Chapter 3

Country-of-Origin Effect and Consumer Ethnocentrism: The Brand Perception of Romanian Consumers of a Danish Beer Brand

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ABSTRACT

This chapter examines the impact of consumer ethnocentrism and country of origin of a low involvement product on consumer brand perception and purchase behavior in a transitional market setting of Central and Eastern Europe. Data were collected from 317 respondents from an urban population in three large cities in Romania. The results show that country of origin has a significant impact on the consumers’ perception of the Danish beer brand Tuborg. The results show statistically significant associations between consumer ethnocentrism taxation and buying Romanian products as well as between demographic characteristics and brand perception.

INTRODUCTION

International marketing research has long been concerned with examining whether consumers prefer domestic products, as opposed to foreign products and how the country of origin of the foreign product is perceived (Evanschitzky et al., 2008). Marketing scholars have also long argued that the cause of the appearance of country-of-origin (COO) effect can be found in consumer ethnocentrism (CE) (Stoltman et al., 1991; Lantz & Loeb, 1996; Lee & Ganesh, 1999; Chryssochoidis et al., 2007; Ding, 2016). There has also been substantial research interest in country-of-origin effects on foreign and domestic brands (Klein et al., 1998; Balabanis & Diamantopoulos, 2004; Liu & Johnson, 2005; Verlegh et al., 2005; Hong & Kang, 2006; Maheswaran & Chen 2006; Pappu et al., 2007).

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Recent studies in the field of the country-of-origin effect and ethnocentric perceptions show consumer behavioural tendencies not only towards local and foreign products in general but more specifically brands (Kinra, 2006; Chryssochoidis et al., 2007; Ferguson et al., 2008; Alden et al. 2013; Guo 2013). Kinra (2006) for example investigated the Indian consumers’ attitudes towards local and foreign brands and found that foreign brands were perceived as being more reliable and safe than local brands, thus displaying a low level of ethnocentric tendencies. On the other hand, some scholars suggested that CE has no influence on the COO effect (Yagci, 2001; Sharma, 2011). For example Sharma (2011) investigated the role of CE in COO effects for consumers from the USA and the UK with regard to cars and found that ethnocentrism does not interact with COO and has a weak negative effect on the consumers’ product evaluation and behavioural intentions for imported products. On the other hand, Ding (2017) examined whether consumer ethnocentrism in China is prevalent and its impact on Chinese consumers’ product preferences between local and foreign products. He found that Chinese consumers display a low level of ethnocentric tendency, but that CE did affect product preferences amongst Chinese consumers and that the availability of domestic alternative is a key factor that cannot be ignored.

All in all, the body of knowledge on the link between COO and CE and their effect on brand perception produced some inconclusive results. Scholars like Kinra (2006), Liu et al. (2006), Chryssochoidis et al. (2007), Ferguson et al. (2008), Zolfagharian and Sun (2010) found that in connection with the country-of-origin effect, the ethnocentric perceptions indeed showed an influence on consumer behavioural tendencies, not only towards local and foreign products and services in general, but more specifically towards brands. On the other hand, some scholars suggested that CE has no influence on the COO effect (Yagci, 2001; Sharma, 2011), and consumer ethnocentrism becomes a significant predictor only when the product is manufactured in less-developed/liked countries. The main reason behind this contradictory evidence may lie in the differences in product involvement. Studies which included low involvement products showed a greater relationship between CE and COO, than studies which used high involvement products.

Since there are mixed views on whether a developed country of origin has an impact on how consumers perceive low involvement local products, authors like Kwok et al. (2006), Kumar et al. (2009), Pentz et al., (2016), Siamagka and Balabanis (2015) and Balabanis and Siamagka (2017) call for additional research to be undertaken with low involvement products in the field of COO and CE. This study will try to bring additional insights into the impact of consumer ethnocentrism and country of origin of a low involvement product on consumer brand perception and purchase behavior.

BACKGROUND

According to Han and Terpstra (1988) country of origin is defined as “the country of manufacture or assembly” identified by “made in” or “manufactured in” labels. But due to multi-national companies evolving into trans-national companies and the emergence of hybrid products coming from different countries, the image of the made-in label has been blurred (Baker & Michie, 1995; Ahmed et al., 2004). Siamagka and Balabanis (2015) describe consumer ethnocentrism as a means to understand the moral concerns arising from the consumption of foreign and domestic products. In addition to this, it has also been shown that consumers usually perceive products made in developed countries to be of higher quality compared with products made in emerging markets (Pappu et al., 2007; Josiassen & Harzing, 2008; Usunier & Cestre, 2008, Ding, 2017). In a study conducted by Hamin & Elliott (2006) in coun-