Country of Origin Effects on Consumer Cognitive Processing

Dr Alex Maritz*

Faculty of Business and Enterprise, Swinburne, Melbourne, Australia

amaritz@swin.edu.au

Chris Morton

Faculty of Business and Enterprise, Swinburne, Melbourne, Australia

Preferred Stream: 8, 15

Profile: Dr Alex Maritz is the Director of the Master of Entrepreneurship and Innovation at the Australian Graduate School of Business, Swinburne University of Technology, Melbourne. He has an executive senior management background, with specialization in general management and marketing. His research activities are in entrepreneurship, franchising and marketing. Particular interests are integrating academic research and activities with practical application to business.
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ABSTRACT

While country of origin (COO) effects has been studied diversely, little research exists within the Australian field. This research attempted to extend on the COO phenomena to acknowledge the importance of COO from an Australian perspective. With new government laws and regulations concerning country-of-origin-labelling (CoOL) enforced, affects concerning COO information on consumer cognitive processing has become vital for companies to understand, aiding in effectively marketing their products. Furthermore, the use of single cues within previous research has compromised validity of results, generalizing that COO has a large affect of consumer evaluations. While previous literature has focused predominantly on high valued products, this research project offers a unique perspective of COO affects through the use of low valued items. The use of multiple cues within this project identifies that COO still remains prominent in a purchase evaluation, contrary to recent findings. Results from the focus groups indicate that COO cues do indeed impact on the cognitive processing of consumers. Furthermore, COO cues were utilised by participants as a brand recognition tool, substantiating the affect in which COO cues have on a purchase evaluation.

Keywords: Country of origin, consumer cognitive processing

INTRODUCTION

With the emergence of laws mandating labeling of unpackaged fruit and vegetables Australia wide (A feasibility study into extending country of origin labeling to selected packaged fruit or vegetables whole food produce, 2006), CoOL has develop into a foremost issue with supermarkets pertaining to consumers utilisation of product information in both a negative and positive manner. The new Standards Act 1.2.11 was enforced from 8th June 2006 for fresh produce to reinforce the Trade Practices Act which was previously introduced in 1998 (A feasibility study into extending country of origin labeling to selected packaged fruit or vegetables whole food produce, 2006). Standards Act 1.2.11 is an agreement between the governments of Australia and New Zealand concerning joint food standards safety system.
This act requires unpackaged food to contain CoOL. This act will improve the CoOL of fresh produce and information in which the consumer can utilise during a product evaluation. Fresh fruit displayed in retail stores must contain a label on or in connection with the display of the food

a. Identifying the country or countries of origin of the food

b. Containing a statement indicating that the foods are a mix of local and/or imported foods as the case may be.

The objectives of this paper are to examine the importance of COO from an Australian perspective, integrating previous research using single and multiple cues, and integrating low value items into the research.

Due to lack of research in the Australian field using multiple cues, this explorative study aims to help ascertain the nature of consumers’ usage regarding COO information cues when purchasing low valued products. The research intends to build on the work of Han (1989) in assessing the COO affect in both high and low knowledge situations using multiple cues (COO, price and quality information). In contrast to previous research, this study utilises low valued items, aiding in assessing if COO cues are diminished with the introduction of multiple cues which previous literature has suggested.

**LITERATURE AND PROPOSITIONS**

Johansson, Douglas & Nonaka (1985) define COO as the country where corporate headquarters of the company marketing the product or brand is located. COO is a potentially powerful image variable that can be used to gain competitive advantage in international marketing (Parameswaran & Pisharodi, 1994). COO issues have been widely discussed over a sustained period of time, with the majority of scholars concluding that COO does indeed
Numerous researchers conclude that consumers cognitive processing is vastly dependant on perceived qualities and value of COO goods (Bilkey & Nes, 1982; Erickson, Johansson & Chao, 1984; Parameswaran & Fisharodi, 1994; Haubl, 1996; Lampert & Jaffe, 1998). The perceptions are gained through previous experiences with the product in conjunction with other extrinsic cues which are available to consumers. The more experience a consumer has with the product, than the more favourable the cognitive processing will become. COO cues may then be viewed as a brand recognition tool for consumers to infer perceptions of quality and value for products originating from a particular country.

In a low valued product situation, it is reasonable to expect that consumers will only allocate a slight amount of time in processing cues to make a purchase evaluation. In such a situation, COO cues may be associated with the quality of the brand (Han, 1989). This illustrates that consumers are likely to use COO cues to draw upon their previous knowledge of a particular brand, basing their purchase evaluation upon this. Thus, COO cues may influence attitudes as it reflects consumers’ perceived knowledge about a products quality (Agrawal & Kamakura, 1999). Previous scholars have postulated that the magnitude of the COO effect is related to the nature of the product (Han & Tepstra, 1988; Lampert & Jaffe, 1998). Products that are technically complex or expensive are more probable to be affected by COO than products which are inexpensive and low in technical complexity (Wall, Liefeld & Heslop, 1991). Such conclusions provide opportunities to explore this notion and the extent to which this is valid.

Research propositions were developed for this study to conceptualise the underlying COO phenomena impacting on consumer cognitive processing. Each proposition has been
developed to assess the critical points within the study. The propositions were designed based on a review of the literature.

Proposition 1; Cognitive processing will be effected by COO cues in a halo state- This proposition states that if consumers have no previous knowledge or experience with a product, than the COO is used to create a brand familiarity in the consumers cognitive processing, thus creating a more favourable decision towards the product.

Proposition 2; COO cues are seen as a brand name in unpackaged fruit and vegetables- It is proposed that with each unpackaged fruit, COO will serve as the brand recognition for the consumer’s to base their purchase evaluation. For example, New Zealand meat is recognised as a far superior meat than other countries internationally. New Zealand markets their COI to ensure immediate recognition of the perceived value in which New Zealand meat offers when presented with a COO cue on the product, resulting in a favourable purchasing decision. The domestic country is expected to have a higher COI than that of foreign countries.

Proposition 3; Demographic variables will impact upon the cognitive processing of consumers- Gender and age are expected to impact both favourably and unfavourably on purchase evaluations of consumers. It is proposed that older generations are likely to use COI as an influence resulting in a purchasing decision. Younger generations are proposed to use price and quality information during a purchase evaluation, while elder participants are more probable to use COO cues. It is proposed that the perceived value originating from domestic products is viewed more highly by elder participants as they hold a bias attitude towards domestic products. The significance of COO is expected to fluctuate from irrelevant to essential through age ranges.

Proposition 4; COO cues will have less influence over product evaluations when consumers have previous experience with the product- This proposition states that if consumers have previous knowledge or experience with a product, than COO cues will have less of an affect
on the purchasing decision of consumers. Brand familiarity is expected to rate higher than that of a COO or quality information cues. The proposition is based upon previous literature, in particular, New Zealand’s meat industries branding systems.

**METHOD**

Conducting the study regarding affects of COO cues on consumer cognitive processing involved the use of both a pre-questionnaire and four focus groups. These methods are used to assess participant’s beliefs and buying behaviour regarding fruit and vegetable products.

Firstly, a pre questionnaire is administered to potential candidates. The questionnaire is developed to ensure an accurate mix of demographics exists within the focus groups. The questionnaire also ensures all participants have experience with buying fruit and vegetables within recent months. The questionnaire presents participants a range of fruit and vegetables to assess; allowing the researcher an indication of which products are highly used by participants and other products were their experience is minimal. Assessing relevant experience participants had with the product was necessary to ensure participants attitudes regarding low experience products were measured during the survey. Eight products were selected based on the participant’s responses, and figures obtained by the local Woolworth’s. Four products which accumulated a large percentage of sales and knowledge were chosen, in conjunction with four products accumulating a low percentage of sales and knowledge.

The use of four focus groups was employed, enabling the researcher to triangulate findings over a range of ages. The focus groups are evenly divided into specific age categories, allowing the researcher to assess affects over relevant age ranges.
Agrawal & Kamakura (1999) postulate that previous research using single cues are unable to accurately replicate a real life buying environment. This study is able to accurately replicate a buying environment, by using quality information, price and COO which the only extrinsic cues available to consumers in a supermarket. Each cue has been directly sourced through the local supermarket ensuring information is exactly no different to that currently displayed to consumers, post introduction of CoOL laws. The ability to accurately replicate real-life buying situations for participants increases validity of this research.

RESULTS

Attitudes displayed by participants portrayed the use of COO information as a primary tool when making a purchase evaluation, yet was influenced by quality and price information in assessing the value in which the product holds. There appeared to be an inclination that participants would not make a purchasing decision based on a product they were not familiar, using only COO cues, particularly when other cues were available. Such perceptions highlight that the use of COO in a single cue environment is overestimated as has been stated in previous (Choa, 1993; Johassan, Douglas & Nonaka, 1985; Wall, Liefeld & Heslop, 1991). Subsequently, price and quality information was required in persuading the majority of participants to make a favourable purchasing evaluation.

During a high experience situation participants identified with the COI and used this to base a favourable decision upon. Attitudes based on the perceived quality of a certain COI expressed that if participants had previous knowledge on the benefits of a particular countries product then the brand would be rated highly in the attitudes. This was exemplified through recognition with navel oranges originating from America. A trend between participants was evident when presented with the scenario of which orange participants would rather buy, American oranges at $0.99 in comparison to Australian oranges available at $2.99.
COI does affect cognitive processing in both a high and low experience situations. COI is related more for products which consumers have previous knowledge with. Participants used COI in a high knowledge state to base their beliefs of the product on. As participants have used a particular countries product before, they are more probable to associate quality with COO cues, thus a favourable purchasing evaluation is recorded. Furthermore, if consumers have a positive experience with one particular product, this positive country image can be inferred with different products originating from the same country. In a halo state, domestic COI is seen as superior to that of foreign brand, resulting in a favourable domestic purchase. When participants were presented with products of little experience, many viewed the “safer” alternative as Australian grown. This is due to a certain amount of ethnocentrism participants held for their domestic country as beliefs were demonstrated showing that participants viewed Australian products as superior until established otherwise.

COO represented major dissimilarities between age groups. While focus groups one and two were more inclined to use price and quality information to base their purchase evaluation on, focus groups three and four used COO and COI to base their purchase evaluations upon.

While younger participants recognised and identified with the American orange image, elder participants were not aware of this perceived quality. Elder participants would not purchase oranges if they were from America due to attitudes regarding COI. The results displayed that:

1. Elder participants could not identify with the perceived value usually associated with the American orange market. While younger participants were aware of the perceived quality of American oranges, elder participants had little idea that this perceived positive perception existed. Therefore, elder participants were less probable to purchase the American product, due entirely to a lack of knowledge.

2. Elder participants were seen to hold a certain amount of ethnocentrism towards domestic products. While they were not aware of the value American oranges
pertain, participants expressed firm beliefs that Australian products offer superior quality to that of American oranges.

3. The first two focus groups had values which were derived from price equalling to quality. This was contrary to elder focus groups where value was ascertained to COO and COI.

The use of quality information provided a means of changing set beliefs of participants, aiding in generating a favourable purchase decision. Quality information provided participants with added knowledge of the product, changing the perceived value of the product. As participants did not contain extensive product knowledge with the first four products, quality information provided consumers with the ability to form judgments of quality and value based on information provided. Quality information provided significant value perceptions to the consumer, and thus it was demonstrated that participants were more probable to purchase the product. The use of quality information in changing perceptions of participants was evident during presentation of carambola.

Although taste was not expressed by participants as a major indicator in purchasing a product due to deficient experience, participants did express that using knowledge obtained from other sources was a major tool used when evaluating a purchasing decision in a halo state.

Price cues had substantial affects on purchasing decisions of participants. Price was further affluent in a halo state than that of a summary construct. Using price allowed participants to make a judgment on value in which the product is offering. Carambola was viewed as offering a high flavour and an excellent quality fruit, however the price of $14.98kg was viewed as expensive, diminishing the perceived value of the product. Quality information and COO offered participants of exceedingly superior value to that of a foreign alternative. The conjunction of all extrinsic cues provided a high perceived value of the fruit, resulting in a favourable decision with the majority of participants. This substantiates earlier findings in
that while price, quality or COO cues could not create a positive attitude separately, the combined use of all three is sufficient to generate a high perceived value. Table 1 is an average result of the twenty participants who were involved in each focus group.

Specifically focusing on the last four products, halo items, it is evident this verifies the tasks in which participants filled out earlier. Firstly, COO was seen as a major tool in making a purchasing evaluation in a halo state. Participants holding little knowledge and experience with the product often made quality and value assumptions which primarily consisted of Australia offering a superior product to that of foreign countries. In conjunction with these beliefs, the COO also aided participants in creating a more favourable decision towards products as participants expressed attitudes in supporting farmers and the Australian economy.

**CONCLUSIONS AND RECOMMENDATIONS**

Review of the research findings and the subsequent insights provided in the results has illustrated several phenomena that are occurring during purchase evaluations of consumers. The research propositions set out to explore how cues are used differently by consumers when making a purchase evaluation.

Primarily, the propositions were used to expose the use of COO and COI during a purchase evaluation. The results displayed that participants used COO cues in both a halo and summary construct situation. The amount of use in which COO was subjected to was varied by different variables regarding the experience in which consumers had with the product and the demographic variables of participants selected for this study. It was evident that COO did have an influence on the purchasing evaluations of participants. Within a halo situation, COO was used as a tool by older participants in which they were able to ascertain the value and
quality of a product by using the COO and associating quality perceptions with domestic grown produce. In a summary construct situation, COO was used to identify with products which have a high COI and value is easily recognisable with the product.

As this study used multiple cues to assess cognitive processing of consumers, this had large affects on the amount in which participants used COO cues. Price and quality information were used as a foremost tool with the majority of participants in a halo state. Quality information was utilised by participants to create an informed decision regarding the product. Price was used in conjunction with quality information to obtain an insight as to the value in which the product was offering. It was seen that if quality information was appealing, than consumers were willing to pay a higher price in order to try the product as was evident with carambola. In contrast to this, if quality information was less appealing and price was high, value is seen to dissipate, resulting in an unfavourable decision towards the product, evident with galangale. Age variable varied between groups and had multiple affects on how participants used cues to ascertain value to the product. While each group did indeed use COO cues to make a purchasing decision, this was used in varied ways. While younger participant’s associated COO cues with COI in a summary construct state, older participants were more likely to use this in a halo state. No gender variances could be ascertained from the study. There were occasions with quality information differentiating gender opinions, yet this did not achieve a significant level.

Previous scholars have postulated that the magnitude of the COO effect is related to the nature of the product (Han & Tepstra, 1988; Lampert & Jaffe, 1998). Products that are technically complex or expensive are more probable to be affected by the COO than products which are low-cost and low in technical complexity (Wall, Liefeld & Heslop, 1991). The results indicate that COO cues were prominent in inferring quality and value perceptions of the product, ensuring that a positive decision was generated. Furthermore, COO cues were
able to increase value perceptions of consumers as a positive COI was associated when presented with COO cues. Thus, the results empirically established that;

1. COO remains prominent in both high and low experience states,
2. The value of the product does not result in a decrease in the COO effect, &
3. COO is not diminished within a multiple cue environment.

This research set out to explore the nature of COO affects impacting on consumer cognitive processing using fruit and vegetable products. The findings indicated that a strong use of COO cues was used in both a high and low experience states. Furthermore, COO cues were the main primary tool in a purchase evaluation, which was contrary to previous speculation that multiple cues reduce the affect in which COO has on the consumers cognitive processing. COO cues also were used to increase the perceived value of COI, thus resulting in a more favourable purchase decision. The results were consistent with the literature, yet it was evident that COO cues were amplified in a low-valued product than that of high-valued products. This was demonstrated highly with elder participants which was consistent with the propositions developed earlier in the study.

Due to the exploratory nature of this research, a qualitative research method was employed. While a qualitative method allowed the researcher to gain in-depth insights concerning opinions and attitudes of participants, the sample size and validity of data was constricted due to misrepresentation of a market sample. Due to the inconclusive nature of this research method this prevented any meticulous evidence being presented, subsequently resulting in the major limitation of this study. The size of the study is recognised as a major limitation. As only twenty candidates assessed, market size is not fully representative of overall market opinions towards using multiple cues in low-valued products and the affect in which COO has on purchase evaluations. Assessing only limited amounts of participants reduced credibility of the study.
The managerial implications from this research extend from the overall topic answer in that the COO cue does effect purchase evaluations of consumers. It is evident that in low valued items COO cues are used for all products within the produce section to generate a purchase evaluation. Thus, managers must consider the use of COO cues in their produce departments and accessibility of this information to consumers. Furthermore, this research project has provided enlightened views on the benefits of quality information. The results outlined that the majority of consumers are unaware such information exists. Therefore, it can be recommended to produce managers that this information should become more accessible to consumers to aid in a positive purchase evaluation. This could be done through relevant in-store advertising campaigns, ensuring consumers are aware that this information is currently available.

While COO has been studied diversely, little literature exists explain the phenomena within low-valued food products. Furthermore, due to the recent laws mandating CoOL, opportunity for research projects has been developed within this area. Previous literature has shown that socio-economic variables including culture and income have an adverse impact on the buying behaviour of consumers; this was not explored within this project. Expanding the scope in which this research was confined to will allow for a greater analysis of the industry to take place.
REFERENCES

A feasibility study into extending country of origin labeling to selected packaged fruit or vegetable whole food produce, 2006, FSANZ, p. 8.


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<th>Cues</th>
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