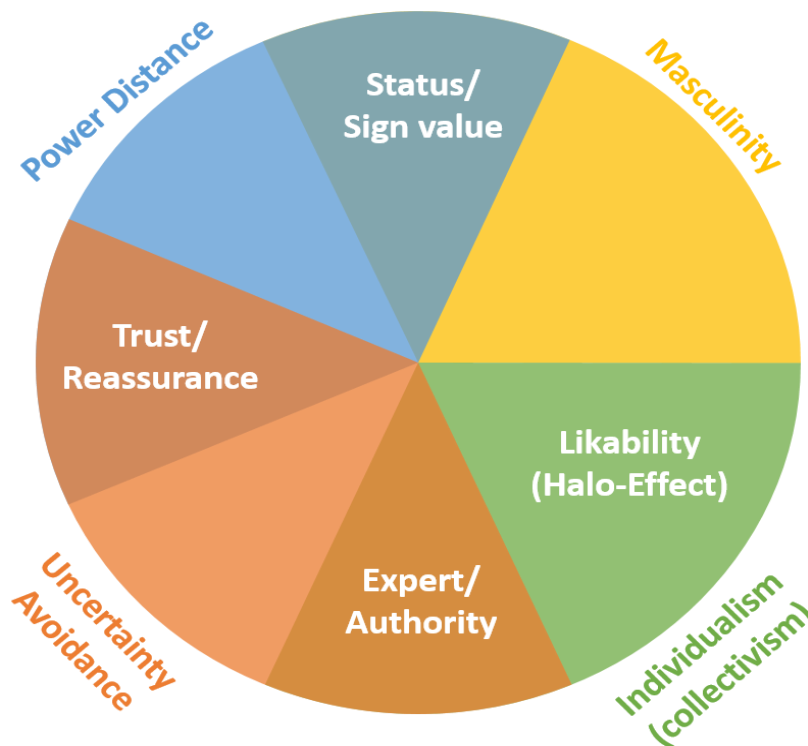


FIGURE 34: CONSUMER VALUES SPECIFIC TO JAPAN RELEVANT TO THE COE

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