

COUNTRY OF ORIGIN EFFECT AND PERCEPTION OF ROMANIAN CONSUMERS

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Abstract

In the context of globalization, international trade has become more intense. This exploratory research aims to identify the Romanian consumers' perception of the country of origin (COO). In the present research, we analysed two perspectives of the effect of the country of origin: political economy and marketing. The positive impact of campaigns to encourage the purchase of domestic products has not yet been confirmed for the decision-makers. On the other hand, in order to achieve a successful marketing strategy, it is essential to know the consumer's perception of the COO effect. The research data was collected through a survey conducted on a sample of 250 respondents from the North-East Region of Romania. The results confirm that the effect of the home country has a moderate impact on purchases and the COO effect is more associated with certain product categories. The average COO effect on quality perception is greater than the COO's average effect on purchasing intent.

Keywords: Country of origin effect, buy national, product category, consumer perception

JEL Classification: F14, M21, M31

Introduction

Country of origin (COO) is a widely-researched concept during the last five decades. The analysis of COO effect is re-gaining its importance considering all the recent political debates. Nowadays, with the regulations of the World Trade Organisation, International Treaties and European Union, the member countries have identified and implemented indirect economic interventions through strategies to encourage buying national products (buy national). These types of actions are challenged and criticized by liberal economists. Governments, however, consider that such measures are compatible with international treaties.

Economists are preoccupied with the effects of “buy national” campaigns which promote the purchase of the home country's goods over those from other countries (Ettenson, Wagner and Gaeth, 1988; Fenwick and Wright, 2000) and, as a consequence,

there are plenty of studies addressing this topic. One of these studies, done in New Zealand, on the buy-national campaign aimed to measure the effects of the campaign considering two indicators: increase of number of jobs and increase in sales on national market. The results of the study showed that the campaign wasn't really effective for the companies involved (Fenwick and Wright, 2000). Some economists underline the benefits of such actions, but there are still liberals (Bhagwati, J. N., 2016; Krueger, A. 2017) that see it as a way of protectionism that might have unwilling effects over the national economies.

Economic policy and the country of origin provisions

In USA, president Donald Trump, through his slogan from the electoral campaign "Buy American, Hire American" declared the intention to promote the protectionism for the US economy. President Trump wants to implement his philosophy of economic nationalism and to encourage, in 2017, governmental measures to support his nationalist claims. In 2009, the American Recovery and Reinvestment Act (ARRA) was enacted and it was meant to stimulate similar behaviours with 'Made in USA' campaign. If the US government buys steel for a bridge, for example, it has several objectives. Minimizing costs is one of them, but when the economy is in recession, there is also an objective to stimulate domestic employment. When steel is purchased from a domestic manufacturer, the wages of employees will generate future expenses that will support more jobs in the national economy. The US ARRA law of 2009 allowed for derogations: in cases where US products required for a project are not available or when the total cost of the project is 25 percent more expensive than if imports were used, the acquisition from domestic market is no longer compulsory. In 2017, president Trump wants these derogations to be removed. In his opinion, the US has already steel, iron and other materials needed to build and repair roads and bridges. Policymakers said that these acts are not a return to protectionism, but a return to the values and virtues of USA: self-sufficiency, self-reliance and independence. Anne Krueger explains in the book *How Imports Boost Employment* that the effect of low-cost imports is to increase the competitiveness of American companies and thus creating more jobs (Krueger, 2017).

China has spent more than \$ 15 billion in energy and steel industry subsidies only in 2007. These subsidies were illegal and disregarded the World Trade Organization rules (Bhagwati, 2009). Another example of economic nationalism is that of former French president Sarkozy. Keeping French scepticism about free trade, he went so far as to suggest that French companies to return to France from Eastern Europe.

Jagdish Bhagwati (2008) explains that the proposal to buy American products, under the law of US trade stimulation, does not make any sense to the employment in the United States of America, and of course, does not help recovering after the world's biggest economic crisis since the Great Depression. This measure will invite other nations to introduce new protections that are in line with the provisions of the World Trade Organization, following the model adopted by USA. Other countries have also many possibilities, considering also their legal commitments, to raise tariffs on US imports and

also less visible ways to punish US companies exporting leaders, such as FedEx, Microsoft, Time-Warner, United Technologies, Boeing, General Electric etc. The protectionist behaviour could trigger reciprocal actions from the partner countries with negative effects over all economies.

Anne Krueger (2017) states that the American Act will bring more damage than earnings. Once protectionist measures are adopted, they are difficult to be removed. For the long term, suffocation by protection can reduce productivity and the potential of economic growth. Also, when US companies are importing goods for less than the cost of producing, they have the potential to decrease the price of the final product (Bhagwati, 2016; Krueger, 2017).

Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG) in European Union

Another popular strategy for benefitting from the COO effect is the use of geographical indication and designation of origin: Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG) as specified in the regulations of the European Union. In recent years, there has been substantial interest to encourage the PDO/PGI schemes and to enhance the effectiveness of such practices (Moschini et al., 2008; Galli et al., 2011; Resano et al., 2012). The European Commission has added only five Romanian products to the Register of Protected Designations of Origin (PDO) and Protected Geographical Indications (PGI): Ibănești Cheese in 2016 (PDO), Topoloveni Plum Jam, Sibiu Salami, Plescoi Sausages and Smoked Carp from Bârsa area (PGI). In Europe, the use of such geographically labels to brand products has a long tradition (Moschini et al, 2008). Under a situation where customers cannot easily verify the quality of the product before they actually purchase it, quality labels diminish the perceived risk of purchasing an unsatisfactory product (Resano et al., 2012).

The use of the PDO, PGI and TSG labels is regulated by international law. There are, however, countless other examples of local, regional and national seals which are partly regulated by national or regional law or simply administered and awarded by public or private corporations based on certain criteria, for example, membership, country of brand, country of manufacture and so on. Regarding the relation between PDO, PGI, TSG and trademarks, the regulations state that the registration of a trademark is refused if an application for one of the seals has been submitted. However, there might be specific cases where a trademark co-exists with a PDO, PGI or TSG. The fact that, on one hand, the quality and origin seals of the European Union have similar legal effects as trademarks and, on the other hand, not all registered products are actually using the respective seal as part of their marketing and communication strategy show that the legal protection against misuse and imitation is a major success factor for PDO, PGI and TSG. Nevertheless, origin labels can create a competitive advantage in agricultural markets and positively influence the purchase decision of customers (Moschini et al., 2008).

Country of origin (COO) effect. The marketing approach

It is widely accepted that a brand's or a product's COO plays important roles in consumers' purchase decisions (Byeong-Joon and Han-Mo, 2017). The country of origin cues give consumers an indication of where a product comes from and is among other marketing elements that have an impact on consumer purchase intentions. The COO relates a product or a brand with a national identity having a symbolic and/or emotional meaning for consumers (Herz and Diamantopoulos, 2013). These non-quality-based effects of COO are identified as country-induced biases (Byeong-Joon and Han-Mo, 2017).

Furthermore, Han (1989), suggests that product evaluation and purchasing behaviour are influenced by COO directly, but also indirectly through beliefs. The COO influence on product evaluation is divided in two major effects: the halo effect and the summary effect (Han, 1989). The summary effect influences consumers' product evaluation directly, oppositely the halo effect influences consumers' product evaluation indirectly through beliefs. Johansson et al. (1985) noted the existence of a persistent "halo" effect in ratings on specific product attributes. If there is only a small amount of product information available, people can use the halo effect of COO to create inferential beliefs about other product attributes that are not available or cannot be evaluated directly (Hsieh, 2004). The results of Hsieh's study (2004) indicate that consumers' attitude towards a brand's COO is positively related with consumer brand purchase behaviour. Different research methods used to capture consumers' product evaluation processes have produced conflicting and seemingly incompatible results in COO research (Insch et al., 2017). When measured using self-completion questionnaires, COO appears to be an important cue (Hoffmann, 2000). In a meta-analysis of COO studies Verlegh and Steenkamp (1999) found its impact was intensified for single-cue and within-subject research designs and smaller for studies with multiple-cues and between subject designs. Conversely, when consumers are intercepted at the point of purchase and interviewed about factors which led to them purchasing the product in their shopping cart, there is evidence that COO plays a minor role in the actual purchase decision (Insch and Jackson, 2014; Liefeld, 2005). In a study of 1248 consumers intercepted at the cash register in six locations in Canada and the USA, more than 93% of those intercepted did not know the COO of the long-life product which they had just purchased (Liefeld, 2005).

The results of previous research show that the influence of COO in consumer product evaluations and purchase decisions has been overstated and indicate that consumers are less likely to rely on COO information when they have access to other cues (eg. price, brand, store name) about the product's quality and other intrinsic attributes (Bloemer, Brijs and Kasper, 2009; Samiee, 1994).

Srinivasan, Jain, and Sikand (2004) decomposed COO into branding country (country of brand - COB) and manufacturing country (country of manufacture - COM). They found a negative effect on consumers' quality perception when the manufacturing

country was less developed (Mexico and Malaysia) and positive effect when the manufacturing country was developed (USA and Japan). The overall suggestion of Srinivasan, Jain, and Sikand (2004) is that the seller should choose a developed country as COB to compensate the negative effect on quality perception when manufacturing in a less-developed country to reduce production costs. Similar results are shown from a Malayazian consumer perspective by the research of Ghazali et al. (2008). Despite criticisms of the disproportionate attention given to COO by researchers as compared to consumers in their daily purchase decisions, there is widespread evidence of its use in practice to enhance product and brand image. One specific application of the COO cue is the promotion of the domestic origin of goods through buy-national or buy-domestic campaigns. Such campaigns persist in many countries, even though their efficacy in different countries and across different product categories is inconclusive. Some studies suggest that such campaigns have minimal effect (Ettenson, Wagner and Gaeth, 1988; Fenwick and Wright, 2000; Fischer and Byron, 1995).

Research methodology

The main objective of this study has been to investigate the perception of consumers from North-East Region of Romania over the influence of product's country of origin in buying decisions.

The effects of country of origin image may be used as a surrogate when respondents lack sufficient information about the products. On the other hand, consumers who are familiar with a specific product class will rely less on the country of origin or 'made in' label.

One hypothesis that we researched, connected to perception of quality was confirmed: COO has a significant effect on consumers' perception of quality.

Another confirmed hypothesis was that the main effect of COO on quality perception is higher than the main effect of COO on purchase intention.

The research was done in April 2017 using an on-line survey which received 263 responses from people in the North-East Region of Romania. From the total number of responses 250 were valid. The number of responses does not provide statistical representativeness, making the study a pilot one. The survey includes 21 questions, 14 of them being adapted after Darling and Wood (1990). The consumer's general view on country-of-origin information was evaluated through a set of statements for which the respondents expressed their agreement or disagreement on a five-point Likert scale, from *Strongly agree* to *Strongly disagree*. The structure of the sample includes 77.2% female and 22.8% male, aged 18 to 74 years.

Research results

The processing of the data obtained for the statements in the questionnaire reveals an average score higher than 3.00, showing that the country of origin is important in consumer perception of the product, without being decisive (Table 1). The highest average score, 3.88, is associated with the statement: When I buy expensive products,

such as a car, a TV or a refrigerator, I always seek to find out what country they were produced in. The more expensive a product, the greater the importance the consumer will give to its country of origin. The second highest average score is 3.65 and is associated with the second statement in the table, linking the country of origin with the quality of the product. Moreover, the above-average score, 3.38, obtained for statement number 5, confirms the perceived link between quality and country of origin. In the purchasing decision, respondents consider the country-of-origin information important, with an average score of 3.58.

Table No. 1. Opinion of Romanian consumers on country of origin information

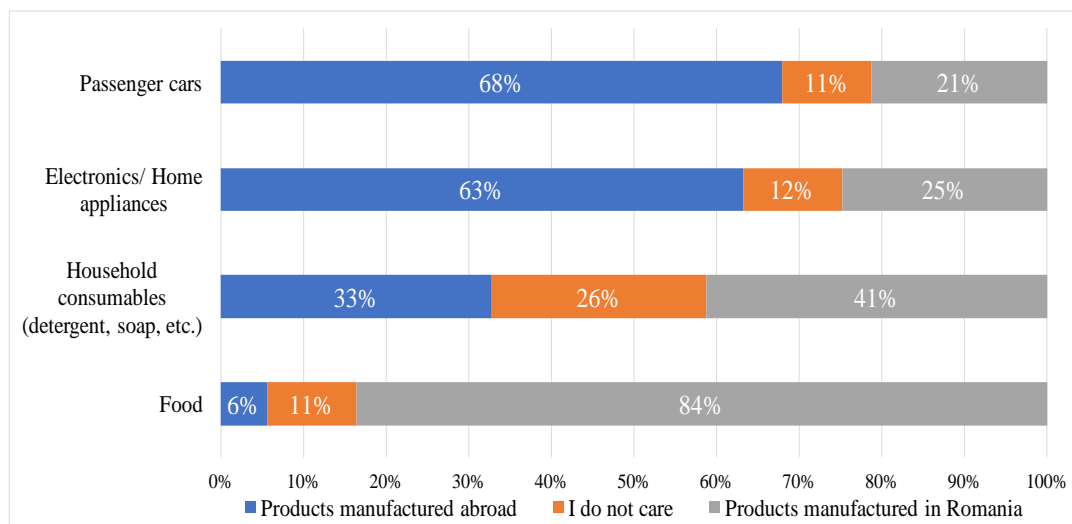
No.	Statement	N	Mean
1.	When buying expensive items such as a car, TV or refrigerator, I always seek to find out what country the product was made in.	250	3.88
2.	To make sure that I buy the highest quality product or brand, I look to see what country the product was made in.	250	3.65
3.	I feel that it is important to look for a country of origin information when deciding which product to buy.	250	3.58
4.	It is less important to look for country of origin when buying a product that is less expensive such as a shirt.	250	3.45
5.	I find out a product's country of origin to determine the quality of a product.	250	3.38
6.	Seeking country of origin information is less important for inexpensive goods than for expensive goods.	250	3.24
7.	When purchasing a product, I believe country of origin will determine the technological sophistication of the product.	250	3.22
8.	A product's country of origin does not determine the quality of the product.	250	3.20
9.	If I have a little experience with a product, I search for country of origin information about the product to help me make a more informed decision.	250	3.15
10.	To purchase a product that is acceptable to my family and my friends, I look for the product's country of origin.	250	3.15
11.	I look for country of origin information to choose the best product available in a product class.	250	3.14
12.	I refuse to purchase a product without knowing its country of origin.	250	2.74

No.	Statement	N	Mean
13.	When I am buying a new product, the country of origin is the first piece of information that I consider.	250	2.53

Source: Developed by authors based on the research in March-April 2017

In other words, the country of origin is most relevant to consumers when buying expensive goods with high expectations of quality. When the product under consideration is not perceived as expensive, information on the country of origin of the product becomes less important. However, the purchasing decision is generally not primarily influenced by the country of origin information, as evidenced by the low scores (2.74 and 2.53) associated with the statement no. 12: *I refuse to purchase a product without knowing its country of origin.* and no. 13: *When I am buying a new product, the country of origin is the first piece of information that I consider.*

Figure No 1. Country of manufacture preferences for Romanian consumers (North-East Region) for different product categories



Source: Made by the authors using research data

The consumer preferences for the country of origin differ according to the product categories considered. For example, in terms of food, the overwhelming majority of respondents (83.6%) claim that they prefer Romanian products. But as the technical complexity, the price and the duration of product use increase, the preferences of the respondents are more and more oriented towards products made abroad. For the car category, for example, 68% of them prefer the ones manufactured abroad. Therefore, the Romanian cultural stereotype of the foreign car mirage is still alive and affects the perceptions of the respondents.

The category of household supplies is distinguished by doubling the share of those indifferent to the country of origin of the products in relation to the other three large product categories.

In this study, another objective was to identify the country of origin preferred when purchasing a new car. This type of product has been chosen because it involves a documented purchase decision, being a product of high value and long-term use. Respondents were asked to order five countries on the basis of their preference for the country of origin of the new passenger car that they would purchase. The five countries included in the questionnaire, presented in table 2, were selected based on data on the volume of new car sales in 2016 in Romania (APIA, 2016).

Table No. 2. Country of manufacture preferences for Romanian consumers (North-East Region) for a new passenger car

Country	N	Mean	Std. error
Germany	250	1.93	0.10
Romania	250	2.90	0.08
France	250	2.92	0.07
Czech Republic	250	3.45	0.08
Spain	250	3.57	0.08

In the top of the respondents' preferences, Germany leads, confirming once again the notorious trust in German quality for cars. Romania is on a second honourable place. The explanation for the position of Romania may be found in analysing the positive evolution of the Romanian car manufacturer Dacia Automobile after the acquisition by Renault-Nissan Alliance.

Conclusions and future research

The main research question of the present study was whether country of origin cues have an impact on Romanian consumers purchase intentions. Respondents' ratings on the categories of products and indications of purchasing decisions show that home country information is perceived as important. The effect of the country of origin varies with the perception of the quality and price of the product. The country's average impact on quality perception is higher than the average effect on purchasing intent.

Considering these findings, we suggest that encouraging the development, innovation and quality of Romanian products could be a better strategy than promoting protectionist policies.

Extending the research results is limited by the size of the sample. For the results to be relevant at national level, the effect of the country of origin should be further analysed on larger samples and the data should be collected in at least two frameworks.

The framework of declaration of buying intent should be overlapped with the framework of real purchasing analysis. A deepening of the research can be achieved by investigating Romanians' perception of the links between the characteristics of a product and the country of origin. Such research could lead to a re-assessment of the opportunities offered by the use of geographical indications and designations of origin, i.e. the protected designation of origin, the protected geographical indication or the traditional specialty guaranteed.

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