

Decomposing Country of Origin for Services: A conceptual model

Roberta Veale & Pascale Quester

The University of Adelaide

Abstract

Over the past few decades, the service sector has recorded the largest and fastest growth in the global economy. However, no research has attempted to isolate specific aspects of the Country of Origin construct in relation to service offerings. This study ‘deconstructs’ the COO construct for international services along country of origin of the brand (COB), country of origin of where the service is delivered (COSD), country of birth of the person providing the actual service (CPI) and the country of training/education of service provider (CTI). We propose a conceptual model as theoretical foundation for future empirical research.

Introduction

Over the past few decades, the service sector has recorded the largest and fastest growth in the global economy. Services currently generate 35 per cent of GDP of lowest-income countries, and now account for over 70 per cent of income and employment in OECD countries (Hoekman and Mattoo, 2008). The total value of service exports has almost tripled over the past ten years, achieving around US\$3.78 trillion in 2008, compared to around US\$1.34 trillion in 1998 (WTO, 2009). Since the beginning of the 21st century, service exports have grown on average by over 14%, including a substantial increase in 2007 of almost 20% (WTO 2009). Given the significance of this sector to the Australian economy, service marketers need to understand the best ways to effectively market their services and expertise to consumers across international borders and different market segments, especially in these challenging economic times (Bang, Raymond, Taylor and Moon, 2005).

Much like global manufacturers of tangible products, international service providers are actively seeking to reduce costs and increase profits by moving operations to developing nations or other countries offering economic incentives to foster local employment (Javalgi, Cutler and Winans, 2001). The increasing integration of national economies worldwide, the establishment of several bilateral and multilateral free trade agreements, the gradual removal of a variety of tariffs and trade barriers and the openness of previously closed economies all provide further impetus. In this highly competitive environment, one of the most significant challenges for international service providers is to project and maintain a consistent and positive image in the mind of consumers who might harbour biases towards services provided by companies originating from foreign countries or against professionals trained and/or born overseas. Additional complications stem from some consumer characteristics, such as ethnocentricity, animosity and previous experience and knowledge, which can also play a part in their choice decisions (Herche, 1994; Heslop, Liefeld and Wall, 1987; Heslop, Papadopoulos and Bourke, 1998). For example, recent events involving Indian students studying in Australia are stark illustrations of how negative incidents well beyond the control of service providers can quickly erode positive perceptions and fuel stereotypical assumptions in overseas markets, with dire consequences to important income streams.

Country of Origin as an Extrinsic Cue

The influence of the source country of a product (Country of Origin or 'COO') on consumer perceptions of product quality has been studied extensively since the mid 1960's, across a wide range of product categories, contexts and locations (Schooler, 1965; Han, 1989; Han and Terpstra, 1988). As an extrinsic cue, COO has consistently been believed by consumers to be a credible predictor of quality for products and services alike (Harrison-Walker, 1985; Haubl, 1996; Phau and Chao, 2008; Veale, 2008; Veale and Quester, 2008; Veale and Quester 2009a; 2009b). Just as consumers form brand images for products, they develop Country Images (CI) for individual countries. These CIs constitute a type of 'brand image' for a country and are comprised of the general perceptions or stereotypical beliefs that consumers from one country or region form about another (Han 1989; Srikatanyoo and Gnoth 2002). Whilst CI has been established as potentially enhancing or diminishing consumer perceptions of product quality, the power of this influence is generally found to be product- and source- country specific (Chattalas, Kramer, and Takada 2008; Han 1989). This notwithstanding, some consistent findings have emerged. These include a general preference by consumers world-wide for 'home country' offerings. An important exception is when the country image and the products are highly congruent, such as in the case of Australian wool or French perfume. Research also shows bias in favour of products from developed countries and against those sourced from less developed or emerging economies.

The globalisation of manufacturing and the international reach of many products and brands, has seen COO based research advance greatly in the last 20 years from the initial 'Made in.....' oriented studies. COO is now recognised to be a complex, multi-dimensional construct involving distinct aspects such as Country of Design, Country of Brand, Country of Manufacture and Assembly (Chao, 1992, 2001). Hence, the extant literature has investigated and 'decomposed' the COO construct in relation to the prevalence of 'hybrid' tangible product offerings. Surprisingly, however, there is little research examining its influences on perceptions of foreign service providers (Phau and Chao, 2008; Srikatanyoo and Gnoth, 2002). However, those rare studies undertaken in this area also show COO to be a significant cue used by consumers when forming opinions and expectations of service quality. For example, Srikatanyoo and Gnoth (2002) developed a conceptual model of country image effects on international tertiary education. They proposed significant associations between country image, institution image, program evaluations and students' intentions to study, suggesting that international education institutions may harm their images by relocating to countries with less than desirable images. Further, Ahmed, Johnson, Ling, Fang and Hui (2002) examined COO and brand effects on consumers' quality perceptions, purchase intentions and attitudes towards international cruise-line packages, finding that COO was an important cue used by respondents to determine which country (US or Malaysia) they thought would offer the best quality services, with the US ultimately preferred. In an early landmark study, Harrison-Walker (1995) examined the relative influence of COO information cues in the selection of a service provider, finding that CI was significant to consumer choice, with American respondents preferring same-nationality over other-nationality ophthalmologists, even when provided with higher level information. The results indicating that CI in services is also likely to be used as an indicator of service provider ability, with respondents presuming that service providers from developed countries, such as the US and Japan, will be superior to those from developing nations.

Hybrid Services: A Conceptual Model

Whilst research provides evidence of the influence of CI in a services context, no research has attempted to isolate specific aspects of the COO construct pertinent to service offerings. As alluded to by Harrison-Walker (1985), intrinsic service quality will, logically, be linked to the skill and expertise the service provider brings to the task. Therefore, investigating 'Country Training Image' (CTI) or the impact of the CI where the service provider was trained will identify aspects of CI linked to consumer perceptions of a service provider's competency and expertise. The direct implication of perceived expertise is enhanced source credibility and trustworthiness and an increase in the likelihood of purchase intention. Therefore, consumer perceptions of the quality of training available where a service provider was trained are likely to have a significant effect on expectations and likelihood of purchase.

Similarly, whilst studies have revealed that stereotypical beliefs also exist in relation to individuals from some locations, the influence of the COO of birth of a service provider, as a specific dimension of COO has never been investigated in relation to expectations of service quality. This too is surprising, given that measures of service quality incorporate items reflecting perceptions of the service provider's personal attributes (e.g. empathy, assurance and responsiveness), and those that critically influence objective service quality delivery (e.g. doing the job right the first time, technically competent, tangible quality and reliability).

Therefore, quantifying the influence of dimensions such as 'Country Person Image' (CPI) will reveal those aspects of CI held by consumers to affect service quality. For services, it is not possible to mask the country of birth of service provider, as the provider and the customer are 'inseparable' during the service delivery process, and the supplier forms part of 'physical evidence' utilised by consumers for quality evaluation. Moreover, while many services require training and education for providers to be competent, some are perceived to be equally reliant upon the nature of the individual themselves. For example, a teacher would be expected to have strong technical knowledge but also show considerable empathy.

The influence of these two constructs (CPI and CTI) on consumer expectations of quality were explored in a recent pilot study undertaken by the authors. Both constructs were found to make significant and substantial contributions (Veale and Challen, 2010). Providers born and trained in Sweden (positive country-image) were strongly preferred over those born and trained in Mexico (negative country image) for the highly technical (physiotherapist) and the highly personal (nanny) service types tested. Additionally, a positive country-of-training image was also found to compensate for a negative country-of-birth image in both cases, indicating that service providers from less developed countries may overcome a negative stereotypical home country image through communication of education and/or training in developed countries, particularly for services where 'skills' are deemed critical. A subsequent pilot qualitative study was undertaken by one of the CIs which explored the respective influence of country of brand (CPB) and country of service delivery (COSD) in a higher education context, gathering opinions from both Hong Kong and Australian respondents (Stanton and Veale, 2009). Results confirmed the existing literature respective to the influence of brand-country linkages on expectations of quality (Ahmed et al., 2002; Chao, 2005; Haubl, 1996; Thakor and Kohli, 1996). Importantly, respondents from both locations expected facilities and infrastructure of a country to affect the quality of service delivery. Consistent with the literature, services delivered in 'first world' countries were expected to be better quality than those delivered in under developed and emerging economies. Whilst this may seem intuitive and some empirical evidence supports the notion that specific aspects of

COO may be influential for services, there is to date no real understanding of how service quality perceptions are affected when the country of birth, service delivery and service provider training/education differ. Yet, numerous categories of services now exported provide such 'hybrid' service offerings, including higher education, engineering services and airlines. This gap in our current knowledge is significant and may be critical to the future success of services export in some markets.

In order to fill this gap, we propose to 'deconstruct' the COO construct for international services along country of origin of the brand (COB), country of origin of where the service is delivered (COSD), country of birth of the person providing the actual service (CPI) and the country of training and/or education of service provider (CTI). We suggest that these deconstructed elements of COO interact to influence the expectations of service quality and, ultimately, consumers' purchase intentions. Figure 1 shows how these different components are expected to combined to influence perception of service quality. However, the literature also suggests that this influence is likely to be moderated by a number of consumer characteristics (Balabanis and Diamantopoulos, 2004; Shoham, Davidov, Klein and Ruvio, 2006; Veale, 2008; Watson and Wright, 2000). In particular, the following variables are deemed to moderate the impact of COO on service quality perceptions:

Animosity: Animosity is defined as "the remnant of antipathy of previous or ongoing military, political, or economic events" (Klein et al, 1998, p 90). Consumers differ in their animosity targets for a variety of reasons (Riefler and Diamantopoulos, 2007). Animosity generally has a significant impact on buying decisions (Heslop, Lu and Cray, 2009; Klein et al, 1998; Leong et al., 2008; Rose, Rose and Shoham, 2009; Shoham, Davidov, Klein and Ruvio, 2006). However, most animosity studies in relation to COO have involved tangible products, with little focus on services. Consumer animosity should exert a significant influence on consumers' expectations of the quality of service provided.

Ethnocentrism: Ethnocentrism is "the belief held by consumers about the appropriateness, indeed morality, of purchasing foreign-made products in place of locally made products" (Shimp and Sharma, 1987, p 280). COO researchers have argued that consumer ethnocentrism plays a crucial role in consumers' evaluation of foreign products (Shimp and Sharma, 1987; Watson and Wright, 2000). In addition, the effect of ethnocentrism may vary across different product categories (Balabanis and Diamantopoulos, 2004). Hence, it is likely that ethnocentrism significantly influences consumers' service quality expectations.

Consumer knowledge/ familiarity of service providers: Empirical evidence has established that consumers generally do not possess the level or quality of objective knowledge they believe they do, creating a gap between what they believe to be true regarding product offerings and an accurate judgment (Alba and Hutchinson, 2000; Heimbach, Johansson and MacLachlan, 1989; Veale, 2008). Given that there are relatively few true 'experts' in most consumer markets, the importance and weight given to extrinsic cues cannot be underestimated (Alba and Hutchinson, 1987; Alba, 2000). While the literature pertaining to how consumers use knowledge is extensive, past studies have yielded conflicting results. For example, some researchers measure only familiarity or self-assessed knowledge and deem this to represent objective knowledge (Alba, 2000). The effect of familiarity has been captured by Josiassen, Lukas and Whitwell (2008) in a manufactured goods context. We anticipate that familiarity and knowledge play a moderating role in the relationship between COO dimensions and consumers' expectations of service quality, as shown in Figure 1.

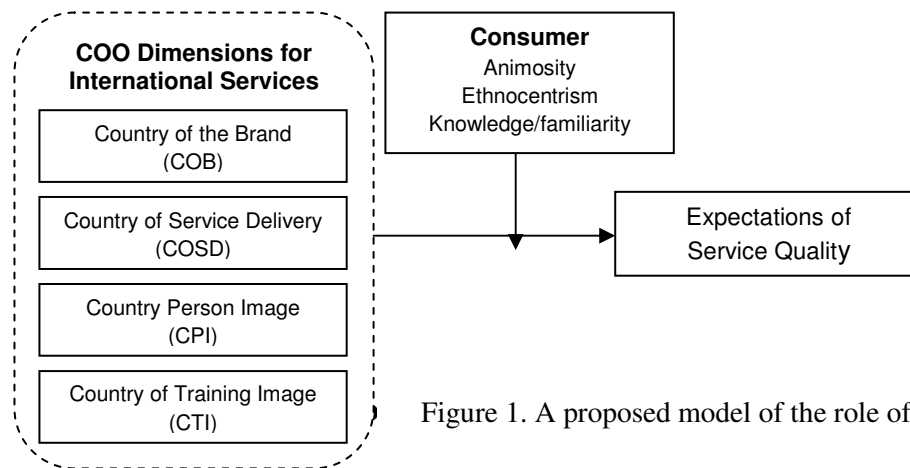


Figure 1. A proposed model of the role of COO

Implications and Contribution to Knowledge and Practice

Given our limited knowledge about the factors associated with the success of international service delivery, particularly from COO researchers (Phau and Chao, 2008), our proposed framework makes a significant contribution to theory development in the area of international services marketing and COO by investigating the impact of national stereotyping on consumers' evaluation of service quality (Javalgi et al., 2001) at a critical time for the future growth of our services sector. Aside from incidents that may generate actual animosity as previously described in the case of Indian students studying in Australia, commonly reported dissatisfaction regarding foreign call centres or concern regarding potential loss of jobs due to local businesses using overseas printing and other facilities, provide anecdotal evidence of the need for a study such as the one proposed here. Overseas destinations are providing attractive alternatives for cost reductions, but at what cost to perceptions of service quality in home markets? Alternatively, how can countries like Australia use any positive COO associations to maximum advantage in strongly competitive overseas markets for education and technical services, for example? Despite a plethora of studies examining the impact of different aspects of country of origin information (country of origin, country of brand, country of design and country of manufacture) on consumers' evaluation of products, the literature has lamented the quasi- absence of service studies examining specific dimensions of COO effects. Significant and important opportunities exist, therefore, in relation to theory development and theory testing in the context of service industries (Phau and Chao, 2008). Indeed, Javalgi et al. (2001) called for research investigating the potential impact of national stereotyping on consumers' evaluation of services, and almost 10 years later this was echoed by highly esteemed investigators in the area of COO research (Phau and Chao 2008).

This paper represents a welcome first step into understanding whether country of origin affects differ substantially when considered in the service context. Recognising that country effects are multifaceted and complex (Chao, 1992), we propose to further examine the different components of country image pertinent to the service context. For service exporters, the research provides valuable insight into which dimensions have greater impact on expectations of quality and ultimate purchase intentions. This allows them to either strategically structure new transnational ventures or to promote particular dimensions that have positive images which also impact on expectations of quality and ultimate purchase intentions. Further research should now seek to empirically test the relationships identified in Figure 1, and to do so in a variety of national settings.

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