

# **PRODUCT ORIGIN: A SUSTAINABLE COMPETITIVE ADVANTAGE?**

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## **ABSTRACT**

This study aims to achieve a dual objective. Firstly, to design a model that provides an explanation of how the place of origin influences the development of the image that consumers have of a ceramic product in particular, and consequently, the decision to buy this product. To this end, four places of origin have been analysed: China, Spain, Italy and Turkey. And secondly, to encourage the ceramics industry to make more effective and frequent use of the image of the place of origin as a competitive tool. The umbrella trademark exists and can provide a comprehensive endorsement in the form of greater value to all the brands and companies that shelter beneath it, without hindering them at any time from developing individually.

## 1. INTRODUCTION

Asserting that the markets are currently characterised by being increasingly competitive and dynamic does not seem to be adding a great deal to the debate. However, such circumstances have forced both buyers and sellers to change their "modus operandi" and to seek new formulas to help them deal with such increases in complexity (Pharr, 2005).

In the case of the selling companies, they should be clear that the differentiation is no longer going to be in what is done, but in how it is to be done, and who is to do it, and it is these two aspects that should be emphasised (Papadopoulos, Heslop and Beracs, 1990b; Calvo and Blázquez, 2006). They should have their own personality and should therefore seek out the intangible and extrinsic elements that are associated with the products in order to achieve this differentiation that makes them competitive on the new global stage, and at the same time responds satisfactorily to the demands of increasingly demanding purchasers.

An element that initially appears to have the potential to become a sustainable competitive advantage, both in the domestic market and abroad, is the product's place of origin. Moreover, it has been shown that when an individual finds it difficult to make a judgment with regard to a product, due to the sophisticated or complex nature of the latter, the technical capacity of its place of origin, or better put, the image that is perceived of this, can be very helpful, and therefore be considered by the individual in the process of decision-making (Jaffe and Nebenzahl, 2001). This is the case of the product category that we are dealing with in this study. Ceramic products are characterised as being: 1) a category for which consumers have poor levels of experience and knowledge and, therefore, with which they are not familiar, (2) a category for which the information presented to the consumer is often ambiguous or overly complex, and (3) a category where there are relatively few brands that can be considered as being established and therefore well-known, and that allow the identification and differentiation of the different products belonging to this category.

This study therefore aims to achieve a dual objective. Firstly, to design a model that provides an explanation of how the place of origin influences the development of the image that consumers maintain of a ceramic product in particular, and consequently, the decision to buy this product. To this end, four places of origin have been analysed: China, Spain, Italy and Turkey. And secondly, to encourage the ceramics industry to make more effective and frequent use of the image of the place of origin as a competitive tool. The umbrella trademark exists and can provide a comprehensive endorsement in the form of greater value to all the brands and companies that shelter beneath it, without hindering them at any time from developing individually.

## 2. REVIEW OF THE LITERATURE AND STUDY HYPOTHESIS

It is clear that in talking about a product's place of origin we are referring to the place it comes from. However, what is really of interest is the image that is perceived of this place (Martin and Eroglu, 1993; Papadopoulos, 1993; Parameswaran and Pisharodi, 1994), because what individuals use to evaluate and subsequently make their purchase decision is not the place of origin itself but the image constructed of this place of origin.

The image of the place of origin is constructed based on the knowledge we acquire throughout our education, by the news emanating from these places, the documentaries and reports viewed, its literature, the image that friends and family members provide us, our own experience with the place and its people, or via the use or consumption of its products. All of this contributes to assembling an image that grows as it is supplied with new information; an image which encapsulates its climate, its geography, its inhabitants, its history and traditions, its culture, its past and present political affinity, its economic development, its most representative products, etc. (Banister and Saunders, 1978; Askegaard and Ger, 1998). It is therefore a multifaceted and multidimensional kind of construct, which is defined as the sum total of beliefs that an individual has regarding a particular place, regardless of whether such beliefs are informative, inferred and/or descriptive in nature (Martin and Eroglu, 1993). In addition, we share the point of view defended, among others, by Pisharodi and Parameswaran (1992), who argue that, with regard to the image of a place, individuals in reality store different images in their mind.

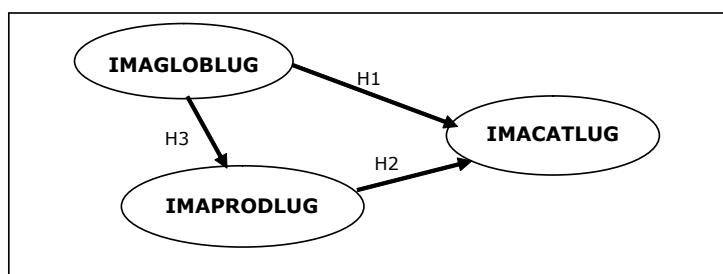
On the one hand, an image of this place in general (IMAGLOBLUG); i.e. what Hooley, Shipley and Krieger (1988) interpreted as an image of the place of origin on a macro level, where what the individual believes and feels about the place is reflected. An image that is produced based on its climate, its geography, its inhabitants, its history and traditions, its culture, its past and present political affinity and also its economic development. On the basis of all this, it is considered that the overall picture that an individual perceives of a particular place is built based on two dimensions: A clearly cognitive one, which includes a series of aspects of an economic and technological nature, and another more emotional component, which includes socio-political and cultural aspects with which this place is characterised.

However, as has been pointed out, the results achieved by Pisharodi and Parameswaran (1992) led to the effects of the place of origin being considered as not being caused solely by the perceptions that individuals have about this place's economic level and cultural and political climate, but also possibly related to the perceptions that individuals have about the products from this place in general (IMAPRODLUG) and/or with a certain category of product in particular (IMACATLUG). In fact, what consumers know or believe they know about a place's production skills, its style and design and its technological innovation seems to be much more consistent with the formation of the perception of the product than other factors that are less geared to production and marketing (Hooley et al.,

1988; Lawrence, Marr and Prendergast, 1992; Papadopoulos, Heslop and Bennett, 1993; Lee and Ganesh, 1999; Hsieh, Pan and Setiona, 2004; Pappu, Quester and Cooksey, 2007; Heslop, Lu and Cray, 2008). However, at the same time, it must be borne in mind that the evaluation of all the products from the same place of origin may differ significantly from the evaluation of a specific product from the same origin (Etzel and Walker, 1974; Halfhill, 1980).

In addition, given that the three constructs coexist in the minds of individuals, what is really interesting is to analyse the possible relationships that can take place between them. In this way, an explanatory model is proposed (see figure 1) with the aim of responding to the objective established in this study. A model where, based on the demonstrated fact that more general concepts affect more specific ones (Häubl, 1996), it is understood that the direction of the effects between the variables related to the place of origin is produced from the more general image to the image that reflects a higher level of precision<sup>1</sup>.

### Proposed explanatory model



Source: Own preparation.

Figure 1.

Therefore, it is firstly suggested that the overall image of a place that an individual has in his or her mind has a direct influence on the image that the individual has of a category of product in particular coming from that place. Secondly, it is also suggested that the image that the individual has about the products coming from that place can also cause a direct impact on the formation of the image of the category of product in particular coming from that same place. And thirdly, it is suggested that the general image that there is of a place has a

1. *There seems to be a model of how categorised knowledge is organised in memory and subsequently recovered. Thus some categories known as basic are more likely to be acquired before others on other hierarchical levels (Alba and Hutchinson, 1987). The basic categories are more primary and their attributes are more commonly shared by different individuals. In this sense, the categorical knowledge at other levels develops on the basis of the increase in familiarity with the basic level.*

*In the place of origin category, the general information about the place is more prevalent and primitive than information on the specific products made in this place (Lee and Ganesh, 1999). In other words, the information stored at a general level is more basic, primary and common than the information stored on the products.*

*Thus, in general, categorical knowledge at a general level will be formed and recovered before that of the products (the specific level). This also means that the overall image of the place of origin can become a determining factor in the formation of the products of a place, and this in turn, in that of a specific category of product.*

direct influence on the image that the individual forms of all the products coming from that place. In this way, at the same time an indirect influence of the general image of the place will be produced regarding the image of the category of product in particular coming from that place. And on the basis of all this, the following hypothesis is proposed:

- H1. *"The overall image that people have of a place has a direct influence on the image that an individual has of a category of product in particular coming from that place".*
- H2. *"The image that an individual has of all the products coming from a particular place has a direct influence on the image that an individual forms of a category of product in particular coming from that place".*
- H3. *"The overall image that people have of a particular place has a direct influence on the image that an individual forms of all the products coming from that place".*

### **3. DELIMITING THE RESEARCH PROBLEM AND METHODOLOGY**

As pointed out in the introduction, this study has been proposed for a category of product which, given its nature, implies that individuals need to face a complex purchase decision, i.e. ceramic products: (1) a category for which consumers have poor levels of experience and knowledge and, therefore, with which they are not familiar, (2) where the information presented to the consumer is often ambiguous or overly complex, and (3) where there are relatively few brands that can be considered as being established and therefore well-known, and that allow the identification and differentiation of the different products belonging to this category.

For their part, the places of origin studies in the analysis were China, Spain, Italy and Turkey. And the reasons for choosing these countries were: (1) they are four of the most important industries in the world in this sector, and (2) since the Spanish ceramic industry has a substantial specific weight in the country's economy, it is always interesting to discover the image that others have of it, and of the other competing industries.

With regard to the measurement of the variables, it should be noted that Likert-type 11 point scales have been used for all of them (where 0 means being in total disagreement and 10 agreeing fully), having resorted to the existing literature for their design.

In addition, in order to specify the extent of the knowledge that individuals have about the places that have been considered in the study (China, Italy and Turkey), it was decided to ask the respondents directly if they had been in each of these places, and whether they were aware of having used or consumed products from these places.

As for the design of the research work, table 1 shows the technical sheet for the study.

<b>Sampling group</b>	Consumers of legal age resident in Spain
<b>Sample</b>	438 individuals (194 in Barcelona, 132 in Sevilla and 112 in Castellón)
<b>Sampling procedure</b>	Random with quotas for each city, and stratified by gender and age
<b>Sampling error</b>	4,7% for a reliability level of 95%
<b>Method used</b>	Personal face to face survey
<b>Fieldwork</b>	Between December 2007 and February 2008

Table 1. Technical sheet for the study.

#### 4. ANALYSIS AND DISCUSSION OF RESULTS

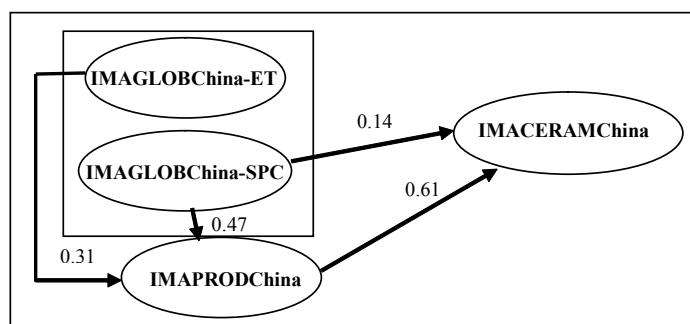
Before beginning the data analysis, confirmatory factor analyses of the different scales employed (IMAGLOBUG, IMAPRODLUG e IMACATLUG) were performed in order to ratify the dimensionality, reliability and validity of the items used to measure such concepts, and in all cases satisfactory results were obtained.

Subsequently, in order to comply with the objective proposed, an empirical contrast was performed of the conceptual model developed, and the working hypotheses put forward in this regard. In this sense, it should be recalled that the theoretical model proposed attempts to collect the different cognitive responses which, depending on the role assumed, the image of the place of origin of the products can evoke when evaluating a product.

It should also be pointed out that since this involves comparing causal scenarios, Confirmatory Factorial Analysis was used by means of the Structural Equation Modelling Technique (SEM), and more specifically, Path analysis. In addition, in all the models compared, the parameters that determine the relationships between the variables have proved to be significant in every case, with the t values associated with these models being above 1.96, and being completely standardised. In addition, the probability associated with Chi squared is greater than 0.05, and thus all the fits are appropriate. And in every case, the RMSEA, the GFI and the AGFI turned out to be satisfactory.

In terms of interpreting the results, and starting with the first country considered (see figure 2), it can be seen that the overall image perceived of China has a direct and significant influence on the perceived image of products from China in general. Thus, its more cognitive image, the economic-technological dimension,

does so with an intensity of 0.31. However, it is the socio-political and cultural dimension which exercises the greatest influence, with an intensity of 0.47.



*Chi-Square=0.98, df=1, P-value=0.32253, RMSEA=0.001, GFI=0.99, AGFI=0.99*

Figure 2. Model for China.

For its part, the image perceived of all the products from China has a direct and highly intense influence (0.61) on the perceived image of Chinese ceramic products. The justification for this strong influence is to be found in the fact that a "summary" effect may be being produced in the case of China. In other words, such is the knowledge (at least, subjective) that people believe they have about Chinese products in general (given the current high consumption of these)<sup>2</sup>, that regardless of the level of knowledge of ceramic products, what individuals do is to abstract the information on Chinese products, and given that it is understood that they share similar attributes, use this image to infer their quality, and in this way, to evaluate ceramic products from this same origin.

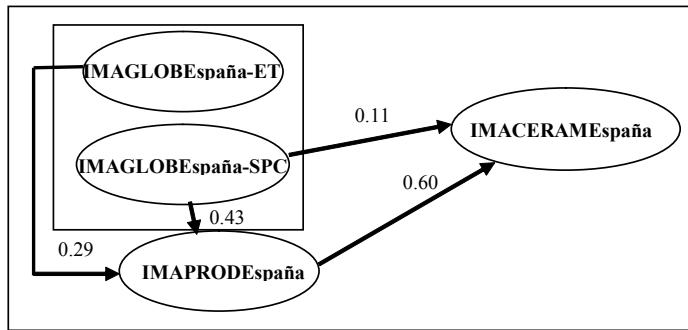
However, although logic invites us to think now that the relationship between evaluating the product and stereotypes about the place is less the greater is the experience with products from this place, the truth is that in this case it is the stereotyped image<sup>3</sup> of China that is important. Thus, as is reflected in the literature and has been substantiated, there is no reason to believe that such stereotypes, given the fact that they exist, have ceased to have some kind of influence. In fact, in the light of the results, what is observed is a simultaneity of effects. That is, the socio-political and cultural image of China also directly influences the formation of the image of Chinese ceramic products (0.14). What's more, if we take into account not only the direct but also the indirect influences, it can be seen that the overall influence of this dimension, rather emotional in nature, on the formation of this image is important (0.43).

With regard to interpreting the results corresponding to Spain (see figure 3), it can be seen first of all that the overall image perceived of Spain has a direct and substantial influence on the perceived image of products from Spain. Thus

2. 90.6% of the sample (397 individuals) say they are aware of having consumed products coming from China.

3. We refer to a stereotyped image since, if we look at the data, only 5.9% of the sample (26 individuals) state that they have ever been to China.

the more cognitive image, the economic-technological dimension, does so with an intensity of 0.29. However, as occurred with China, it is the socio-political and cultural dimension which exercises the greatest influence, with an intensity of 0.43.



Chi-Square=0.71, df=1, P-value=0.40024, RMSEA=0.001, GFI= 0.99, AGFI= 0.99

Figure 3. Model for Spain.

For its part, the image perceived of all the products from Spain has a direct and highly intense influence (0.60) on the image that the individual perceives of Spanish ceramic products. The justification for this strong influence is to be found in the fact that a "*summary*" effect may obviously be being produced in the case of Spain.

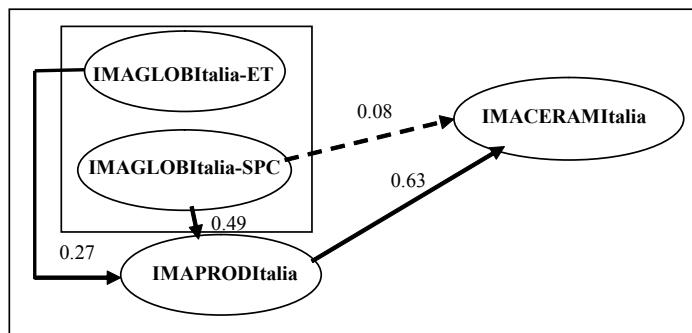
That is, given that the fieldwork has been done in Spain, and in this case the source being analysed is Spanish, the high level of (not just subjective) knowledge that Spanish consumers must clearly have of their own Spanish products comes as no surprise. Thus individuals abstract information about Spanish products in general, and given that it is understood that they all share similar attributes, regardless of the level of knowledge that people have of the category of product under study, they use this image to infer its quality, and in this way, to evaluate the category.

However this is not the only influence, because here the socio-political and cultural image of Spain<sup>4</sup> also directly influences the formation of the image of Spanish ceramic products, although with less intensity (0.11). And if we take into account its indirect influence, the overall influence of this dimension, which leads to a response which is to a great extent emotional, is much greater (0.37).

The third country to be compared is Italy (see figure 2), and firstly it can be seen that the overall image perceived of Italy has a direct and significant influence on the perceived image of Italian products in general. Thus the more cognitive

4. Although in this case it cannot be said that this is an image formed based on the stereotype, since the individuals have been able to develop their own cognitive structure based on their own experience.

image, the economic-technological dimension, does so with an intensity of 0.27, whereas, as occurred in the other two cases, it is the socio-political and cultural dimension which exercises the greatest influence, with an intensity of 0.49.



*Chi-Square=1.21, df=1, P-value=0.27035, RMSEA=0.022, GFI= 0.99, AGFI= 0.99*

Figure 4. Model for Italy.

For its part, the image perceived of all the products from Italy has a direct and highly intense influence (0.63) on the image that the individual forms of Italian ceramic products. The explanation for this strong influence is once again, in the case of Italy to be found in the fact that the “summary” effect is acting with a greater intensity than the “halo” effect.

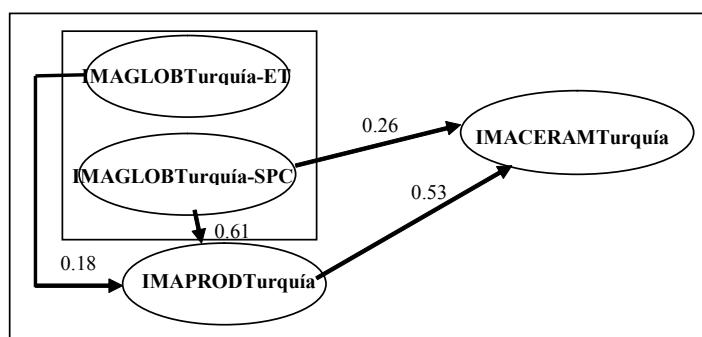
In other words, there is experience in the consumption of Italian products, and furthermore the data obtained<sup>5</sup> shows that the knowledge (at least, the subjective knowledge) that Spanish consumers are understood to have about Italian products is the result of experience and not of the prevailing cultural stereotype. Thus, regardless of the level of knowledge that people have about the ceramic products, individuals abstract information about Italian products in general, and transfer them to the image that they form of Italian ceramic products, with this being the only variable that directly affects the formation of this image, because the influence that the socio-political and cultural image of Italy has on the image of an Italian ceramic product is not significant. Nonetheless, the indirect influence of the overall image perceived of Italy on the formation of the image perceived of Italian ceramic products is channelled via the perceived image of Italian products in general.

Lastly, in the case of Turkey (see figure 5), it can be seen that the overall image perceived of this country has a direct influence on the perceived image that people have of its products in general, and very intensely so. Thus, although the more cognitive image, the economic-technological dimension, does so only with an intensity of 0.18, the socio-political and cultural dimension that corresponds with

5. From that stated by the individuals surveyed, it was found that Italy is the most visited country. Specifically, 200 individuals admitted to having been to Italy at least once (45.7% of the sample). In addition, a very high percentage (85.2%) declared that they were aware of having consumed Italian products.

the emotional image does so with an impact of 0.61 (the largest of those observed for the four cases).

For its part, the image perceived of all the products from Turkey has a direct and significant influence (0.53) on the perceived image of Turkish ceramic products. However, for the specific case of Turkey, it can be seen that the intensity of this impact is less than the total impact (0.59) caused by the image of the place of origin (specifically by its socio-political and cultural dimension) on the image perceived of Turkish ceramic products, where a direct influence (0.26) is seen, but also an indirect influence channelled via the image that individuals form of all the products from Turkey.



Chi-Square=3.09, df=1, P-value=0.07894, RMSEA=0.069, GFI= 0.99, AGFI= 0.96

Figure 5. Model for Turkey.

The explanation in this case must be sought in the "halo" effect. In other words, contrary to what happens in the previous cases, for Turkish products it is clear that there is little experience with the products, and it is most likely that its evaluation is linked to the cultural stereotypes that people have about their place of origin, given that individuals have not been able to develop their own cognitive structure based on their personal beliefs. Therefore, regardless of their level of knowledge about ceramic products, what individuals do is to build the image of the Turkish ceramic products on the basis of information that emanates (as if it were a halo) from the overall image perceived of Turkey.

## 5. CONCLUSIONS

In conclusion, we can state that with respect to the four cases, the overall image that people have of a place always has a direct impact on the image that an individual forms of all the products from that place. Thus Hypothesis H3 is accepted. However, it can be seen that although the two dimensions that constitute the overall perceived image exercise an influence, it is always the more emotional dimension, the socio-political and cultural dimension which provokes the most intense response.

Hypothesis H2 is also accepted, since in the four cases a direct influence (and a very intense one in the cases of China, Spain, Italy) can be seen of the image that an individual has of all the products from a place on the formation of the image of a ceramic product from that place.

The same does not occur however with Hypothesis H1, which is only fulfilled in three of the four cases, and therefore is only partially accepted. In addition, some particular aspects found in the comparisons made with regard to this hypothesis should be pointed out. Firstly, in none of the four cases considered do we see a direct influence of the more cognitive dimension, the economic-technological image, on the formation of the image of the category of product. Nonetheless, the influence exists; what happens is that this is an indirect influence that is channelled via the image that people have of the products in general coming from this place. For its part, the socio-political and cultural image does indeed exercise a direct influence on the image of the ceramic product, but only for three of the four cases analysed (it does not do so significantly in the case of Italy). Although the indirect influence via the image of all the products coming from the place nonetheless can be observed in all the cases.

Finally, from all the tests carried out it might be concluded that the intensity with which the different images of the place of origin interact with the evaluation of a product would depend to a greater or lesser extent on the knowledge that individuals have of the place, and of the greater or lesser experience they have with the use or consumption of its products.

Nevertheless, the aim is to encourage the ceramics industry to make more effective and frequent use of the image of the place of origin as a competitive tool. The umbrella trademark exists and it is clear that it can provide a comprehensive endorsement in the form of greater value to all the brands and companies that shelter beneath it, without hindering them at any time from developing individually.

In other words, if a strategy can be successfully implemented in which the geographical origin involves a differentiation in quality, the products will then possess an attribute that will be impossible to imitate.

However, the success of this strategy involves associating the superiority of the product with its place of origin, and managing to communicate this successfully to the market. In this sense, an important task will be to convince business people to recognise that the extrinsic attributes are assets in which they should invest. And this means reinforcing the perception of the quality associated with symbolic factors such as the image of the product and its place of origin, in order to have a positive influence on product satisfaction and thus on consumer loyalty.

However, it is also true that there is hardly likely to be a company willing to implement marketing strategies based on the place of origin, if there is no awareness by consumers that encourages these aspects in its demand and that transfers them to its decision to purchase. And this task of encouraging awareness

is the responsibility of the Administration, which must not only coordinate the development of the asset-country via the various product categories and on different levels of those involved (government, associations and producers), but also educate consumers in this regard.

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