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COUNTRY-OF-ORIGIN EFFECTS ON PURCHASING DOMESTIC PRODUCTS: THE CASE OF ROMANIA

Case Study

Keywords

Country-of-Origin,
Country image,
Domestic products,
Ethnocentrism,
Buying intention.

JEL Classification

M31

Abstract

Previous studies revealed that ethnocentric consumers are more willing to purchase a domestic product. Furthermore, country-of-origin has a direct impact on consumers' decision to buy a product in such a manner that a positive country image can substitute other missing qualities of the product. On the other hand, a strong brand is not expected to compensate for a negative country-of-origin perception. Many brands rely on their home country as a warranty for quality and prestige, in order to gain consumers' interest and attention. This paper examines the moderating role of variables such as perceived quality, ethnocentrism and familiarity in determining a consumer to buy a domestic product. Through exploratory research, this study aims to investigate to what extent Romania, as country-of-origin for its local products, influences consumers' decision making process. The major contributions of the study consist of identifying the elements that play a role in consumers' product evaluation based on the country-of-origin and to improve the understanding of country image effects on the buying intention.

1. Introduction

International marketers encountered from anterior researches the trend that foreign products were less preferred by consumers because it was well known that many consumers are highly ethnocentric. Therefore, consumers who come from developed countries usually prefer products manufactured in their country (Bilkey & Nes, 1982) or products that have a similar provenance in terms of culture (Heslop *et al.*, 1998).

Among many parameters that consumers rely on when evaluating a product, such as price, design, brand image, country-of-origin remains an extrinsic element that influences consumers on a psychological level. Considered by experts a factor with a higher risk in international markets because it has a direct effect on consumers' purchasing intention, country-of-origin (COO) reflects the place in which a product is conceived, manufactured and assembled (J. K. Lee & Lee, 2009).

Countries in Eastern Europe had to make a difficult transition from a planned economy to a free market, trying to compensate and satisfy the diverse and long-term unfulfilled needs of its inhabitants (Quelch *et al.*, 1991). This transition encouraged consumers to buy foreign products and to develop quite a negative reaction for their local products because of the years they had few options from which to choose.

Previous research regarding COO effects has contributed to a better understanding of the attitudes consumers develop towards foreign products. Furthermore, it led to adaptive marketing strategies for international products.

In this paper, we focus on the effects COO has on consumers' intention of purchasing products, the aim being to highlight whether domestic products have advantages in today's global competition. We search for explanations for consumers' perceptions of quality, image and other elements they find important in buying a product, correlated with their desire to sustain the national economy of their country, combined with a sense of patriotism, ethnocentrism and familiarity with the product. From this perspective, we consider Romania as a country with an important potential in terms of COO for its products and with a better promotion, it could be transformed in a successful creator for unique products.

2. Country-of-origin effects and consumer ethnocentrism

Consumer ethnocentrism and its influence on country-of-origin Consumer ethnocentrism represents "the beliefs held by consumers about appropriateness and indeed morality of purchasing foreign-made products", therefore influencing consumers' decisions and economic transactions

(Shimp & Sharma, 1987). Rawwas and Rajendran (1996) stated that consumer ethnocentrism can lead to an overevaluation of the qualities a domestic product has and to an underevaluation for foreign products. According to Watson and Wright (2000), although ethnocentrism may influence consumers' perceptions, it does not have a major role in triggering the buying intention, caused by many other factors. However, authors Shimp and Sharma (1987) provided an explanation which states that ethnocentrism can be the reason for consumers to prefer national products to foreign ones.

Among the elements that influence consumer ethnocentrism, the product category stands first because it contains many attributes that define the product. For example, when a consumer plans to buy a car, has distinctive expectations because of the type of the product, than when wants to purchase a perfume. Javalgi *et al.* (2005) illustrated that consumer ethnocentrism has a moderate impact for products which are perceived as absolutely necessary. An important influence on consumer ethnocentrism is resulted from the country's level of development. According to Wang and Chen (2004), developed countries have the advantage that consumers are more likely to form favorable perception towards their home products, opposite to developing countries, in which consumers consider foreign products as superior to their local ones.

Balabanis and Diamantopoulos (2004) stated that the similarities in terms of culture, economic growth and development between COO is not associated with consumers' preference for foreign or national products. In other words, a consumer could prefer a domestic product, but that does not necessarily mean that he rejects a foreign one, so ethnocentrism influence varies among product categories.

3. Patriotism and familiarity as drivers of consumers' buying intention

In the literature is mentioned by the difference between the purchase intention and consumers' attitude. The first one indicates the motivation that influences consumers' behavior, while the second implies evaluation of the products' tangible and intangible characteristics (Rezvani *et al.*, 2012). Other perspectives define the buying intention as "what we think we will buy" (Parkvithee & Miranda, 2012), including the feelings towards products and loyalty to the brand. The buying intention can be directly influenced by demographic characteristics, such as age, gender, education or profession. More recent literature (Wang, Li, Barnes & Ahn, 2012) showed that variables like consumers' perception, COO, the perception about a country also have an impact on

the purchase intention. Authors (Wang & Yang, 2008) stated that the intention of buying a product is in fact “the decision to act or a physiological action that shows an individual’s behaviour according to the product”.

When discussing the effects COO have on consumers’ buying intention, there are two variables that stand out, patriotism and familiarity. Therefore, familiarity gives consumers the impression they can rely on COO as a guarantee because of past experience. For example, people consider Germany a country that produces high qualitative products, so even if they are not familiar with a particular brand, they link the familiar aspects known of the country with the product, attributing it the same standard as they know from past actions. Patriotism is considered to include positive feelings that an individual have for his own country. From other point of view, it is seen as an emotional feeling for one’s country in terms of tradition, values and symbols, being a coherent reflection of all these elements (Meier-Pesti & Kirchner, 2003).

The patriotism concept is linked with ethnocentric behavior, manifested in consumers’ tendency to achieve domestic products. Two nations known for being ethnocentric are French and Americans, preferring to buy the products manufactured in their countries because of nationalistic loyalty and thinking those products are qualitative superior to others (Morse & Shive, 2011). Figure 1 illustrates the relationship between consumer affinity and the willingness to buy foreign products. Facing risky situations, consumers choose products they are familiar with and adding the affinity for a certain COO, certainly increases the chances of buying that product. Therefore, affinity influences in a direct manner the risk perceptions of consumers.

4. Romanian products and their potential on the market – Case study

Country image is not usually influenced by the activity of a single company and it could represent an opportunity on which the competitive advantage can be built (Jaffe & Nebenzahl, 2001). Therefore, companies should be aware that either could rely on the country image to improve their reputation or could transfer the negative elements that could affect their prestige and reduce trust in the products.

Romania’s competitive advantage should be build upon continuous efforts that could sustain performance (Stoenescu & Drăghescu, 2015). The capacity to adapt to market changes could be the first step in promoting those products that have the most chances to enter foreign markets. We consider necessary to select correctly the product category in order to choose the brand that could be internationalized.

In order to encourage the preference for domestic products, a country should rely on the image which was projected to the public. We consider that creating and developing a country brand represents the first step for attracting consumers and convincing them to sustain the local economy by purchasing national products. However, although a country brand is important to enhance the chances to attract investors, this is just a part of the process, building a good infrastructure, having a skilled workforce and others are equally important. For example, Hungary was the first country that attracted inward investment, in 2004 and 2005, then came Bulgaria, Poland, The Czech Republic and Romania. Although Croatia was not in the list, it was the first to increase investment by supporting the creation of a country brand (Szondi, 2007). Figure 2 illustrates the attractiveness in terms of establishing operations in European countries. Although Romania recorded an increase of 2 points compared to 2013, the reality reveals that countries like Hungary “play” much better its role in the present market.

Compared to other European countries, Romania still faces multiple challenges and has important steps to make in order to be perceived as a competitive and strong “propeller” for its products. For example, in Germany there is no institution that can control the use of ‘Made in Germany’ statement on the product package. However, companies are aware that could be prosecuted if they want to use it inadequately. The industries that helped improve German COO image refer to mechanical and chemical engineering (Turek, 2004), represented by Siemens, Gildemeister, Henkel, and the automobile one (Fechtner, 2006), represented by companies such as Mercedes, Audi, BMW or Porsche. Apart from them, there are also Lufthansa, Dr Oetker and SAP, for software industry. Another example illustrates the case of Italy, which has legally established under what terms ‘Made in Italy’ can be used, a deviation from the laws is sanctioned with 10.000 up to 250.000 euro (Aichner, 2014). The development of the Italian country image is linked with the prosperity of fashion (e.g. Armani, Gucci, Benetton, Prada), food (e.g. Barilla, Campari, Ferrero) and automobile (e.g. Ferrari, Alfa Romeo, Fiat) industries.

Following the comparison presented above, surely there are numerous differences between Romania and the Western countries in terms of economic development. Therefore, it is not easy to compare Romanian products to other European ones, the branding process of creating strong national brands was delayed with the comunism years and it takes time to adapt. This resulted in still not having a business culture capable to support the brands’ development. However, there are examples of Romanian brands that made it and are considered

successful on the global market: Bitdefender registered 51% of sales in the US and in Europe has subsidiaries in France, Germany and Spain; Musette is also a Romanian brand, being a shoes producer that nowadays is present in Spain, Greece, Bulgaria and others countries (Simion, Alexe & Militaru, 2014).

To illustrate Romanian products potential on the market, we analyzed Dacia Renault development as a brand. Dacia is the second brand of the Renault Group, present in 118 countries. Dacia is now considered an international brand, demonstrating the long way from the first manufacture of the model 1100. In 1995 it was launched the first car designed 100% by Romanian engineers, known as Dacia Nova, followed in 2000 by the model SuperNova, the first materialization of the French-Romanian partnership. The car was relying on Renault engine and gearbox. By 2003, Renault already owned 99% of the Pitești factory. From an international perspective, Dacia had fast penetrated the Western European market, becoming the in the half of 2009 the fastest growing brand. In 2009, Dacia registered a high number of exports, especially in countries such as Germany, Italy and France (Funaru & Funaru, 2011). Since 2004, Dacia relaunched its brand in Western Europe, with the creation of Logan. Positioned as a low-cost car, Logan managed to sell, helping the brand to go to the next level, creating Sandero, in 2008. Dacia has become a well recognized brand in Europe, the low-cost strategy proved to be successful.

From Dacia's perspective, the COO played a major role, 'Made in Romania' was the point of start for the new brand. Although perceived as a low-cost car, Dacia played well its cards when it came to the benefits transferred from Renault. Since March 2010, the company adopted the strategy in which they wanted to be present "in each and all", which may cause a saturation on the market, so it is a doubled-edged sword. In Romania, Dacia is seen as a leader for its market segment, constantly innovating and wanting to attract younger consumers. Counting on a continuous renewal strategy, the brand also embraced a strategy that focuses on the diversification of products and is aware of the responsibility towards not only its consumers, but also the environment. Therefore, it uses recycled materials, positioning itself in the category of corporate responsible companies. We consider Dacia a positive example of a Romanian brand that succeeded to be visible and competitive in Europe. Its Romanian origin, present especially in the brand's name, demonstrates that Romania has a great potential to develop and sustain its domestic products and with the adequate strategy, things can better for Romanian products.

5. Conclusions

Countries face the challenge to be considered as reliable for their products. Origin can affect the identity and the perception towards a brand because consumers still have the tendency to associate them with their COO. From this point of view, countries like Romania are facing still more negative connotations because of their instilled stereotypes. Our opinion is that any country could create a strong brand if it uses the existing strengths and develops a strategy that eliminates other risky elements. Relying on quality, communicating with consumers through integrate channels and promoting the values, traditions and unique local characteristics, a brand is more likely to differentiate and to be considered special by its targeted public. As for Romania, we consider a good point to start by first changing Romanians' attitude regarding national products. If we deposit trust in our products, creating them to be qualitative good, competitive in their market segment and finding the element that can provide differentiation, the chances to attract other consumers grow. Keeping an open mind and developing the adequate branding campaigns could represent the missing part of the process of promoting Romanian products.

Acknowledgement

This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

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Appendices

Appendix 1

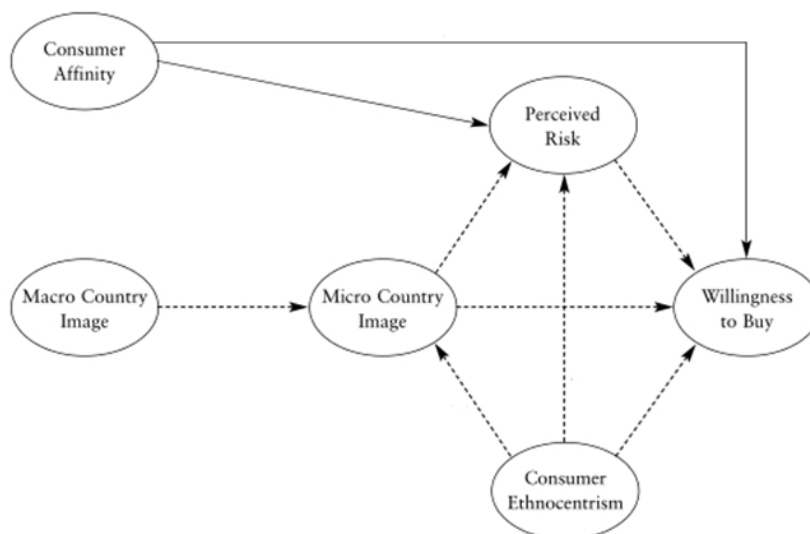


Figure 1. The Consumer Affinity Model of Foreign Product Purchase

Source: Oberecker, E.M. & Diamantopoulos, A. (2011). Consumers’ Emotional Bonds with Foreign Countries: Does Consumer Affinity Affect Behavioral Intentions?. *Journal of International Marketing*, Vol. 19, No. 2, 2011, p. 49.

Appendix 2

Most attractive countries to establish operations in Europe		
Western Europe	2014	Change from 2013*
Germany	40%	+2 pts
United Kingdom	22%	+6 pts
France	11%	-6 pts
The Netherlands	3%	-1 pts
Denmark	2%	+2 pts
Spain	2%	-1 pt
Ireland	2%	+1 pt
Sweden	2%	0 pt
Belgium	2%	-1 pt
Switzerland	2%	0 pt
Italy	1%	-2 pts

CEE	2014	Change from 2013*
Poland	31%	-6 pts
Czech Republic	11%	-4 pts
Romania	9%	+2 pts
Hungary	8%	+3 pts
Ukraine	7%	+2 pts
Turkey	6%	+4 pts
Latvia	3%	+1 pt
Slovakia	2%	-1 pt

* "pts" = % points.

Figure 2. European countries attractiveness ranking

Source: EY’s 2014 European attractiveness survey, available at [http://www.ey.com/Publication/vwLUAssets/EY-2014-european-attractiveness-survey/\\$FILE/EY-2014-european-attractiveness-survey.pdf](http://www.ey.com/Publication/vwLUAssets/EY-2014-european-attractiveness-survey/$FILE/EY-2014-european-attractiveness-survey.pdf), accessed in March 8th, 2015.