The Effects of Brand’s Country-of-Origin Image on The Formation of Brand Equity

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Abstract: One of the most valuable properties of each corporation is its Brand. The more its brand is in consumers’ mind, the more benefits corporation can achieve. However brands provide consumers facilities to choose. This is only the existence of brand names that discriminates a product from others easily. In this research, we have focused on the Evaluation the effects of brand’s country-of-origin image on the formation of brand equity and the main issue is: Does Brand’s Country-of-Origin Image have direct influence on brand equity? This research consists of three theories that inspect the dimensions of special value of brand with responses of consumers in issue of country-of-origin image. These dimensions are as follows: 1- Brand Distinctiveness 2- Brand Loyalty 3- Brand Awareness /Association. Results show that Brand Loyalty and Brand Awareness and Brand Association have direct influence on brand equity and also brand’s country-of-origin image has direct influence on all for variants of Brand discrimination, Brand Loyalty Brand Awareness and Brand Association thus image of Brand’s country-of-origin has direct influence on brand equity from the aspects of medium influences, Brand Distinctiveness, Brand Loyalty, Brand Awareness and Brand Association.

Key words: Brand’s Country of Origin Image, Brand Equity Brand Distinctiveness, Brand Loyalty, Brand Awareness, Brand Association.

INTRODUCTION

In new era which is the period of integrating and acquiring the companies, the Value of commercial names and signs is a key and influential factor in company’s value and the value of stock market. If Brand Equity is high, the companies can reduce the expenses of marketing in the light of that, because customers are awake and loyal, when negotiating and bargaining with distributors and retailers, the company has a stronger position and is allowed to determine higher prices, because from buyers' point of view, a product with this name and sign has more quality. On one hand brand's country of origin is an important and influential factor in choosing the consumers. Suitable perception of a country leads to a suitable perception of product's characteristics such as its quality. Brand’s origin affects the consumers, evaluation. Consumers, evaluation is determined under the effect of original manufacturers expertise.

The aim of this research is to investigate the effect of Brand's country of origin image on brand equity, and to emphasize the brand equity from consumers viewpoint.

In 1984, Eriksson et al., analyzed and investigated the works of original product country in evaluating the automobile signs Information, collected from 96 students of MBA in Washington University. Among related topics, questions asked about ideas of 10 automobiles. (for example, 4 American, 2 German, 4 Japanese). Empirical results showed that brand’s country of origin affects opinions, not attitudes. The authors mentioned argued that study had showed, image variables affect beliefs through obtained results from customers or consumers, research also showed that the effect of image variables on attitudes was not direct, and effects they have revealed, are secondary effects by opinions. In another research in 1994, Ahmed & et al., investigated the effects of brand’s country of origin on buying managers, product perception in relation to perceived quality, buying value, Products profiles, designer country, assembler country, commercial name and sign, price and guarantee. They considered the computer system, fax machine and pens as product category. Canada and Mexico chosen as designer and assembler countries, together with third country (Japan for computer system and fax machine, and Germany for pens). Generally Result showed that developed countries were investigated better than developing countries (for example, Mexico) as places for mentioned design and assembly of industrial products. However, developing countries are places for assembling industrial products, rather than being designer countries. Furthermore, designer country was more important representative of product's quality and buying value, than assembler country. However, its importance was related to product's complexity. (For buying managers, the more complex the technology of product, the more perceived importance of design skills). Tse & et al. (1996) attempted to find how the effect of brand’s country of origin on local consumers inherent desire to buy a product with much complexity (a colored TV) from four countries of Hong Kong, Germany, Japan, and Korea, is operated. Results showed that brand's country of origin affects significantly consumers' decisions for

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buying the product. As an example, consumers of Hong Kong country showed significant probability for buying colored TV made in German & Korea. Also Yasin et al., (2007) concluded that commercial brand’s country of origin image had positive and significant effect on dimensions of brand equity including brand distinctiveness, brand loyalty, brand association and brand awareness.

**Literature Review:**

**Brand’s Country of Origin:**

As a result of supra zonal performance of organizations and making products in developing countries, which has been dramatically increasing in recent years, many products are designed in one country, and, assembled and made in other countries. A direct result is the combination of rapid growth in new markets, and rapid growth of products outside the national frontiers, these products are designed in one country, and assembled and made in another country.

Country of origin is the producer country or one that product has relations with it and has significant effect on consumer. Country of origin effect is any effect that manufacturer country has on consumer to find the positive & negative perception of product. Today, every company that compete in world market produces and distributes products in worldwide customer's familiarity with the name of manufacturer country has an effect on image of that product or commercial name (Paswan and Sharma, 2004). This association of brand’s country of origin from consumer's viewpoint can influence brand dimensions and brand equity from consumers viewpoint in a special country.

A suitable perception of a country lead to a suitable perception of product’s characteristics such as quality. Brand’s country of origin influences consumers evaluation. Consumers evaluation is determined through effect of original manufacturers expertise. In spite of willingness to his/her nationality, culture, customs, consumer tend to be influenced by those brand which produce more added value for them. The effects of brand’s country of origin can be an intangible barrier for products which are entering (Wang and Lamb, 1983).

As regards contraction decomposition of brands country of origin, many studies have used the single – stimulus perspective which alters results in favor of significant effects of brand’s country of origin (Johnsson et al., 1985). This problem shows the urgent need for multi – stimulus perspective which is capable of simulating market actual conditions. Other papers focus on relative effect of information of brand's country of origin versus other stimuli (such as brand, price, guarantee) and as well as on balancing effects of these stimuli on brands country of origin (Tse & et al., 1996; wall et al., 1990).

Effective factors on brand's country of origin in brand evaluations are. Time, consumer's experience demographic characteristics (Festervand et al., 1985), similarity between countries, product classes, economic growth (Schooler, 1965; Krishnakumar, 1974) and patriotism (Levine and Campbell, 1974).

**Brand Image:**

Image consists of thoughts, emotional background and associated meanings with a concept. In other words, Image is a kind of image, popularity music, sign and so on that people have in their minds about a product. Therefore, image may partly be due to dominant image, or actual knowledge based on personal experience, rumors and coordination with feelings. A image may exist consciously or unconsciously. Also this image may be expressed easily and clearly or be described hard and ambiguously (Nagashima, 1965). People give special structures to products of a special country through image and thoughts which can be called product’s national image of a country, its history, traditions, political relations, economic stability and so on, which have been produced through extensive communications, Personal experiences and opinion leaders.

Han (1990) has investigated the role of country's image on consumer's evaluation of TV sets and automobiles. In this study, he has presented two alternative random model, and then has tested them:

1. Halo Model which argues country's image operates as a Halo construction in evaluating the product.
2. Summary construct Model which assumes country's image is a function of summary construct.

The results of test showed that when consumers are not familiar with country's product, country's image may act as a halo in which consumer perceives the characteristics of products with brand. This issue influences indirectly person's attitude towards brands through evaluating product's characteristics. In contrast, when consumer is familiar with a country's products, the image can be a construct which summarize consumer's beliefs about product characteristics and influence directly attitude to words brand (Han, 1990).

**Brand Equity:**

Based on first definition of Brand equity by Farquhar, Brand equity is an added value which brand gives to a product (Farquhar, 1989). In addition, there are other definitions of Brand equity except Farquhar's definition.

Aaker (1991) defines Brand equity as follows: A set of five groups of properties and commitment related to brand. Its name and symbol which addes or reduces the value regarding a product or presented service to a company or customers. According to Lasar et al., (1995), brand equity has been tested from consumer's viewpoint and financial perspective. In other words, financial concept discusses from viewpoint of brand, and
customer based concept is the brand equity for consumer which is the result of marketing decision making (Kim et al., 2003).

Brand equity is the increase in perceived satisfaction that a brand gives to a product (Lassar et al., 1995). High brand equity is a competitive advantage, because based on the company can determine high prices for its products create better leverage, increase sales and profit margin, and reduce it’s vulnerability in competition (Bendixen et al., 2003). In other words high brand equity produces more distinctiveness, more brand knowledge and better consumer response (Keller, 2003), which leads to better brand performance from two financial and consumer viewpoints.

Brand equity can help customer to interprete, process, and store large body of information related to product and brand, also can influence consumer's reliability in buying decision, because the customer experienced it before and is familiar with brand and its characteristics. The important thing is the perceived equity and related issues which can increase the customer's sat is faction after experiencing the product (Aaker, 1991).

Aaker (1991) proposed a model showed that dimensions of brand equity includes four important dimensions of brand loyalty, brand awareness, perceived equity, and brand association. Kapferer's brand equity Model has been proposed based on this assumption that brand equity is a tacit contract between brand and customers in which a set of equalities are exchanged between them for automatic repetitive buying. Brand produces satisfaction for producer and consumer by reducing the risk of transaction According to kapferer brand identifies and guaranties supply and frames and then stabilizes it. They owe their value to their capability for reducing risk and uncertainty (Kapferer, 1992).

In other sense, keller (1993) says that brand's customer – based value (which call sit brand equity based on customer) depends upon brand knowledge and its comparison with a anonymous product which located in a similar product class. Based on keller (1993) Model, brand knowledge includes brand awareness and brand image the defines brand equity as distinctive effect of brand knowledge on consumers, response to brand marketing, which brand equity is expressed in relation to their response to similar marketing mix.

In this research, Yoo & et al. (2000) Model has been used which relates to relationship between brand country of origin image and brand equity using a balancing variable named dimensions of brand equity, and has been investigated by Yasin et al., (2007). In that study, the results of practical analysis showes that variable balancing dimensions include brand distinctiveness, brand loyalty, brand association and brand awareness (Yasin et al., 2007). Based on Aaker's definitions, brand loyalty can be defined as the extent to which customer has a positive attitude to word a brand, and the amount of his/her commitment to mentioned brand and intention of continuing buying in future. Brand association includes any thing which is associated mentally with brand in memory. Brand awareness is the buyer's potential ability to recognize or remember the brand belongs to special class of product (Aaker, 1991).

Research Hypotheses:

Based on discussions, these hypotheses are proposed:
H1. Brand distinctiveness, brand loyalty brand awareness/association have direct effect on brand equity.
H2. Brand’s country-of-origin image will have a positive relationship with brand distinctiveness, brand loyalty, and brand awareness/associations.
H3. Brand country of origin image will have a positive relationship with brand equity through the mediating effects of brand distinctiveness, brand loyalty, and brand awareness/associations.

Conceptual Model of research is shown in Fig1.

![Conceptual Model of research](image)

**Fig. 1**: Conceptual model of research

Methodology:

In order to collect data, 400 questionnaires distributed in Tehran among married management students who have bought TV sets in three recent years. Questionnaire contains 35 question in which likert scale of five – score has been used. This questionnaire has been used by researchers like Yasin et al., (2007) and Yoo & et al. (2000). The reliability of questionnaire was commutated by using software of SPSS 16, which produced number of 85.6%. Regarding to this fact that usually viability more than 70 percent is desired, we can say that this test enjoys desirable reliability.
Results:
In order to analyse data, parametric and non-parametric statistical methods have been used. In this research, we use the following tests to confirm or refute research hypotheses and find special relationships between society variables.

- KMO test to become sure of sample adequacy for analyzing the exploratory factor.
- Investigating construct and factor load of questions by using exploratory factor analysis and omit on of questions with low factor load.
- Investigating the effects between research variables using structural equation model (SEM) with Lisrel software.

The results obtained for these models showed excellent fit (RMSEA = 0.063; GFI = 0.94; AGFI = 0.90).

Findings obtained from structural equation modeling for testing the research hypotheses are as follows:

Testing the Hypothesis 1
Numbers obtained from research show that brand loyalty and brand association/awareness have significant effect. The numbers obtained for the in t-value model were 0.90, 7.46 and 2.26 for brand distinctiveness, brand loyalty and brand awareness/association respectively. Findings reveal that two variables of brand loyalty and brand awareness have direct effect on Brand equity. Also, results show that brand loyalty represented 0.57 of brand equity and brand association/awareness represented 0.15 of brand equity. However brand distinctiveness has no direct effect on brand equity. Therefore, with regards to results we can say that increasing the awareness and planning programs for increasing brand loyalty are key factors of increasing brand equity of TV manufacture's, however in this sense the role of brand loyalty is more significant.

Testing the Hypothesis 2
Findings show that brand's country of origin image represented 0.77% (t-value = 10.58) of brand distinctiveness, 0.49% (t-value = 7.36) of brand loyalty, and 0.54% (t-value = 7.69) of brand awareness/association, so research hypothesis is accepted. That is brand's country of origin image has a direct effect on brand distinctiveness, brand loyalty, brand awareness/association.

Therefore regarding to results, we can say that suitable brand's country of origin image for TV sets has significant effect on variables of brand loyalty, brand awareness, and brand association which collectively increase brand equity.

Testing Hypothesis 3:
Obtained numbers of t-value show the significance of effects. Findings show that brand's country of origin image has a direct effect on dimensions of brand equity, and represented 70% of them (t-value = 8.76), and as mediation effect has positive and significant effect on brand equity, whose effect is 0.56% (t-value= -2.79).

So we can conclude that hypothesis 3 is accepted.

Also, results show that dimensions of brand equity have direct effect on brand equity, and determines 70% of brand equity (t-value= 7.26).

In order to obtain other results regarding differences between men and women's viewpoints about variable of "brand equity", t – test has been used for two independent samples.

Regarding the auto come of SPSS, significant number is less than 0.05 (reliability distance; 95%), so we can say that it's zero and this hypothesis is accepted, that is there is significant difference between men and women in relation to brand equity. since two high and low extremes are negative, so M1-M2<O, M2>M1, that's group of women has evaluated brand equity better and more than men.

Discussion and Conclusion:
Brand's country of origin image is one of factors that consumers consider, when buying products. This research which addressed the relationships between brand's country of origin image and brand equity by taking into account the balancing effect of brand equity dimensions proved this fact. The results of this research show that brand's country of origin image has an important role in promoting the brand equity. In other words, brand's country of origin image effects the brand equity. So, producers and owners of brand should pay attention to this, and try to shap desirable image in consumer's mind during the time. On the other hand, results show that brand loyalty has the most effect on brand equity.

So planning and operating loyalty programs such as club for company's customers, performing suitable programs and conferences for customers, creating desirable relation with customers and maintaining and promoting product's quality and other similar procedures will have a high effect on increasing brand equity in long term. Also producers should try to promote brand's country of origin image to increase brand image in markets by using advertisements and other combined components such as personal sales and public relations.

Also, it is recommended that research like investigating the effect of brand equity dimensions on companies financial performance once is conducted, together with similar research with considering the products in different classes and different statistical societies in terms of income level, geographical zones, and educational levels to make clear other dimensions of the concept.
REFERENCES


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