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# The Influence of National Stereotypes on Country Image and Product Country Image: A Social Identity and Consumer Culture Theory Approach

Terence Motsi

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THE INFLUENCE OF NATIONAL STEREOTYPES ON COUNTRY IMAGE AND  
PRODUCT COUNTRY IMAGE: A SOCIAL IDENTITY AND CONSUMER CULTURE  
THEORY APPROACH

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## DEDICATION

To my parents, Ignatius Mufaro Motsi and Chipo Motsi who passed away while I was completing my studies and never had the opportunity to say a final goodbye.

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ABSTRACT

Multinational companies often make use of country stereotypes in their marketing efforts. Volkswagen used the tagline “That’s the power of German engineering” to utilize the positive stereotype of German efficiency as well as its positive country image. Academic research has recognized the importance of the country of origin cue (COO) in consumer decision making but research addressing the use national stereotypes as an antecedent to COO evaluation is relatively sparse.

The stereotype content model (SCM) contends that national stereotypes describe traits associated with a group of people through the dimensions of competence and warmth. Existing research on the antecedents of the COO effect has not appropriately partitioned the construct into the country image and product country image even though the constructs have been used separately in the research. Therefore, our research proposes the dimensions of competence and warmth as the drivers of country of origin evaluation at two levels, the general macro level (country image), and the micro level (product country image). This dissertation uncovers the drivers of a decomposed country of origin construct primarily within the context of inter-group relations. Moreover, this dissertation uses personal and consumer values to investigate the context under which stereotypes enhance or diminish COO evaluation as moderators. Social identity theory and consumer culture theory are adopted to show how group level identification affects the use of national stereotypes in

COO evaluation. The distinction between in-groups and out-groups is a key driver of COO evaluation.

We collected data on the perception of the image of two emerging economies, India and China. Stereotypes of competence are more likely to be generalized to the image of the country as a source of production. Stereotypes of warmth are a key driver of a general image of the country. We found that the insignificant relationship between perceived warmth and COO evaluation can be explained by a mediating role of macro image between perceived warmth and product related micro image and product evaluation. We also found that national identity and consumer ethnocentrism had a contrasting moderating effect on the relationship between national stereotypes and COO evaluation.

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## CHAPTER I

### INTRODUCTION

#### **1.1 Background**

An advertising campaign by Volkswagen proclaimed “the power of German engineering”, invoking the positive stereotype of German made products. The advertisement captures important elements in country of origin (COO) research, the positive image of Germany, and the role of stereotypes in determining that image. While the VW commercial utilized the stereotype of competence, other advertising campaigns have utilized stereotypes of warmth particularly Singapore Airlines (Chattalas et al, 2008). Academic research has recognized the importance of COO in consumer decision making but research addressing national stereotypes as an antecedent of COO evaluation is relatively sparse (Chattalas et al, 2008; Maher & Carter, 2011). The stereotypes of competence and warmth underpin the stereotype content model (Cuddy et al, 2002). National stereotypes, according to the model are mixed, resulting in positive evaluations on competence or warmth but not both (Fiske et al, 2002). We investigate the role of mixed stereotypes as antecedents of COO evaluation at different facets i.e. the general macro image of the country and the product related micro image.

The integration of world economies has led to an increase in the availability of products and brands from different countries. The global success of brands such as Toyota, Samsung, and Sony that originate from countries that were once perceived as a source of low quality products shows a shift in attitudes towards Asian products over time. Country of origin (COO) is a term used to describe how information about the origin of a product is used as a cue for decision making by consumers (Bilkey & Nes, 1982; Pharr, 2005; Verlegh, 1999; Peter & Jolibert, 1995). Country of origin studies initially focused on consumer response to a “made in...” stimulus, however as a result of globalization the cue started to lose its meaning. Products are increasingly manufactured in a variety of countries and sometimes do not have a single source of origin.

Researchers have subsequently developed the construct further by partitioning different origin sources such as the country of design, country of assembly and country of manufacture (Chao, 1993). The country of origin in contemporary studies generally refers to either the general image of the country, referred to as the country image, and the image of the country as a producer of goods referred to as the product country image (Papadopoulos & Heslop, 2003; Roth & Diamantopoulos, 2009).

The COO effect is considered a country stereotype effect (Maheswaran, 1994). The predominant view of stereotypes in COO research is based on a dichotomous good or bad designation (Liu & Johnson, 2005). Social psychology literature explicates the content of stereotypes separately from the valence of the stereotype (Fiske et al, 2002). Research incorporating the type and content of stereotypes is still relatively new in the COO literature (Maher & Carter, 2011; Chattalas et al, 2008). Research on COO antecedents also focuses on product judgments and behavioral intentions as the main outcome variables;

this approach is normally used in conjunction with consumers being exposed to the “Made in” label. This is in contrast to the image based conceptualization of COO that decomposes COO into image based measures of the COO at the macro and micro level (Roth & Diamantopoulos, 2009). There is also scant research that uncovers the antecedents of the country image. This paper addresses two shortcomings in the research; the focus on either positive or negative drivers of COO evaluation and the use of outcome variables that do not distinguish between the general image of the country and the image of the country as it pertains to its products.

There still is debate about the appropriate operationalization of the country image construct with some scales combining the country image and product country image under an umbrella construct of country image (e.g. Martin and Eroglu ,1993 and Pameswaran and Pisharodi, 1994) and the earlier scales only including product related operationalization (e.g. Roth and Romeo, 1992). However, Martin and Eroglu (1993) provide the definition of country image that is widely used in the literature as “the total of all descriptive, inferential and informational beliefs one has about a particular country” (p 193). The conceptual domain of this construct is not bound to product related images and is thus a much broader conceptualization of country image. Product country image is defined by Papadopoulos and Heslop (2003) as “place related images with which buyers may associate a product” (p404) which reflects a product related image of a country.

The decomposed view of country of origin has led to the development of measures that either combine country image and product country image or develop separate measures (Martin and Eroglu, 1993; Roth and Diamantopoulos, 2009). We are interested in the decomposed model, i.e. separate country image and product country image because it

addresses the weakness of earlier COO research. It is difficult for researchers to know whether consumers upon encountering the COO cue respond to the country itself or use pre-existing knowledge about products made in the country to make evaluations about the COO. Han (1989) conceptualized two approaches to explain how the COO cue is processed, the halo effect, where consumers without any prior knowledge about the quality of a product use the country as an indicator of the quality of a product, and the summary construct where consumers use prior knowledge about a country's product to make evaluations of the COO.

Country of origin research has explored a variety of antecedents to the COO effect such as the level of economic development, political and social history, and cultural dimensions (Pharr, 2005). The underlying assumptions in this stream of research are that COO reactions are driven by exogenous factors such as economic status (Ahmed, D'Astous, and Eljabri, 2002) or endogenous factors such as personal values and cultural orientation (Balabanis, Mueller, and Melewar, 2002). However, little is known about how consumers use inter-group judgments to evaluate specific COO stimuli (Verlegh, 1999). This is surprising given that researchers have acknowledged that consumers relate to the country upon encountering COO information (Brijs et al, 2011) and that COO judgments are made in a relational context (Balabanis et al, 2002). The inter-group relationship context is used in studies of consumer ethnocentrism which denotes aversion to foreign goods (Shimp & Sharma, 1987) and consumer animosity which reflects aversion towards buying goods from specific countries as a result of historical tension (Klein, Ettenson, & Morris 1998). The intergroup context is therefore important for scholars to understand because it

potentially precedes judgments made about countries and their products (Chattalas, Kramer, & Takada, 2008).

Social psychology literature provides theoretical grounding that can be used to understand group relations. The social identity theory explains the motives, drivers and processes that individuals use to classify themselves in groups (Tajfel, 1981, Feitosa & Salas, & Salazar 2012; Hornsey, 2008). In line with the argument that COO evaluations occur in a relational context (Balabanis et al, 2002), it is appropriate to understand the context in which these decisions are made. The social identity approach encompasses social identity and self- categorization theories (Tajfel, 1981; Oakes, 1987; Turner et al, 1987). According to social identity theory, individuals classify themselves and others into different social groups that include gender, age, and religious classification (Tajfel, 1981). Self- categorization is an extension of the social identity theory that explains how individuals define themselves and place themselves in groups.

The meaning associated with membership in a group provides a context through which consumers' judge the symbolism associated with a COO stimulus. Products' made by a group that an individual belongs to may be conceived as the in-group's products', while those made in a foreign country would be considered as the out-groups' products' (Zeugner-Roth et al, 2015). In conceptualizing COO as the symbolic and affective meaning consumers attach to countries and products, we use insight from social psychology literature to understand how intergroup dynamics affect evaluation of products.

Integrating COO research with intergroup relations literature, in particular stereotyping (Fiske, Xu, Cuddy, & Glick, 1999) and social identity theory (Tajfel, 1981) provides a better understanding of how judgments about COO are made in an inter-group relationship



context. Stereotypes have been used in country image studies to explain the process through which the country image cue is used as a salient feature of a product, for example Liu and Johnson (2005) argue that mere exposure to a country cue activates a network of beliefs about that country and thus incorporated in the evaluation of products from that country.

We use a different approach in this paper; stereotypes are not only a cognitive shortcut motivated by limited information processing capacity but also serve a social function in evaluating other groups (Hornsey, 2008). According to Hornsey (2008) the social identity theory helps to explain this social function as a tool that serves to justify or explain social structure i.e. how different groups are placed on a social hierarchy.

The stereotype content model (SCM) explains the content of stereotypes, at its core the model explores the dimensions that are used to judge groups and proposes warmth and competence as the key dimensions underlying such judgments (Fiske et al, 2002; Cuddy et al, 2009). According to Cuddy et al (2009) “the SCM proposes that warmth and competence stereotypes respectively stem from appraisals of the potential harm or benefit of the target’s group goals and the degree to which the group can effectively enact those goals” (p632). Groups that are seen as competitors are stereotyped as lacking warmth and those that cooperate with one’s group seen as warm. Groups that achieve high status are seen as competent and those that do not are not seen as competent. The model proposes an ambivalent stereotype hypothesis where positive evaluation on one dimension is mixed with a negative one on the other.

We use this model in the overarching theoretical framework to understand how the antecedents of country image and product country image respectively are made within the context of group relations and stereotypes.

## **1.2 Purpose of the Research**

The purpose of this research is to uncover the drivers of country image and product country image and the moderators of that relationship. We determine the role of stereotypes as an antecedent of country image and product country image evaluation. We anticipate that stereotypes are used as the basis of evaluations of country related stimuli. Previous research on antecedents of COO has focused on mostly a generalized COO effect that does not appropriately delineate the construct into country image and product country image (Gurhan-Canli & Maheswaran, 2000). The extant research also focuses on external characteristics of the COO such as economic development (Pharr, 2005; Balabanis et al, 2002).

The SCM has been used in COO literature as an antecedent of the COO effect (Chattalas, 2008) and as part of the country image construct (Maher & Carter, 2011). The former develops theoretical propositions that are not tested while the latter conceptualizes stereotypes in a manner that is not consistent with COO literature. The use of stereotypes in the literature is driven by an assumption by that consumers possess prior knowledge about a country that may or may not be objectively true but nonetheless is useful in decision making (Balabanis et al, 2002, Maheswaran, 1994). Thus far very few attempts have been made to unpack the content of such stereotypes that are held by consumers. Researchers have instead, using a categorization approach were countries assumed to have a positive

product country image like Japan were matched with product categories that they are known for possessing strong brands (Maheswaran, 1994).

Previous research applying stereotypes as an antecedent of COO judgment has not taken into account the conceptualization of COO in terms of country image and product country image (Chattalas et al, 2008). In line with the application of the SCM to evaluate different nationalities (Cuddy et al, 2009) we expect that country image and product country image will be evaluated differently on these dimensions. Balabanis et al (2002) adopted the decomposed model to study the antecedents of COO but only used human values as their independent variables.

We also investigate the moderating effect consumer and personal related variables have on the relationship between stereotypes and evaluation of country image and product country image. As a result of the consumption context in which country image and product country image are used in product evaluation, we investigate how personal and consumer related variables influence the relationship between stereotypes and the perception of country image and product country image. Social identity theory is the overarching framework we use to understand the driver of country image and product country image evaluation and consumer culture theory to explain how such a relationship is moderated by consumer related variables.

### **1.3 Contribution of the Research**

Our research contributes to the literature by studying the antecedents of COO evaluations with an appropriate conceptual delineation i.e. we cast stereotypes as the initial frame of reference used by consumers to make evaluations of country image and product country image. Social identity theory is used as an overarching theoretical framework that

underpins group relationships and through which evaluations of country image is made. Social identity theory has been previously used in international marketing to explain consumer ethnocentrism (Verlegh, 2007) and construction of consumption related identities in emerging markets (Ger, Askegaard, and Christensen, 1999). It has also been used to explore the concept of in group enhancement as well as the adoption of global or local consumer culture (Westjohn, Singh, and Magnusson, 2012). We use social identity theory as an organizing framework for understanding evaluation of COO stimulus instead of a driver of biased evaluation of home country products.

From a theoretical perspective our research contributes to the literature by showing how stereotypes, as a means of social categorization, affect the evaluation of COO in an ambivalent manner. This is necessary because from a normative perspective COO evaluation is either negative (e.g. consumer ethnocentrism and consumer animosity) or positive (e.g. consumer affinity and cosmopolitanism) without taking into account individuals who may not hold views from opposite ends of the positive-negative spectrum. Using national stereotypes as antecedents of COO also adds to the research by utilizing social categorization as the context of the research because it includes both positive and negative evaluation of out-groups.

We show how personal and consumer values enhance or attenuate the role of stereotypes on the evaluation of COO. Identification with an in-group does not necessarily lead to out-group derogation. Our research shows that it is important to take the role of threat perception in the evaluation of COO. Previous research does not explicitly prime threat perception; researchers assume that threat perception is inherent in traits such as

ethnocentrism and not related to the context of the study. We show that national stereotypes can induce this threat and affect how individuals evaluate foreign COOs.

It is important to distinguish the type of stereotype in information processing. The competence stereotype, for instance, was used in a more direct manner in evaluating the product country image compared to the perceived warmth stereotype. The behavioral outcome in the research is also directly affected by the competence stereotype.

The use of a decomposed COO model necessitates the adoption of different information processing models. The models used in COO research have been applied to product country image which is usually associated with the motivation of consumers to use the COO cue (Gurhan-Canli & Maheswaran, 2000). The driver of such research is in uncovering whether consumers vary in their use of COO information as diagnostic of the quality of a particular product. In adopting country image, we posit that individuals would process such information differently as they do not have a limited conceptual domain of product related image. We use a variety of methods to test the data. We use structural equation modelling to test the main effects and regression to test the moderators along with a test of mediation using the PROCESS method developed by Hayes (2013).

The research also contributes to practitioners and policy makers alike. Managers cannot directly affect the marketing of their country image; however, it is important for them to know how country images may affect their brands and which dimension of stereotypes is affecting how they are perceived in the marketplace. Research also shows how country images affect brand equity (Pappu et al, 2007) and even in the presence of misclassified brand origin the country image still plays a role (Balabanis & Diamantopoulos, 2008; Magnusson et al,2011). Stereotypes of competence can be used in promoting technical

aspects or functionality of a product in the way that German engineering invokes the stereotype of technically proficient Germans. Policymakers particularly ones who promote countries as destinations can also specifically exploit certain dimensions of stereotypes that are favorable to their country.

Emerging market firms can make use of competence and warmth stereotype in marketing their products to Western consumers. The type of stereotype can interact with product type. For instance, electronic manufacturing involves a wide range of products such as laptops, tablets, and cellphones. Chinese manufacturing firms such as Lenovo can take advantage of a competence because of the experience Western consumers have with products manufactured in that country.

#### **1.4 Organization of the Research**

The dissertation proceeds by first reviewing the present state of COO research and then looks at the study of stereotypes in both the international marketing and social psychology literature. The two streams of literature are then connected through the social identity approach to show the relationship between groups based stereotyping and COO evaluations. The research then proceeds by developing the relevant testable hypotheses to be used in the research. The methodology for testing the hypotheses is presented followed by a discussion of the findings. The implications for theory and practice are then presented followed by the conclusion.

## CHAPTER II

### LITERATURE REVIEW

#### **2.1 COO definitions**

Country of origin research has generated numerous publications and is one of the most studied areas of international marketing (Pharr, 2005). One of the main issues plaguing the research is the validity of the construct in real life purchase situations (Samiee, Shimp, & Sharma, 2005) and confusion about the delineation of the concept. We use country image and product country image as the basis of our study in light of the subsequent development in the literature shifting the conceptual domain of the construct into constituent parts like country image and product country image. Our review of the literature is within the context of developments in the COO literature from its initial development as an informational cue about the manufacturing origin of the country to the adoption of country related images.

The conceptual delineation of COO has changed over time as shown by the various definitions used in the literature in Table 1 below. The definitions of COO reflect the empirical and conceptual changes the study of COO has undergone over time. COO evaluation was initially based on the evaluation of foreign products by businessman (Nagashima, 1970; Nagashima, 1977). COO operates at two facets i.e. the general country level and the product related country image.

**Table1: Selected COO definitions**

Concept	Author	Definition
<b>Country of Origin</b>	Han & Terpestra (1988)	Country of manufacture or assembly
	Papadopoulos (1993)	The result of the <i>perceived national identification or affiliation</i> of a product by a consumer, regardless of any explicit or implicit and real or false claims inherent in the product or its associated promotion. The country of origin of a good or service is simply, whatever a consumer perceives it to be
<b>Country Image</b>	Martin and Eroglu (1993)	‘the total of all descriptive, inferential and informational beliefs one has about a particular country’
	Verlegh (2001)	A mental network of affective and cognitive associations connected to the country
	Verlegh and Steenkamp (1999)	Mental representations of a country’s people, products, culture and national symbols
	Askegaard and Ger (1998)	schema, or a network of interrelated elements that define a country, a knowledge that synthesizes what we know of a country together with its evaluative significance or schema triggered affect
<b>Product Country Image</b>	Li et al (1997)	Consumers images of different countries and of products made in these countries’
	Papadopoulos & Heslop (2003)	Place related images with which buyers and or sellers may associate a product
	Nebenzahl et al (2003)	Consumers’ perceptions about the attributes of products made in a certain country; emotions toward the country and resulted perceptions about the social desirability of owning products made in the country



There is no uniform definition of the country of origin effect, Bilkey and Nes (1982) define it as the informational cue that is communicated by the phrase “Made in”. Han and Terpestra (1988) define it as the country of manufacture or assembly. Papadopoulos (1993) provided the most comprehensive definition by stating that “one should consider the country of origin effect as the result of the perceived national identification or affiliation of a product by a consumer, regardless of any explicit or implicit and real or false claims inherent in the product or its associated promotion. The country of origin of a good or service is simply, whatever a consumer perceives it to be” (p.8). COO effect, despite the varying definitions, is therefore concerned with some common themes such as; the place where the product is made, the perception of consumers about where the product is made, and the geographic origin of the product. The conceptual delineation of COO stimulus is broad and includes both product country image and country image. A lot of researchers use COO as an umbrella term to describe research that incorporates both the PCI and COI. In our research we will not focus on the COO stimulus but its constituent parts.

Country image is not associated with a uniform definition. Martin and Eroglu (1993) define it as ‘the total of all descriptive, inferential and informational beliefs one has about a particular country’. According to Verlegh (2001) it is “a mental network of affective and cognitive associations connected to the country” (p.25) while Verlegh and Steenkamp (1999) define it as mental representations of a country’s people, products, culture and national symbols” (p.525). Finally, Askegaard and Ger (1988) define it as “schema, or a network of interrelated elements that define a country, a knowledge that synthesizes what we know of a country together with its evaluative significance or schema triggered affect” (p.52). Contemporary views of country image focus on distinguishing the concept from

product images and also on uncovering how the three components i.e. cognitive, affective, and conative dimensions of country image function in determining product evaluation (Roth & Diamantopoulos, 2009; Brijs, Bloemer & Kasper, 2011). Country image has been conceptualized as a broad measure of general country image that is not related to its image as a place of production.

Product country image is similarly beset with multiple definitions. Li et al (1997) define it as ‘consumers’ images of different countries and of products made in these countries’ (p.116). Papadopoulos and Heslop (2003) view it as “place related images with which buyers and or sellers may associate a product” (p.404). Nebenzahl et al (2003) define it as “consumers’ perceptions about the attributes of products made in a certain country; emotions toward the country and resulted perceptions about the social desirability of owning products made in the country” (p.388). The main issue around the product country image is the relationship between product and country images. The conceptual specification of product country image relates to the image of a country as it pertains to producing goods and or services. In this operationalization it is associated mostly with generalizable image of the country across a variety of products, it applies to all products that are produced in a country (Nagashima, 1970; Nagashima, 1977).

The multiple definitions and conceptualizations of country image and product country image have led to inconsistencies in how the terms are applied and used in the literature. Some authors studying the effects of country image have used measures that simply denote a place of origin (Koschate-Fischer, Diamantopoulos, & Oldenlotte, 2012; Tse&Lee, 1993), a general country image that is separated from product country image (Balanabis, Mueller, & Melewar,2002), and measures that have items measuring both country image

and product country image (Martin & Eroglu, 1993). To rectify the problem of COO misspecification researchers' must have an understanding of the conceptual domain of the constructs such that they do not use measures that are inconsistent with what they purport to measure. For instance, if country image is of interest to researchers', using measures that combine product country images with country images would contaminate the results of the study.

Therefore, our constructs of interest are country image and product country image. We use Martin and Eroglu (1993) definition of country image as the general inferential beliefs people have about a country. Country image is thus conceptually different from the product country image which is a general view of products made in a country. For the purpose of our research we use the Papadopoulos and Heslop (2003) definition of product country image as the place related image associated with a product. We chose these constructs because they are at different levels of abstraction with respect to COO evaluation. Conceptually, the general image of the country can be used in cases where people do not possess knowledge about a country's products whereas the product country image captures prior experience of using a country's products.

## **2.2 Relevance of COO concept**

The role Country of Origin (COO) plays in evaluation of products is well documented in international marketing, extensive reviews have been provided by Verlegh and Steenkamp (1999), Pharr (2005), and Bilkey and Nes (1982). The overall conclusion from the reviews has been that COO matters in product evaluation. However, as a result of the use of experimental designs the overall findings are sensitive to the choice of research

design such as the number of cues used in the description of the product and use of between or within subjects' design (Verlegh & Steenkamp, 1999).

Other factors found to influence COO evaluations include brand name, price and the type of product that are classified as product based moderators (Pharr, 2005). Individual level moderators such as the level of involvement, product familiarity and product importance also affect COO evaluations (Pharr, 2005; Josiassen, Lukas, & Whitwell, 2008). At the individual level, the diagnosticity of the COO cues is largely dependent upon a consumer's prior knowledge about the product category and their confidence in that knowledge (Bloemer, Brijs, & Kapser, 2009; Pharr, 2005)

COO research has been criticized for its lack of relevance (Samiee et al, 2005; Usunier, 2011; Samiee, 2010). Among the major criticism of the research is that the research design makes the COO cue more salient than it otherwise would be in real purchasing situations (Samiee, 2011; Samiee, 2010), its lack of relevance in a globalized world where companies have global supply chains (Usunier, 2011), and the lack of appropriate managerial prescriptions and not being grounded in theory (Samiee, 2010; Samiee, 2011). Overall, the criticism of COO research has been centered on its external validity and methodological weakness. We note that the criticism of these studies has not been limited to a generalized COO effect but has also been targeted towards attempts to develop a country image scale (Samiee, 2010). Specifically, Samiee (2010) contends that any attempt to develop constructs that purport to measure country image should be viewed in the context of the irrelevance of country based cues in consumer decision making.

The diagnosticity of the COO stimulus has also been challenged, the main critique has been that the salience of the COO cue is enhanced through research designs that give

prominence to the “made in label” (Samiee et al, 2005; Samiee, 2010). The validity of the experimental designs is therefore seen not to approach any level of realism when applied to a real shopping experience and in a globalized world where products are manufactured in multiple locations (Samiee et al, 2005). This weakness of COO research led to the decomposition of the COO into constituent parts that includes the country image that involves a cognitive dimension capturing beliefs held about another country, an affective dimension that captures feelings or emotional reactions to a foreign country and a conative dimension that captures intention to interact with people from a foreign country (Verlegh & Steenkamp, 1999; Roth & Diamantopoulos, 2009; Brijs, Bloemer, & Kasper, 2011).

In order to contribute to this field of inquiry it is appropriate that we address the criticisms of COO research and the work done addressing the criticism. The criticism that the approach lacks external validity is centered on the research that shows consumers’ inability to correctly assign brands to their appropriate country of origin (Samiee, 2005). This stream of research, otherwise known as brand origin accuracy research, argues that if consumers are unable to make the cognitive association between a brand and a country they are unlikely to use country of origin in their decision making (Samiee et al, 2005).

Addressing the argument about the inability of consumers to correctly recall the origin of brands, Magnusson, Westjohn and Zdravkovic (2011) claim that the perception of brand origin is more important than accurate recall of the origin of brands. Brands that are misclassified as belonging to a country with strong country image benefited from that misclassification, this implies that country of origin information is important in the decision making process of consumers. According to Roth and Diamantopoulos (2008) country brand equity mediates the relationship between country image and product judgment.

The other major driver of COO criticism is that it is not appropriately grounded in theory and hence its usefulness is restricted to how managers can use country information in formulating marketing strategy (Samiee, 2011). The logical extension of this argument is that if consumers cannot recall nor care about the COO and the company cannot use COO information in their marketing strategies the entire concept is therefore useless. Even if we accept that the COO domain is only limited to managerial utility, research shows that brands carrying French names are associated with hedonic or luxury products (Leclerc et al, 1994) and that incongruent brand names and manufacturing origin affects product judgments i.e. hedonic products made in countries with a weak COO (Melnik et al ,2012). Companies therefore appropriate country related images in their marketing efforts even when they are not congruent with the country of origin such as the Chinese brand Haier which uses a German name to show technical proficiency.

The criticism of the lack of theory in COO research is driven by the fact that the initial conceptualization of COO was based on the salience of the “Made in” label. Subsequent research has moved away from solely relying on the made in cue to incorporate a decomposed construct that includes country of design, country of manufacture, and country of assembly among others (Chao, 1993). Further development of scales that attempted to partial out product related country image and general country image made use of theoretical perspectives particularly attitude theories (Roth and Diamantopoulos, 2009; Brijs, Bloemer, and Kasper,2011) and an information processing approach such as the elaboration likelihood model (Bloemer et al ,2009).

The development of the brand origin literature has provided an alternative and important conceptualization of the effects of COO that has been vital to the field. However, even in

this nascent field there is still disagreement about the effect of wrong classification of brands. In the case of people incorrectly assign a brand to a favorable COO; Magnusson et al (2011) would argue that the perception of the COO is what matters, whereas Samiee (2005) would conclude that the concept is irrelevant because consumers did not know the correct COO. Balanabis and Diamantopoulos (2011) also argue that the perceived COO matters in decision making by consumers even in the case of misclassification.

The inconsistencies in this literature is in line with the arguments advanced from traditional COO literature that researchers are unaware of what exactly consumers are responding to when encountering COO information, the general country image or the specific product country image. In brand origin studies it could be the incorrect country of origin that is driving the decision or that the information does not matter at all. Overall the brand origin literature is relevant in a globalized world where multiple sources of production are used by companies in manufacturing products.

We argue that COO is a relevant concept and the perception of the COO as argued by Magnusson et al (2011) and Balanabis and Diamantopoulos (2011) is important in decision making by consumers. The COO concept in our opinion is accurately captured by the perception of where a product is made (Magnusson et al, 2011). Accurate recall of the source of a product is not evidence of the irrelevance of the COO concept if individuals make choices based on those perceptions. The country of origin effect is thus represented by the role that information pertaining to the source of a brand plays in the consumer's mind. The COO concept is better represented by partitioning its effects as emanating from the general image of the country as well as the image of the country as it pertains to

manufacturing products. We use this approach as it is important for researchers to understand where the sources of country of origin effect emanate from.

### **2.3 Country image and product country image review**

COO studies have evolved over time such that the nature of COO itself has to be carefully delineated to distinguish between the country image and the image of its products. These are separate but related constructs that tap into different conceptual domains. Country image is a much broader construct that captures people images, landscapes, history, geography, and economics (Parameswaran & Pisharodi, 1994; Brijs et al, 2011; Roth & Diamantopoulos, 2009). Product country image is much narrower and deals with product attributes such as workmanship, quality, and value for money (Parameswaran & Pisharodi, 1994).

The need for conceptual delineation of the COO effect is important for researchers to understand before conclusions can be made about which aspect of the COO stimulus consumers find important. Roth and Diamantopoulos (2009) use a three component view from attitude theories which consists cognitive, affective and conative dimensions, country image under this conceptualization functions through the relationship between country beliefs (cognitive) leading to emotional feelings or reactions (affective) and ultimately actions or behavioral outcomes (conative). The authors argue that a number of country image scales only measure the cognitive dimension without paying much attention to the other facets of the construct.

Brijs, Bloemer, and Kasper (2011) developed a country image scale that captured the cognitive, affective and conative dimensions of country image. The authors note that conceptual inconsistencies exist in previous scales where there is incongruent terminology



use and definitions applied in the research. For instance, in measuring product country image there is no separation of country image in general and the product related country image. The authors also argued that measures of country image used different theoretical approaches because they only measure one dimension of country image for example cognitive measurements relied on information processing theories, affective dimensions on affect transfer theory and conative dimensions on social identity.

The development of the overall country image scale should be done with an overall theoretical framework that is not limited to one dimension. Brijs, Bloemer, and Kasper (2011) used the meaning centered paradigm as a theoretical framework to develop a country image scale. According to this paradigm the formation of attitudes towards products is guided by the meaning with which they associate the product, consumers are not passive recipients of marketing information but transform the information provided into some meaning (Brijs et al, 2011). Consumers therefore attach meaning and symbolism to country images as they relate to evaluation of products.

A lot of the extant marketing research that conceptualizes country image and product country image has been done using macro country image as the proxy for general country image and micro country image as the product country image (Pappu et al, 2007). Some researchers have used the terminology of general country attributes, general people attitudes and specific product attributes as the dimensions of the country image scale (Pameswaran & Pisharodi, 1994).

In spite of the challenges in adopting a universal country image scale various authors have used it to show its effect on brand equity (Pappu et al, 2007) product evaluation (Brijs et al, 2011) potential for destination branding (Mossberg & Kleppe, 2005), purchase

intention (Diamantopoulos, Schlegelmilch, and Palihawadana, 2011), and diagnosticity in industrial buying situations (Knight, Holdsworth, and Mather, 2007).

The country image literature has thus far been centered on uncovering the internal structure of the construct i.e. how specific dimensions relate to each other and how the construct affects consumer related outcomes (Brijs et al, 2011). Some researchers have found that the cognitive dimension plays a greater role in the formation of attitude towards utilitarian products and that certain elements of the country image such as its regulatory framework influences industrial buying decisions more than geo-cultural stereotypes (Brijs et al, 2011; Knight et al, 2007).

Country image effects can be product category specific, for instance Diamantopoulos et al (2011) find that country image indirectly influences purchase intentions through brand image. Pappu et al (2007) conclude that cars are much more sensitive to country image and this was corroborated by Hamzaoui-Essousi et al (2011). Lee and Ganesh (1999) posit that the relationship between country image and brand image is fully mediated by product country image. It is hardly surprising that there hasn't been consensus on the effect of country images due to the proliferation of different scales used in the research.

The use of an appropriate conceptual domain in separating general country image and product country image has been an improvement in country of origin research in showing how these constructs differentially affect consumption related outcomes. The literature is not yet settled on the overarching measure of the construct but the legitimacy of the construct is not in doubt.

## **2.4 Antecedents of COO evaluation**

The focus of our paper is on understanding the drivers of country image and product country image evaluation. The literature on country image and product country image is developed in the context of improving the country of origin construct. There hasn't been much attention paid to the antecedents of country image and product country image evaluations separately. Thus far most research on antecedents has been based on uncovering the drivers of an overall COO construct that combines the country image and product country image (Gurhan-Canli & Maheswaran, 2000; Balabanis & Diamantopoulos, 2004; Klein, Ettenson, and Morris, 1998; Liu & Johnson, 2005). This is not consistent with the subsequent use of the decomposed country image and product country image constructs in the literature.

Our research distinguishes country image and product country image and tests the antecedents of their evaluation separately. We are interested in this delineated construct as it has been shown that both the country image and product country image affects consumption behavior differently (Pappu et al, 2007; Brijs et al, 2011) and it is therefore appropriate that in studying the antecedents of country related images we also use the same approach for consistency.

To our knowledge the only research that incorporates the decomposed model that separated country image and product country image is that of Balabanis et al (2002). The authors used the Schwartz (1992) human values to uncover the drivers of country image and product country image. The authors found that the different values had an idiosyncratic effect on evaluation of country image. They also found that the perceived similarity between Germany and Czech Republic did not significantly improve the country image of

Germany. The authors speculated that some form of animosity held by Czechs towards Germans accounted for the lower evaluation of Germany's country image by Czechs when compared to respondents from Turkey. We posit that relationships between groups as represented by countries are better captured by using constructs such as the SCM that deal with inter-group relationships. We expand on the relational component of country image evaluations by using the SCM model as it captures the judgment people make of other groups of people.

Research on COO antecedents tends to focus on endogenous and exogenous sources to ascertain the drivers of COO evaluations (Pharr, 2005). The endogenous sources are at the individual level of analysis and include factors such as personal and consumer values that include materialism, national identity, global identity, and the level of collectivism (Pharr, 2005; Cleveland et al, 2009; Sharma, 2011). Exogenous sources are at the country level of analysis and usually involve some features or dimensions of the target country such as the level of economic development, political and social history (Klein, 2002; Demirbag et al, 2010). Other research focusing on the antecedents of the COO effect has focused on some normative aspects of consumer behavior like ethnocentrism (Shimp & Sharma, 1987), animosity (Klein, 2002) and consumer affinity (Oberecker & Diamantopoulos, 2011).

Exogenous antecedents according to Pharr (2005) are less studied and have only been limited to testing the level of economic development. We expect that the endogenous and exogenous antecedents are likely to interact in the decision making process by the consumer. For instance, researchers have found that materialistic consumers prefer developed country products over developing country products (Sharma, 2011). In such a case the endogenous factor, materialism, interacts with an exogenous factor, the level of

economic development in the decision making by the consumer. Gurhan-Canli and Maheswaran (2000) found that collectivistic consumers tend to evaluate products from their home country more favorably than foreign products. Verlegh (2007) also found that the level of national identity i.e. the extent to which consumers identify with their country also strengthened the evaluation of home country products. Materialism interacts with the level of economic development such that the negative effect of materialism is pronounced for high value products from emerging economies compared to low value products from emerging economies (Demirbag, Sahadev, & Mellahi, 2010). According to Laroche et al (2003) sub culture differences also affect COO evaluation, specifically linkages that exist between groups of people like English speaking Canadians and Britain significantly influenced evaluation of products from that country. Heslop, Lu, and Cray (2008) showed the temporal nature of animosity by Australian respondents towards the French showing the role political frictions had on country image.

The research on antecedents of the COO effect conceptualized COO at the product level i.e. they use a product based image of COO in the research (Gurhan-Canli & Maheswaran, 2000; Shimp & Sharma, 1987; Han, 1989). This view of COO using a product based construct unnecessarily limits it to the product based domain. In the subsequent research on antecedents to COO judgment, researchers have used the structural elements of the country and how consumers respond to it in a symbolic emotional manner without limiting themselves to the product domain (Oberecker, Riefler, & Diamantopoulos, 2008; Cleveland et al, 2009).

In conclusion a lot of research that deals with the antecedents of the country of origin stimulus has not been based on the decomposed country image and product country image

construct. The implicit assumption in using a non-decomposed country of origin stimulus is that country image and product country image have similar drivers. However, research on the outcomes of country image and product country image shows that they have different impact on outcomes such as brand image, brand equity, purchase intention (Diamantopoulos, Schlegelmilch, and Palihawadana, 2011; Pappu et al, 2007; Lee & Ganesh, 1999). It is therefore important for researchers to test for the drivers of country image and product country image to maintain consistency in how it is used in the literature

### **2.5 COO effect moderators**

A product's COO is part of an extrinsic cue that may be used by consumers, as such when other cues such as price and brand name are included in the research design researchers have found that COO effects can be moderated by a variety of factors (Pharr, 2005). Brand image for instance has been found to moderate the relationship between country image and purchase intention (Diamantopoulos et al, 2011).

Other extrinsic cues that moderate the relationship between COO and outcome variables include level of economic development (Demirbag et al, 2010) and the interaction between level of economic development and country of assembly or design (Chao, 1993). These factors suggest that consumers use some of these external factors to reinforce the effects of the COO, specifically in the case of economic development some consumers might assume that more developed country make better products. Pappu et al, (2007) found that product category significantly influences how country image or product country image affects product evaluation; specifically, the authors found that product country image was important in the evaluation of cars while country image was significant in the evaluation of televisions. Intrinsic factors that moderate the COO effect include product familiarity

(Han, 1989) and level of involvement (Henderson & Hoque, 2010; Lee, Yun, & Lee, 2005; Prendergast, Tsang, & Chan, 2005). These factors have been found to affect whether consumers will find the COO cue as diagnostic of the product they are evaluating. Han (1989) argues that when product familiarity is low consumers will use the COO as central to the evaluation of the product in what he called the halo effect. In the case of high familiarity consumers will use the knowledge they possess of products produced in that country as representative of the product they evaluate through a summary effect.

The level of involvement is also found to affect COO evaluation with its effect being weak for low involvement products (Ahmed, Johnson, & Boon, 2004). Bloemer et al (2009) use an information processing approach to explain the situations where consumers may be motivated to use the COO cue in decision making. The motivation to use the COO cue in product evaluation is a function of the confidence that an individual has in using the cue as well as the predictive value that the COO cue has for individuals. Motivation, involvement and product familiarity have been used to show whether the COO cue will be used by consumers in the decision making process.

In general, the moderators used to explain the relationship between COO and outcomes such as product evaluation have also been used in explaining the relationship between its antecedents and COO evaluation (Insch & McBride, 2004; Ahmed & D'Astous, 2008). As a result of the use of COO as a stimulus based cue some researchers have explored the influence of product familiarity through ownership of the product on whether the COO cue would be perceived as diagnostic by consumers (Insch & McBride, 2004 Ahmed & D'Astous, 2008). The authors found that some consumers relied less on COO to make

product based decisions when they had high familiarity with the product or owned the particular product.

The predominant use of the COO as a stimulus cue has led to the use of moderators that are within the context of actual shopping behavior such as level of involvement, price, product type, and brand name. In the case of normative based constructs such as ethnocentrism and its effect on COO researchers have tended to use demographic variables such as age, income, and gender, product based moderators such as perceived product necessity and cultural variables such as cultural similarity. The moderators of the relationship between the antecedents and the COO effect have been mainly conceptualized at the product level. Other researchers such as Chattalas et al (2008) chose similar moderating factors like involvement, expertise, culture to explain the relationship between stereotypes and COO evaluation.

The specification of the COO as a stimulus based construct has thus led to the choice of moderators that explain whether the COO cue is diagnostic at all for consumers. In this broad group of factors individuals vary in their intention to use COO information based on intrinsic factors like involvement and familiarity. Other antecedents such as ethnocentrism that are cast within a normative context have moderators that are not beholden to the measurement scale adopted to measure the COO. The choice of moderators to the COO effect has largely been in the context of researchers trying to understand the conditions under which COO is diagnostic and whether it is important at all in the evaluation of products.

In our research we chose moderators guided by theoretical link between group membership and evaluation of out-groups (Tajfel, 1981). Our research is interested in how



inter-group relationships impact the use of stereotypes on COO evaluation. Therefore, we chose moderators based on the effect personal and consumer values have on identification with an in-group and how those values may also lead to anti out-group feelings. For example, consumer ethnocentrism is motivated by ensuring that the in-group is protected from out-group competition whereas national identity is associated with pro in-group feelings with very little said about the out-group (Zeugner-Roth et al, 2015). We also chose extraversion as a personality trait that drives identification with the in-group motivated by out-group competition as well as consumer susceptibility to interpersonal influence where individuals use consumption as a means to identify with a social group.

## **2.6 The Stereotype Content Model**

The American Psychological Association (APA) defines stereotypes as “generalizations about a group of people in which the same characteristics are assigned to all members of a group”. According to Blair (2002), stereotypes while socially abhorrent, are used as a means to minimize information processing resources. This information processing perspective is usually associated with negative judgments made about a group of people and in some cases prejudice.

Stereotypes have been previously used in the international marketing literature to describe how consumers automatically associate a given country with a product category (Maheswaran, 1994; Hadjimarcou & Hu, 1999; Liu & Johnson, 2005). In these studies, the researchers used stereotypes to match countries and product categories based on apriori determined matches like Germany and cars (Liu & Johnson, 2005; Usunier & Cestre, 2007). The authors in these studies conceptualized stereotypes as a process used in categorization of products with respect to the various countries of origin. For instance, Liu and Johnson

(2005) designed experiments that designated specific countries such as Japan as a “good COO” and China a “bad COO” with respect to manufacturing of computers, respondents were then asked to classify brands made in those countries as good or bad given their attributes. The authors found that the presence of COO information and the stereotypic association consumers had of Japan with manufacturing of electronics influenced consumers to classify their brands as good even when their specific attributes such as processor speed and hard drive capacity were inferior to the Chinese version. The classification of objects into groups is aided by the stereotype process. Researchers have applied this conceptualization to show how consumers can classify products as good or bad consistent with the stereotype of the origin country.

The Stereotype Content Model (SCM) challenges the idea of uniform antipathy associated with stereotyping behavior (Fiske et al, 1999; Fiske et al, 2002; Fiske, Cuddy, and Glick, 2006; Caprariello, Cuddy, and Fiske, 2009). The SCM contends that upon encountering other people, individuals decide whether the out-group has ill intent and possesses the capability to carry out their intentions (Fiske et al, 1999). According to the model, individuals are able to classify groups according to their level of threat by using the dimensions of warmth and competence (Fiske, 1999; Fiske et al, 2002). The authors argued that groups can be placed within four quadrants from the model based on a warmth x competence matrix. Groups that have ill intent and are able to carry out their intentions are viewed as cold and competent, groups that are not able to do so as are viewed as warm and less competent.

The model identifies resulting emotions based on where groups are placed on the stereotype dimensions such as admiration, contempt, envy, and pity. According to Cuddy

et al (2009) social comparison between groups generate the emotional responses resulting from the stereotype dimensions. Upward assimilative reference groups scoring high on competence and warmth elicit admiration. Groups that are perceived to be lower than one's reference group i.e. cold and incompetent elicit contempt. Contrastive groups, i.e. groups that people compare their in-group to, elicit envy for instance high achieving minority groups such as Asians in the United States. Groups that are stereotyped as warm and not competent elicit pity like the elderly or disabled.

The model also shows that societal relations shape stereotypes, some groups that are deemed to be successful are deemed to be less friendly depending on the position the perceivers' group occupies. Groups that occupy the top hierarchy in society are normally viewed as cold and competent while groups lower in the social hierarchy are viewed as warm. Therefore, competition can predict where groups are placed on the warmth/competence dimensions. Their model also modifies stereotypes by adopting what they call ambivalent stereotypes i.e. a lot of groups are seen as positive on one dimension (competence or warmth) and negative on the other.

The two main dimensions of the SCM model warmth and competence have been applied in a variety of situations to map social perceptions (Kervyn, Fiske, & Malone, 2012). According to Kervyn et al (2102) the dimensions can be used to “map a given social world whatever the degree of granularity of the social object studied from person perception to entire countries” (p.169). Working women without children were viewed as more competent and less warm than working women with children (Cuddy, Fiske, & Glick, 2004).

Cuddy et al (2007) found that social groups in the United States were perceived differently along the dimensions of warmth and competence, for instance Asians were viewed as cold but competent while the elderly were viewed as warm but not competent. The implication of the results was that many groups are viewed as either cold and competent or warm and not competent. According to the authors, groups that are seen as reference groups in society like the middle class and Christians were viewed as both warm and competent.

The SCM model has also been extended into brand perception (Kervyn, Fiske, & Malone, 2012). The authors applied the model into brand perception by mapping the perception of brands according to their intent to harm and their ability to carry out their intentions. The SCM model was adapted into a model that encompassed brands as intentional agents i.e. as a corporate entity they possessed the ability to carry out specific intentions that may be perceived as harmful. Specifically, they mapped brand perception into paternalized brands, popular brands, envied brands, and troubled brands. They found that brands subsidized by the government like Amtrak and USPS elicited pity and brands such as Coca Cola were in the popular brand category. Brands that were viewed as possessing ill intent were AIG and Goldman Sachs.

The stereotype content model has been applied in the international marketing literature primarily as a measurable construct that can be used to explain COO evaluation (Maher & Carter, 2011; Chattalas, 2008). We use stereotypes in our paper as group based perception following authors who have argued that stereotypes are not merely a process used by people to make judgments as a result of cognitive limitations but serve a social function in explaining how society is structured (Cuddy et al,2009; Hornsey,2008). According to

Cuddy et al (2009) “stereotypes are shaped by perceived and actual economic, geographic, normative and power relationships” (p.5). This perspective allows us to map stereotypes as an enduring practice of social perception whose dimensions are fairly stable over time and also captures the importance of societal relationships in perception of various groups of people and countries

The SCM model has been used in COO research with different conceptualization. Maher and Carter (2011) conceptualized the SCM dimensions as part of the general country image while Chattalas et al (2008) conceptualized the stereotype contents as an antecedent of a COO effect. Maher and Carter (2011) use the stereotype contents i.e. perceived competence and perceived warmth as the cognitive country image that drives evaluation of the product country image. The authors used a three dimensional view of country image i.e. cognitive, affective and behavioral framework to conceptualize country image. They conceptualized the dimensions of the SCM as the cognitive part of the country image evaluation as it pertains to the cognitive beliefs people held about Americans with regards to their competence and warmth. The affective dimension of country image was based on the selected emotions from the SCM model; they used envy and admiration as the affective elements of country image and used purchase intentions as the behavioral element of country image.

Chattalas et al (2008) used the SCM model as the main antecedent to the COO effect. The authors argued that the contents of the SCM model were the appropriate precursors to the COO evaluation. Their paper was conceptual in nature and they developed theoretical propositions without empirically testing them. The authors also suggested a number of product based moderators such as product type, endogenous based moderators such as

culture, expertise and involvement and also consumer ethnocentrism. The authors did not provide an overarching theoretical framework to explain how the stereotypes are transferred to product judgment.

Our research differs with the previous conceptualization of the SCM in the international marketing literature. The use of the SCM model as representative of the dimensions of country image is not consistent with the conceptualization of country image advanced in the literature; Maher and Carter (2011) use the SCM dimensions as the cognitive facet of country image and the emotional reactions resulting from the stereotypes such as envy and admiration as the affective facet of country image. This approach is not consistent with existing conceptualization in the literature, the stereotype contents limit the conceptualization of country image to perception of social groups whereas established scales encompass political, economic, and technological dimensions (Martin & Eroglu, 1993; Brijs et al, 2011) The use of the SCM model as the country image scale is also not consistent with the existing literature and it is not established through the existing methods of validating a scale established by Churchill (1979).

Chattalas et al (2008) conceptualized the SCM as the antecedent to the COO effect which is consistent with how we will use the concept in our paper. We differ with the Chattalas et al (2008) primarily on theoretical grounds with respect to how stereotypes are used in COO evaluations; Chattalas et al (2008) use an information processing approach while we use a social identity approach. We use the SCM as a model of social perception and argue that the transference of the stereotypes to the country images is best explained through theories that deal with intergroup relations. Chattalas et al (2008) use a product based conceptualization of COO and do not detail the theoretical framework they use in

coming up with their moderators. The authors for instance argue that ethnocentric consumers will use national stereotypes to a greater extent than less ethnocentric consumers without detailing how the stereotypes will be used by ethnocentric consumers.

Chattalas et al (2008) also apply the COO effect with respect to product evaluation. This clearly only encompasses the product country component of COO research. Researchers have conceptualized the COO construct by moving away from the product related image of the country to the more general country image and product country image (Brijs et al, 2011). The country image construct involves not only cognitive beliefs people have about countries but also involves emotional reactions and behavioral intentions people have about other countries as well. (Roth & Diamantopoulos, 2009; Parameswaran & Pisharodi, 1994). The use of a generalized COO construct which is heavily biased towards product images is therefore not adequate in view of how the construct has been refined in the literature.

In order to clearly understand how stereotypes are used in COO evaluation we thus need to decompose the COO into its constituent parts and understand how it is used in evaluating products. Consumers may respond differently to a country image than they do to the product country image, thus they may like the country in general while responding negatively to its products because of the ambivalent stereotype hypothesis advanced by Cuddy et al (2009).

The use of the stereotype content model as an antecedent to the decomposed country image and product country image represents the most appropriate conceptualization of the antecedents to judgments about countries and their products. We take the view that

stereotype judgment is an enduring social cognition mechanism observed in the real world and affects the judgment people make about countries and products.

## **2.7 Theoretical Foundations**

Our research is grounded in theory that can explain the antecedents of country image and product country image evaluation in a normative context. The nature of the construct we are studying guides our choice of theory in a variety of ways. Country image and product country image in a global marketplace represent much more than a geographic source of origin. According to Balabanis et al (2002) country image and product country image evaluations are predicated on a relational context i.e. how different groups of people through their countries relate to each other.

The constructs of country image and product country image are not simply cues that are devoid of any context, researchers have argued that country specific associations are not simply based on rational evaluations but capture symbolic and emotional meanings that are grounded in the meaning provided by the country they are evaluating (Herz & Diamantopoulos, 2013). Therefore, it is appropriate to understand how these effects are formed and the frame of reference through which countries are evaluated especially in this relational context.

We also acknowledge that the evaluation of these cues is done in the context of a global marketplace. Globalization has made a vast array of products available for people to choose, thus the social structural relationships between countries are also mediated through the global marketplace. China, which objectively has a lower per capita income than Malaysia or Singapore, was found by researchers to have an elevated country image and



product country image owing mostly to its presence in the global marketplace (Demirbag et al, 2010; Balabanis et al, 2002).

Accordingly, we use social identity approach as the overarching theoretical framework within which individuals adopt collective or group based identities in using stereotype judgments as a frame of reference in making evaluations about country image and product country image. We also use consumer culture theory to show how consumers based on personal and collective identity relate to countries in the marketplace and the meaning they derive from such interactions.

### **2.7.1 Social Identity Theory**

Social identity theory is predicated on intergroup relations. The theory explains how people relate to each other as a collective i.e. any form of groups. Researchers found that people tend to show favoritism towards the in- group even when the group identity was created under experimental conditions without any specific criteria (Hornsey, 2008). Accordingly, social identity was defined by Tajfel (1972) as “that part of an individual’s self-concept which derives from his knowledge of his membership in a social group together with the value and emotional significance to that membership” (p.292). Social identity is therefore based on a cognitive dimension based on the knowledge individuals have of membership in a group and an affective dimension based on the subsequent value that membership holds to the individual.

This theoretical approach is thus conducive in understanding the frame of reference people adopt when they evaluate relevant social groups. Individuals hold multiple identities such as gender, race, and profession that can be used in the in evaluation of other groups. In this research our basic assumption is that upon encountering information about a country

in the global marketplace the individual activates the national group membership as an identity that is relevant in making decisions about country related images.

The international marketing literature has used social identity theory as an overarching theoretical framework in explaining normative influences on consumer behavior through home country bias (Verlegh, 2007), consumer affinity (Oberecker et al, 2008) and consumer ethnocentrism (Shimp & Sharma, 1987). The literature adopts social identity approach to explain how consumers show favoritism towards their in-group (Verlegh, 2007; Shimp & Sharma, 1987), the underlying assumption behind these studies is that variation in identification with a national group affects or contributes to bias towards other countries products. Oberecker et al (2008) however argue that people are not always biased against out-groups; their consumer affinity construct involves the extension of group membership to select out-groups. The literature therefore uses inter-group relationships as a strong predictor of consumer behavior.

We also follow the approach by Oberecker et al (2008) in assuming that people are not necessarily always biased towards out-groups and that the relationship between group membership and out-group attitudes is not consistent across nations. There is still debate in the social psychology literature about whether in group identification necessarily leads to biased evaluations of the out group (Aberson, Healy, & Romero, 2000). This contextual nature of intergroup relations is echoed by the SCM model that shows groups as not being consistently stereotyped in a binary manner as negative or positive. The social identity approach is useful in establishing the context i.e. intergroup relations that we assume judgment of country image and product country image takes place.

The social identity theory explains how individuals adopt a group identity and use it to relate to other groups. An extension to the social identity theory was provided by Turner et al (1987) to explain the relationship between the self-concept and how that is extended to group behavior. Self-categorization theory helps explain the process through which individuals categorize themselves as part of a group (Turner et al, 1987). Self-categorization represents the process through which individuals de-emphasize the personal identity of themselves and others and instead adopt group prototypes to differentiate in-groups and out-groups (Hogg & Terry, 2000).

According to Hogg and Terry (2000) this process underlies group process as targets cease to be unique individuals but represent group prototypes. The authors further add that the transformation of self into group prototype underlies observed group processes “because it brings self-perception and behavior in line with the contextually relevant in-group prototype...it produces, for instance, normative behavior, stereotyping, ethnocentrism, positive in-group attitudes and cohesion, cooperation and altruism, emotional contagion and empathy, collective behavior, shared norms, and mutual influence” (Hogg & Turner, 1987, p 123). This process is therefore important in our expectation that when individuals encounter information pertaining to the stereotype contents of a given nation they will use their in-group frame of reference i.e. their country to make evaluations about that country’s image and products.

We therefore posit that country related images are processed through the stereotypical associations individuals have of specific countries and that those stereotypes are used as an enduring social perception mechanism that can be used to judge countries. The social identity approach is a useful theoretical framework that helps us to understand the relational

context through which those judgments are made. Hornsey (2008) argues that the social identity theory has been used to show that stereotypes are used by individuals to “explain the social world and to legitimize the past and actions of the in group” (p209). This conceptualization is in line with the stereotype content model (Fiske et al, 2002) where the content of stereotypes is dependent on social structural relationships i.e. how groups are placed on a social hierarchy. Therefore, social identity theory is an appropriate theoretical approach that helps us explain how consumers use their in-group frame of reference to make judgments about out-groups’ country image and product country image.

### **2.7.2 Consumer Culture Theory**

Country of origin of products is an important indicator in the context of globalization because consumers are exposed to a wide array of products manufactured in different countries. In order to understand the context in which consumption of these products takes place we turn to Consumer Culture Theory (CCT) to understand how the globalized marketplace is used by consumers to construct identity (Holt, 2002, Arnould & Thompson, 2005).

The role of identity is central to consumer culture theory; individuals construct and orient their identities around consumption activities (Arnold & Thompson, 2005). Arnould and Thompson (2005) state that CCT “refers to a family of theoretical perspectives that addresses the dynamic relationships between consumer actions, the marketplace, and cultural meanings” (p868). The CCT approach is an eclectic theoretical framework that provides an overview of how individuals respond to the global marketplace.

According to Arnould and Thompson (2005) consumer culture theory has four research programs which include consumer identity projects, marketplace cultures, socio-historic

patterns of consumption, and mass mediated marketplace ideologies and consumers' interpretive strategies. Consumer identity projects are driven by goal driven consumption activities such as cosmopolitanism (Thompson & Tambyah, 1999) which is underpinned by openness to foreign cultures. Marketplace cultures are forged by consumers creating subcultures in relation to consumption activities such as youth subcultures. Socio-historic patterns of consumption refer to the social structures that influence consumption like class, ethnicity and gender (Arnould & Thompson, 2005). Mass mediated marketplace ideologies and consumer interpretive strategies is a research program within CCT that is guided by consumers' role in interpreting marketing messages and how consumers derive meaning from those messages.

In country of origin research, consumer culture theory has been used to explain how consumer and personal values affect attitudes towards global and local products (Steenkamp & De Jong, 2010). Global and local products are seen to be carriers of cultural meaning to individuals such that local products are associated with a local consumer culture underpinned by the consumption of local products and global products are viewed as reflective of a global consumer culture. Consumer culture theory asserts that the interpenetration of local cultures by global brands has led to the rise of a global consumer culture that is experienced through the consumption and identification with global branded products (Arnould & Thompson, 2005).

Attitude towards local and global products are generalized attitudinal constructs that can be understood using the consumer culture theory framework. The motivating factors of the adoption of local consumer culture and global consumer culture were found by Steenkamp and DeJong (2010) to be influenced by how personal and consumer values

guided attitudes, for instance consumer ethnocentrism and conformity were positively associated with positive attitudes towards local products. In globalized marketplace consumer culture is important in understanding how consumers evaluate products originating from different countries.

Some researchers have also investigated the perception of foreign products in emerging market contexts (Ger et al, 1999; Eckhart, 2005). The researchers found that consumers in emerging markets re-contextualize the meanings associated with brands from foreign countries. For example, Eckhart (2005) found that consumers in rural India viewed pizza within the context of their cultural leanings, for young consumers it represented a status symbol and for older consumers an affront to local culinary tradition. The meaning products have to consumers is thus influenced by how they interpret products as carriers of culture, for instance younger consumers in the Eckhart (2005) study viewed pizza as a globalized product through which they could acquire some form of global cultural capital. Older and more traditionalist consumers took the same view but rejected the consumption of such products because it was incongruent with their cultural practice. This view of consumption shows how individuals relate not only to countries but also product categories within the global marketplace and how different subcultures respond to global products differently.

We use consumer culture theory to investigate consumption in the global marketplace and how foreign products are imbued with meaning beyond their source of origin. Country images and product country images according to Brijs et al (2011) carry meaning for individuals beyond information about where a product was manufactured. We posit that the meaning country image and product country image carry for consumers is interpreted

through how consumers view the global marketplace. Consumer domain values are important antecedents of country image and product country image within the consumer culture framework.

Consumer ethnocentrism is associated with the relationship between in-groups and out-groups, Steenkamp and DeJong (2010) argued that ethnocentrism is a relevant construct in explaining the tension between locally conceived products and globally conceived products. Consumer identity construction is a core component of consumer culture theory (Arnould & Thompson, 2005). Accordingly, we argue that some consumers identify with their chosen reference group through the consumption of products associated with their in-group as well as bias their evaluation of out-group products.

According to Holt (2002) in a modern world core identities are oriented around consumption. Consumer culture is thus viewed as the predominant culture in a global marketplace. In order to understand how consumers view country image and product country image we use the CCT framework as it explains the context through which country images and product country images are processed. Consumer culture is one of the main drivers of how consumers come into contact with other cultures and shapes their worldview. The interaction between consumers and the global marketplace as explained by consumer culture theory will be useful in explaining how social categorization in the form of stereotypes is used by consumers in making choices about products made in other countries.

A review of the literature shows the importance of COO in consumer decision making. Country of origin information is processed at different levels. The country image is at a higher level of abstraction and is important in decision making. The product country image

is at a lower level of abstraction and is closely related to the product related image of a country. The extant research presupposes the existence of relevant knowledge about the COO from respondents and in the absence of such knowledge respondents' use oversimplified stereotypes of a good or bad COO.

Antecedents of COO effect explain why certain COOs are preferred over the others and in turn help researchers understand the condition under which COO influences decision making (Pharr, 2005). Thus far, most explanations focus on external elements of a country such as their level of development and internal characteristics such as cultural and personal values (Pharr, 2005). These explanations are underpinned by the assumption that COO evaluations are a controlled cognitive process (Westjohn & Magnusson, 2011) which is different from an automatic process associated with stereotyping (Liu & Johnson, 2005). In the case of stereotypes individuals have a store of knowledge about a country that is activated upon encountering the COO (Herz & Dimantopoloulos, 2013). While the influence of stereotypes on the processing of the COO cues is well studied, there is very little research that deals with stereotypes through the lens of group relations.

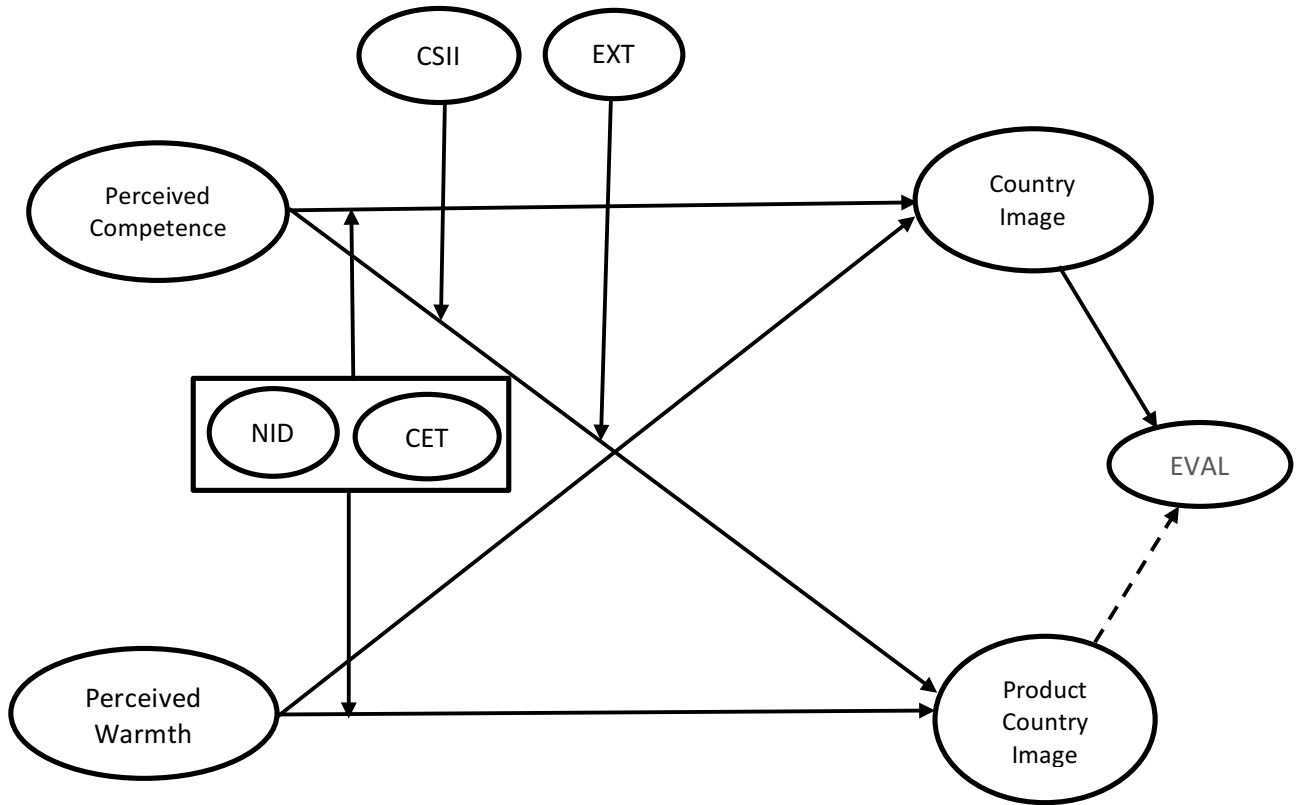
The literature also shows that the use of stereotypes in COO research is based on an information processing approach. Under this conceptualization the diagnosticity of stereotypes is of main interest to researchers. The main research question under the information processing approach is based on understanding when and how stereotypes are diagnostic of COO evaluation. Specifically, consumer values such as consumer involvement and consumer expertise are negatively related to the use of stereotypes. Expert consumers rely less on stereotypes than novice consumer. A similar approach in information processing is based on the distinction between automatic and controlled



processing of stereotypes. Liu and Johnson (2005) argue that mere exposure to a COO triggers responses consistent with the valence of the stereotype. Consumers are assumed to assign a similar good or bad image to various COOs that are accessed on exposure to COO cues.

The normative approach to stereotypes is not well established in the literature. The social psychology literature uses a trait description of stereotypes instead of an umbrella description of good or bad stereotypes. Social psychology literature contends that stereotypes are used to explain social structural relationships i.e. the way people view intergroup relationships. This approach is different from normative influence on COO evaluation that is either positive or negative such as consumer ethnocentrism and consumer affinity. We integrate COO and social psychology literature to understand the antecedents of COO evaluations and the context under which those evaluations occur. The type of stereotype is embedded in the type of threat each out-group is believed to possess. We investigate the direct relationship between the type of stereotype (competence and warmth) and evaluation of country image. We also hypothesize a direct relationship between perceived competence and product country image and an indirect relationship between perceived warmth and product country image. These hypotheses establish direct relationships between stereotypes and the various COO levels. The moderating relationships affect the strength of the relationships based on the level of identification with an in-group (national identity and consumer susceptibility to interpersonal influence) and anti out-group feelings (consumer ethnocentrism and extraversion). To establish how national stereotypes and country of origin facets affect the evaluation of products. The relationships among the constructs are displayed in Figure 1.

Figure 1: Conceptual Model



CET-Consumer Ethnocentrism  
CSII-Consumer Susceptibility to Interpersonal Influence  
NID-National Identity  
EXT-Extraversion  
Eval-Product evaluation

Not tested    - - - ->

**Table 2: Definitions of Constructs**

Construct	Definition	Citation
Perceived Competence	Groups that are seen as strong in society and have the capability to carry out their intentions	Cuddy et al (2009)
Perceived Warmth	Groups that are seen as weak and have no ill intentions towards one's own in group	Cuddy et al (2009)
Country Image	the total of all descriptive, inferential and informational beliefs one has about a particular country'	Martin and Eroglu (1993) Oberecker and Diamantopoulos (2011)
Product Country Image	Consumers' perceptions about the attributes of products made in a certain country; emotions toward the country and resulted perceptions about the social desirability of owning products made in the country	Narayana (1981) Oberecker and Diamantopoulos (2011)
Product Evaluation	No definition provided	Sharma (2011)
Consumer Affinity	Consumer affinity refers to the emotional attachment and sympathy felt towards a chosen nation by a consumer	Oberecker and Diamantopoulos (2011)
Consumer susceptibility to interpersonal influence	CSII is a measure of the extent to which consumption choices of individuals are motivated or influenced by real or imagined others	Bearden, Netemeyer, and Teel (1989)
National Identity	A person with a psychological investment in the national community	Der-Karabetian and Ruiz (1997); Westjohn, Singh, and Magnuson (2012)
Extraversion	A trait described by adjectives such as assertiveness, energetic, enthusiastic.	McCrae and John (1992)
Consumer Ethnocentrism	Beliefs held by the consumer about the appropriateness and morality of purchasing foreign made products	Shimp and Sharma (1987)

## CHAPTER III

### HYPOTHESIS DEVELOPMENT

#### **3.1 Perceived competence**

Country image is not domain specific, at its core it represents a wide range of images that may or may not be affected by the products produced in a particular country. The concept of country image is distinct from product country image. Country image thus describes general environmental conditions underpinned by economic dimensions that describe the level of development and socio-cultural dimensions that include language, people images and cultural identity (Roth & Diamantopoulos, 2009; Brijs et al, 2011). Researchers have argued that the country image functions through the interaction between cognitive beliefs about a country and its people, emotional or affective feelings arising from those beliefs as well as behavioral intentions towards the country (Verlegh, 2001; Brijs et al,2011; Roth & Diamantopoulos,2009). Brijs et al (2011) argue that the cognitive component of country image is best measured through country stereotypes as it echoes the observation by Papadopoulos and Heslop (1993) that the image most people have of other countries relies on no more than oversimplified stereotypes. Using the Brijs et al (2011) conceptualization of cognitions as stereotypes we believe that the appropriate antecedent of country image is stereotype driven beliefs about a country

In order to understand how stereotypes are applied to the country image we use the reasoning from the SCM model. The SCM model and the social psychology literature in general conceptualize stereotypes as stable cognitive structures that help explain relationships among groups (Cuddy et al, 2009, Poppe, 2001). Research on national stereotypes shows that nations are perceived along the dimensions of efficiency and warmth (Hopkins, Regan & Abell, 1997), competence and warmth (Cuddy et al, 2009), and competence and morality (Poppe, 2001). These dimensions within a national context reflect the attributions of competence and skill or sociability.

Researchers have advanced different reasons for the attributions of the warmth and competency stereotypes. Cuddy et al (2009) argue that group hierarchies lead people to view other groups within the spectrum of co-operation or competitiveness. Groups that cooperate with one's in-group are warm and the ones that compete are more competent. Poppe (2001) argues that nationalism or lack thereof, and smaller degree of perceived conflicts predicts morality while competence correlates strongly with perceived economic power. Hopkins et al (1997) posit that within Europe northern nations are perceived to be more efficient based on their level of development while southern nations that are perceived as inefficient or easy going are seen as warm.

In the SCM model Cuddy et al (2009) argue that status precedes competence i.e. groups that are on top of a hierarchy are viewed as more competent. Socio-economic status is positively related to perceived competence. Cuddy et al (2009) found that countries with a higher level of economic development like Germany were perceived to be more competent than warm. We expect that a higher level of socio-economic development associated with perceived competence will lead to a positive relationship with country image.

We therefore hypothesize that:

***H1a: Perceived competence is positively related to country image***

The product country image refers to the image of products produced in a country. The construct is described by items such as innovativeness, prestige, workmanship, and reliability (Pameswaran & Pisharodi, 1994). These items belie the ability of a country to produce high quality products.

In the stereotype content model, perceived competence is used to describe groups that have a high standing in society or among nations (Cuddy et al, 2009; Poppe, 2001). For instance, in an anecdote published in Cuddy et al (2009) paper an Italian man is quoted as saying ‘Germans love Italians but don’t admire them’(p2). The competing dimensions of warmth on one hand and competence on the other are part of the ambivalent hypothesis advanced in the stereotype content model (Fiske et al, 2002). Specifically, groups are positively viewed on one dimension i.e. competence or warmth but not both. Cuddy et al (2009) argue that status precedes competence i.e. people assume that groups that are considered to be at the top of a social hierarchy attained that position through their competence. Poppe (2001) also showed that the level of economic development affects stereotypes such that more economically developed countries are deemed to be competent.

Perceived competence dimension is underpinned by perceptions of skillfulness, intelligence and efficiency (Maher & Carter, 2011). These dimensions describe the degree of technical proficiency groups of people are believed to possess. Heslop et al (2004) argue that beliefs about the ability of a country and its people to produce good products contribute to product beliefs as measured by the innovativeness, workmanship, reliability, and quality

among others. Maher and Carter (2011) also found that the perceived competence dimension of the SCM was positively linked to the product country image.

Chen, Mathur and Maheswaran (2014) argue that the direction of the valence is directly linked to the evaluation of country related perceptions. A positive view of competence is directly linked to a positive view of the product country image. Competence and efficiency are constructs related to the image of a country as it pertains to the products it makes. Chen et al (2014) further argued that competence directly affects evaluation of products whereas warmth indirectly affects evaluation. Thus, competence is likely to have a valence consistent effect on the product country image.

We therefore hypothesize that:

***H1b: Perceived competence is positively related to product country image***

According to Fiske et al (2002) competence is associated with status. These stereotypes also operate at a national level, nations that are more developed are also assumed to be more competent (Heslop et al, 2004; Poppe, 2001). The competence stereotype is likely to be extended to evaluation of products made in those particular countries. Using the categorization approach Usunier and Cestre (2007) found that certain countries elicit a favorable evaluation of their products based on the stereotypic association between the country and the product, for instance Germany and cars, Japan and electronics. Pappu et al (2007) utilized a product category driven stereotype of countries and proposed a framework that showed relationships between country image and product country image. Specifically, they argued that countries with a strong match between product country image and country image like Japan would be in an advantageous position in marketing cars. The mechanism

driving this effect was the transference of the country image beliefs as well as product country image on the evaluation of cars manufactured in Japan.

The level of industrial development is associated with the stereotypes of hardworking people according to Hopkins et al (1997). The dimension of perceived competence in the SCM model is similar to the hardworking based stereotype and we expect that countries that are perceived to be competent to be also associated with proficiency in the production of goods. Following the argument put forward by Heslop et al (2004) we also argue that countries perceived to be competent will also make products that are deemed to be of high quality. We expect that this stereotypic association along the lines of competence will be extended to product evaluation.

***H1c: Perceived competence is positively related to product evaluation.***

### **3.2 Perceived warmth**

The perceived warmth dimension of the SCM is underpinned by peoples' perception of the sincerity, warmth, and friendliness of a group of people (Cuddy et al, 2009). The warmth dimension is driven by the perceived lack of agency of an out-group, specifically warmth stereotypes are targeted towards groups that are not deemed as competitive in society (Fiske et al, 2002). The ambivalent stereotype hypothesis posits that groups that are seen as warm are most likely to be deemed as not competent. Furthermore, Cuddy et al (2009) argue that stereotypes are based on a spectrum of competitiveness or cooperation wherein warmth is negatively related to competition and competence negatively related to cooperation. Within this context we expect that perceptions of cooperation between an in-group's nation and another will likely affect its country image.



The country image construct has affective and symbolic meaning to consumers (Brijs et al, 2011). In previous research on stereotypes Chattalas et al (2008) reference a Singapore airline campaign that used the character of a smiling Singapore air hostess to use the dimension of warmth to boost the country image. The perception of warmth in this case is used to drive the marketing of Singapore at a country level as well as the airline specifically since it carries the name of the country. We also expect that warmth in the case of country images is driven largely by how people in those countries are viewed which we believe is extended to its country image.

The stereotype of warmth according to Hopkins et al (1997) can relate to the relations between the category groups i.e. between the nations or a general perception of the warmth of the category group with other outsiders. Regardless of the target of the warmth stereotype we expect that they are positively related to their country image as they represent positive perception of a group. The social identity theory has been used in international marketing to show how out-groups are not uniformly viewed as competitive to one's in-group (Oberecker et al, 2011). Specifically, there are groups that can be considered to be part of one's own in-group based on the relationships between the two countries or personal visits (Oberecker et al, 2008).

Using the stereotype content model Maher and Carter (2011) found that perceived warmth is positively related to admiration of the citizens of the targeted group. Admiration has also been used in the consumer affinity construct to show how individuals may prefer buying products from a particular country and also possess positive views of that country (Oberecker et al, 2011). We expect that perceived warmth will impact the judgment of the country image. We hypothesize that:

## ***H2a: Perceived warmth is positively related to country image***

Product country images capture the quality or lack thereof of products made in particular countries. The underlying driver of positive product country image is good workmanship or even stereotypic association people may have of products made in particular countries. Han (1989) argued that consumers can abstract information about similar products made in the country to come up with a summary view of the product country image.

The underlying drivers of the perceived warmth dimension can also be used to refer to the sociability of a group of people. Singapore Airline for example uses a soft appeal of a smiling air hostess because it promotes tourism which most involves interacting with people (Chattalas, 2008). This however does not imply that Singapore does not have a technically sound workforce. The warmth dimension in the SCM model denotes sociability between groups of people whereas the competence dimension is primarily related to their workmanship or technical ability.

The product country image conceptual domain is related to the productive capacity of a country and is most likely to be related to the perception of competence of a group of people more than it will be related to their warmth. Fiske et al (2002) show that competition predicts warmth i.e. if a group is not able to compete with one's group it is deemed to be warm. Thus groups that are seen to be warm are not seen as carrying traits that allow them to be competitive. In the context of evaluation of products from foreign countries, we expect that the less competitive countries will have a weak product country image.

Maher and Carter (2011) utilized the SCM model and found that perceived warmth was not related to product country image. These findings are consistent with our argument that

the product country image as broadly conceived is likely to be driven by perceptions of competence better than the warmth dimension. We therefore conclude that there is no direct relationship between product country image and perceived warmth and hypothesize that:

***H2b: The relationship between perceived warmth and product country image is mediated through country image.***

Perceived warmth is associated with groups of people that are not deemed competent (Cuddy et al, 2009). The dimensions of warmth are associated with sociable characteristics or traits. These are traits are unlikely to be related to the evaluation of product related features. The positive relationship between perceived warmth and country image will fully mediate the relationship between perceived warmth and product evaluation.

According to Chen et al (2014) affect generated by warmth stereotypes is not diagnostic of a country's product quality. Warmth stereotypes denote the friendliness and good nature of a group of people. The warmth stereotype is therefore indirectly processed by consumers. Stereotypes of perceived warmth tap into feelings about the country and impact favorably the overall country image. The country image is positively related to the product country image (Pappu et al, 2007). The relationship between warmth and country image is likely to be indirectly linked to the product evaluation.

We therefore hypothesize that:

***H2c: The relationship between perceived warmth and product evaluation is mediated through country image.***

### **3.3 Moderating effect of Consumer Ethnocentrism**

The role of consumption in an intergroup context has been studied through the concept of consumer ethnocentrism. Consumer ethnocentrism is motivated by questioning the morality of buying out-group products (Shimp and Sharma, 1987). In this context

consumption is related to a specific goal of protecting domestic jobs or avoiding harm to a specific social in-group.

Consumer ethnocentrism describes a moral aversion towards purchasing foreign products (Shimp and Sharma, 1987). Ethnocentric consumers perceive a high level of threat to the domestic economy from imported products. Apart from threat perception, some researchers have found that ethnocentrism is also associated with derogation of an out-group in favor of one's in group (Verlegh, 2007). Ethnocentric tendencies are also driven by personal values such as collectivism, lack of openness to foreign cultures and patriotism (Sharma, Shimp, and Shin, 1995).

The consumption of products across time, physical and social space is part of the consumer culture theory framework (Tomlinson, 1999; Steenkamp & DeJong, 2010). Within the consumer culture theory framework, identities are oriented around consumption activities (Holt, 2002). Consumer ethnocentrism is also associated with consumption within the social space with respect to how ethnocentric consumers use their in-group as a frame of reference when making consumption decisions.

Steenkamp and DeJong (2010) use consumer culture theory to show the effect of consumer ethnocentrism on attitudes towards global and local products. The authors found that ethnocentric consumers had a positive attitude towards local products compared to globally conceived products. Within the consumer culture theory framework, the global marketplace has led to the interpenetration of local cultures by global products (Arnould & Thompson, 2005). Using the CCT framework we argue that consumption of products across space occurs within the global marketplace where a variety of products are available

to consumers. The ethnocentric consumer in the global marketplace will favor the in-group products which represents the national group compared to other nations.

Following the two main drivers of ethnocentrism i.e. in group enhancement and the perception of threat from foreign products we expect that ethnocentrism will attenuate the effect of the competence stereotype. Ethnocentric consumers are likely to perceive a higher level of threat from competitive out- groups than from ones deemed as less competitive.

We expect that variation in threat perception among individuals affects country image and product country image. In general, we expect that groups that are competent will be perceived as more threatening and will elicit more biased evaluations than groups seen as none threatening or warm. We have hypothesized that the country image construct is viewed within a relational context. Ethnocentric consumers are therefore likely to enhance our expected negative relationship between competitive groups and country image.

On the other had we expect that product country image is viewed within more objective parameters than country image which Brijs et al (2011) argued is viewed within the stereotype lens. We expect that the aversion towards purchasing foreign products and the general tendency of ethnocentric consumers to evaluate home products more positively than foreign products will lead ethnocentric consumers to evaluate the product country image of foreign products negatively. As such we expect that ethnocentrism attenuates the expected positive relationship between perceived competence and product country image.

We therefore hypothesize that:

***H3a) The relationship between perceived competence and country image is moderated by ethnocentrism such that a high level of ethnocentrism weakens the relationship compared to low ethnocentrism.***

***H3b) The relationship between perceived competence and product country image is moderated by ethnocentrism such that a high level of ethnocentrism weakens the relationship compared to low ethnocentrism.***

The intergroup context is very important in understanding consumer ethnocentrism because ethnocentric consumers identify with products from their country at a personal level (Shankarmahesh, 2006; Verlegh, 2007; Shimp & Sharma, 1987). The stereotype content model shows how out-groups are perceived on the dimensions of competence and warmth based on the perception of competition or cooperation from out-groups (Fiske, Cuddy, Glick, & Xu, 2002). Ethnocentric consumers perceive a higher level of threat from out-group products than less ethnocentric consumers (Sharma, Shimp and Shin, 1995; Jo, 1998).

Characteristics of the out-group can reduce the perception of threat, for instance Watson and Wright (2000) found that cultural similarity reduced the strength of bias by ethnocentric consumers. Verlegh (2007) argued that a sense of European identity reduced the strength of ethnocentrism of European consumers. These examples show that out-groups are viewed differently by ethnocentric consumers, not all foreign products are viewed as a threat to the in-group.

Perceived warmth is negatively related to competition. Warmth stereotypes are attributed to groups that are perceived not to be harmful to the in-group. These groups and their products are likely not to pose a threat compared to more competitive groups. The relative lack of competition will lead to a more general positive evaluation of that group's product country image and country image. Ethnocentric consumers do not perceive a uniform level of threat from out-groups (Watson & Wright, 2000) such that a higher level

of perceived warmth is likely to be associated with less outgroup derogation. Therefore, consumer ethnocentrism in our model will likely enhance a positive relationship between perceived warmth and country image. Product country image is underpinned by the evaluation of the technical ability of a country to produce good quality products. However, ethnocentric consumers evaluate foreign products negatively compared to their own except in cases of less threat perceived from an out-group. According to CCT the distinction between in-group products and out-group products is central to the identity building of ethnocentric consumers (Steenkamp & DeJong, 2010). The tension between locally conceived products and foreign conceived products is not as strong when the foreign products are perceived to be from a country that is not competitive. We therefore hypothesize that:

***H4a) The relationship between perceived warmth and country image is moderated by ethnocentrism such that a high level of ethnocentrism increases the strength of the relationship compared to low ethnocentrism.***

***H4b) The relationship between perceived warmth and product country image is moderated by ethnocentrism such that a high level of ethnocentrism increases the strength of the relationship compared to low ethnocentrism.***

### **3.4 Moderating effect of National Identity**

Social identity theory (Tajfel & Turner, 1979) can be used to understand how stereotypes of out-groups affect judgments of consumers. Aberson, Healey, and Romero (2000) claim that “social identity theory states that individuals define themselves in terms of their group memberships and seek to maintain a positive identity through association with positively valued groups and through comparison with other groups” (p.157).

Westjohn, Singh, and Magnusson (2012) identify the national in-group as part of a collective identity adopted by individuals. The authors suggest that national identity is related to a psychological investment one has in the national community. National identity is defined as “the importance of national affiliation as well as the subjective significance of an inner bond with the nation” (Blank & Schmidt, 2003 p.296). Accordingly, national identity is enhanced by the knowledge of belonging to a group and the value placed in belonging to that in-group. Individuals vary in the strength of their national identity based on the importance they attach national identity as a relevant part of their identity. According to Brewer (1999) in-group bias due to national identity is driven by attachment to the in-group without specific reference to an out-group. In-group identity is associated with an evaluative as well as an emotional connection one has with their in-group (Tajfel, 1978).

In international marketing, social identity theory has been used to explain home country bias (Verlegh, 2007), ethnocentrism (Shimp & Sharma, 1987), and adoption of a global or national identity (Westjohn, Singh, & Magnusson, 2012). The use of national identity in the literature has been predominantly to explain preference for domestic products (Verlegh, 2007). It is still unclear how national identity impacts the evaluation of foreign products in the absence of comparison with domestic products. Verlegh (2007) and Zeugner- Roth et al (2015) investigated the impact of national identity along with consumer ethnocentrism on the evaluation of domestic and foreign products and found a more consistent effect of ethnocentrism on evaluation of foreign products. Verlegh (2007) argued that national identity and consumer ethnocentrism have different drivers, ethnocentrism is focused on



the threat from foreign products or out-groups whereas national identity is focused on the in-group and need to self- enhance their group.

In-group identification does not necessarily lead to outgroup discrimination unless there is a perception of threat to the in-group (Brewer, 1999; Roth et al, 2015). Under conditions of threat, ethnocentrism will likely enhance negative evaluation of the out-group. National identity is positively related to preference for domestic products (Verlegh, 2007). However, Verlegh (2007) did not find a consistent effect of national identification on the evaluation of foreign products. The author concluded that the perception of similarity between a foreign COO and consumer's in-group mitigated the effect of national identity. In COO research threat is not implicitly primed in the research design (Verlegh, 2007). Thus, there has not been much attention paid to how national identity affects evaluation of foreign products only (Zeugner-Roth et al, 2015).

There is a lack of consistent findings in the literature on the relationship between national identification and evaluation of foreign products. Verlegh (2007) found a positive effect for some product categories and not others. Zeugner-Roth et al (2015) found a positive effect of national identity on product judgment of foreign products but not willingness to buy. The papers investigated the impact of national identity on COO evaluation using countries located geographically close to each other, for example Zeugner Roth used Austria and Italy while Verlegh (2007) used the Netherlands and other Western European countries. Our paper uses the SCM to model conditions where individuals judge out-groups that are not culturally similar to one's in-group.

The perception of competition by out-groups is based on a zero sum conceptualization of group relations (Brewer, 1999). While a lot of insight from SIT about how individuals

react to threat perception is based on priming identity under lab conditions followed by allocation of rewards to the in-group and out-group, it is not clear if this dynamic appears in the evaluation of COO. However, the relationship between group identity and out-group discrimination can be studied when we prompt consumers to evaluate countries that are on the competitive or cooperative spectrum of group relationships. In contrast to ethnocentrism, national identity is not generally primed with negative out-group feelings (Zeugner -Roth et al, 2015). While ethnocentrism is associated with strong in-group identity it also explicitly discriminates against out-groups. We therefore expect that national identity does not imply strong anti-out-group feelings. High in-group identity does not necessarily lead to out-group discrimination because their social identity is not threatened by other equally competent out-groups in contrast to low in-group identifiers who may perceive a greater threat to their in-group from competitive out-groups. These factors will influence the evaluation of the image of foreign countries. Perceived status is associated with high levels of competence and we expect that a foreign COO with a perceived high status will be favorably compared to one's in-group. We therefore hypothesize that:

***H5a) The relationship between perceived competence and country image is moderated by national identity such that a high level of national identity strengthens the relationship compared to low national identity***

***H5b) The relationship between perceived competence and product country image is moderated by national identity such that a high level of national identity strengthens the relationship compared to low national identity.***

According to social identity theory intergroup discrimination produces positive social identity (Hewstone, Rubin & Willis, 2002). There is considerable debate in social identity

theory about the conditions under which in-group identification produces out-group description. The self-esteem hypothesis in social identity theory posits a relationship between discrimination and maintenance of collective self-esteem (Rubin & Hewstone, 1998). Rubin and Hewstone (1998) suggested two mechanisms that produce intergroup discrimination: (1) successful intergroup discrimination leading to a positive social identity and (2) depressed self-esteem leading to out-group discrimination. The central argument is whether discrimination is a driver of social identification or an outcome driven by identification with an in-group. We conceptualize out-group discrimination as an outcome of social identification in our research. Therefore, we are interested in the difference between low and high in-group identification plays in the evaluation of foreign products. We expect that the level of national identification will produce different outcomes with respect to out-group bias. The condition under which out-group bias is motivated is different for low and high in-group identity. Following the self-esteem hypothesis, we argue that out-group bias is an outcome of group identity, thus low in-group identity (low group self-esteem) will lead to out-group bias when the in-group is threatened and vice versa.

National identity is not focused on external out-groups and the empirical relationship between national identity and foreign product judgment is not established in the literature (Verlegh, 2007; Zeugner-Roth et al, 2015). According to Zeugner-Roth et al (2015) previous literature assumes but does not empirically establish a negative relationship between national identity and foreign product judgment. Competition negatively predicts warmth i.e. low competitiveness is associated with high levels of warmth. Threat to the in-group identity generally leads to out-group discrimination (Turner & Onarato, 1999). The

perception of threat from groups perceived to be warm is lower than that of groups perceived to be competent. Compared to high in-group identity, low in-group identifiers may perceive the lower competition from an out-group to be diagnostic of their low level of threat. The motive to produce out-group bias is lower when the out-group is not competent. For individuals with a high in-group identity the need to self-enhance is reduced when they compare themselves to groups perceived to be of lower status. Low in-group identifiers will perceive the lower competition to be less of a threat to their in-group and have a higher evaluation of the out-group when it is not perceived to be a threat to the in-group. Therefore, we hypothesize that:

***H6a) The relationship between perceived warmth and country image is moderated by national identity such that a high level of national identity weakens the relationship compared to low national identity.***

***H6b) The relationship between perceived warmth and product country image is moderated by national identity such that a high level of national identity weakens the relationship compared to low identity.***

### **3.5 Moderating effect of CSII**

Consumer susceptibility to interpersonal influence (CSII) is a measure of the extent to which consumption choices of individuals are motivated or influenced by real or imagined others (Bearden, Netemeyer, & Teel, 1989; Kropp et al, 2005) The construct has two main underlying dimensions; an informational context describing how consumers gather information from their peers and a normative context showing the extent to which consumers use products to identify and enhance their image in the eyes of their reference group.

The normative aspect of CSII is driven by the underlying motives of value expressiveness and utilitarian influence (Bearden et al, 1989). Value expressiveness references the need to self-enhance through identification with a reference group while utilitarian influence refers to an attempt to comply with the expectations of others.

CSII affects how people view advertising, respond to societal pressures to stop smoking and also in shaping values and collective self-esteem (Kropp et al, 2005; Boush et al, 1994; Kropp, 1999). Specifically, Kropp et al (1999) found that smokers tend to be less susceptible to interpersonal influence compared to non-smokers. Boush et al (1994) found that people who are more susceptible to interpersonal influence tended to be less skeptical about advertising. Consumers who score high on CSII are more liable to societal pressures and use them as a framework through to make consumption decisions.

Consumer culture theory can also be used to understand how consumers can forge a collective identity through the creation of subcultures within the global marketplace (Arnould & Thompson, 2005). According to Arnould and Thompson (2005) marketplace cultures are defined through adherence to some shared beliefs, rituals, and social practices. These subcultures in the market are underpinned by consumption communities where people derive some form of cultural capital through consumption shaped by the choices of the reference group.

Consumers who score high on CSII use products to gain membership and identify with an in group; this is similar to the consumer identity projects inherent in consumer culture according to Holt (2002). Consumer identity projects are goal driven (Mick & Buhl, 1992), for example cosmopolitans acquire cultural capital through openness to consumption of products that originate outside their country. In the intergroup judgment context of the

SCM, the normative influence is very important because intergroup judgments are made in the social space according to the SCM model. Kropp et al (2005) found that individuals who consider the in-group to be important to their identity were more likely to be susceptible to CSII. In contrast, low CSII is likely to lead to more independent decision making and less influence from any in-group.

In our research we expect that individuals who are influenced by their social in-groups will conform to group norms and that the relevant group in this case will be at the country level. Kropp et al (2005) found that individuals who place a high importance on group identity are more susceptible to normative influence. Therefore, individuals who have high CSII are likely to perceive competent groups as threatening to their in-group and hence downgrade their country image and product country image. We therefore hypothesize that:

***H7a) The relationship between perceived competence and country image is moderated by CSII such that a high level of CSII weakens the relationship compared to low CSII***

***H7b) The relationship between perceived competence and product country image is moderated by CSII such that a high level of CSII weakens the relationship compared to a low CSII.***

In the case of perceived warmth, we expect that individuals who have high CSII will not perceive a high level of competition from groups that are considered to be warm. The higher level of warmth will lead to a less negative view of the country image among consumers who have a high CSII. However, we do not anticipate that a less negative appraisal of a particular country is linked to a more positive view of that country's products. The product country image will thus not be necessarily strengthened because the country is not perceived to be less competitive. The consumer may have an indifferent view about

the product country image and therefore the perceived warmth dimension will not have a necessarily significant relationship on account of a high CSII.

### **3.6 Moderating effect of Extraversion**

Personality is defined by McCrae and John (1992) as enduring emotional, interpersonal, experiential, attitudinal, and motivational styles that explain behavior in different situations. The five factor model of personality refers to stable dispositional characteristics that endure over time and according to Mount et al (2005) determine peoples' affective, behavioral, and cognitive styles. Personality can be used as a guidepost or frame of reference used to make decisions by consumers.

McCrae and John (1992) suggest that different behavioral characteristics underpin the five factors of the personality traits. For instance, extraversion is associated with active, assertive and energetic people and agreeableness is underpinned by forgiving, generous, kind and sympathetic behavior

In international marketing research a relationship has been found between specific traits such as agreeableness and openness to experience to global and national identity (Westjohn, Singh, & Magnusson, 2012). In the realm of international marketing, personality is thus an important driver of decision making by consumers. Personality traits have also been adopted in marketing to explain specific dimensions of brand personality (Aaker, 1997). Specifically, the authors argue that brands are imbued with human personality traits, for instance some brands are deemed to be more competent and sophisticated than others. These traits are therefore related to consumer decision making across various dimensions.

We are interested in how personality traits predispose individuals to be competitive. This dimension of personality traits is important in a global market context where products from different countries compete in the same marketplace. It is therefore important to establish a link between this competitiveness at the product level to the individual consumer. We use the social identity theory to understand how these personality traits affect the perception of other groups. Westjohn et al (2011) also used social identity theory to show how personality traits are associated with the collective identification of individuals at the national level or global level. We also follow their approach in linking personality traits through social identity to a predisposition for competitive behavior and hence evaluation of out-groups. If individuals are predisposed to be competitive based on their personality traits we can expect an interaction between the individual stereotypes and personality traits.

Stereotypes are social perception mechanisms that arise from human needs to identify friends or enemies and the prevalent nature of hierarchical status differences and competition (Fiske, Cuddy, Glick & Xu, 2002; Cuddy et al, 2009). The perceived warmth dimension of stereotypes is predicted by a lack of perceived competition from out-groups, if a group is not perceived to be competing with one's own in group it is rated as warm (Cuddy et al, 2009). This competition arises from goal conflicts between groups i.e. if the goal of out-groups' is detrimental to the in-group they are seen as lacking warmth. This goal conflict is at a more abstract level compared to a zero sum conceptualization we used for the competitive threat because it is not based on specific resource competition

We expect that individuals who score high on extraversion to show less aversion to competitive interactions. Extraversion is associated with people who are competitive,



dominant and bold (Mount et al, 2005) and we expect that those people who score high on extraversion are likely to enjoy competition and elevate themselves and their social groups in comparison to competitive out-groups.

Extraversion has been shown to be associated with enjoyment of competitive situations and a predisposition towards participating in them (Graziano, Feldsman, and Rahe, 1985; Wolfe & Kasmer, 1988). Graziano et al, (1985) found that “extraverts rated their own team more positively in competitive situations than in cooperative situations” (p977). The intergroup component of personality traits is thus conducive to our research. In light of these research findings we expect that situations where consumers are buying products from countries that are perceived to be in competition with their own elicit different reactions according to personality traits.

The perceived competence dimension is associated with groups that are considered to be competitive. Individuals who have the extraversion trait are considered to be aggressive and have traits that encompass dominance and drive (DeYoung et al, 2013). Specifically, individuals de-emphasize their personal identity and that of others forming group prototypes of themselves and others and use that as a basis of judgment. Individuals who are dominant and have the extraversion trait in this case will want their group to be more dominant than others and hence downgrade other groups. Based on this reasoning we expect that individuals who are predisposed to competition will prefer their in-group products and will also downgrade the country image of competing groups.

We therefore hypothesize that:

*H8a) The relationship between perceived competence and country image is moderated by extraversion such that a high level of extraversion weakens the relationship compared to low extraversion.*

*H8b) The relationship between perceived competence and product country image is moderated by extraversion such that a high level of extraversion weakens the relationship compared to low extraversion.*

Groups that are perceived to be warm are not as competitive compared to the competent groups. The extraversion trait is associated with the desire to be assertive and dominant in social situations (DeYoung et al, 2013). Thus for non-competitive groups we do not expect that extraversion would be associated with significant downgrading of their country image and product country image and we therefore do not hypothesize any moderation effect of extraversion on perceived warmth and country image and product country image.

**Table 3: Summary of Hypotheses**

H1a	Perceived competence is positively related to country image
H1b	Perceived competence is positively related to product country image
H1c	Perceived competence is positively related to product evaluation.
H2a	Perceived warmth is positively related to country image.
H2b	The relationship between perceived warmth and product country image is mediated through country image.
H2c	The relationship between perceived warmth and product evaluation is mediated through country image.
H3a	Consumer ethnocentrism weakens the relationship between perceived competence and country image
H3b	Consumer ethnocentrism weakens the relationship between perceived competence and product country image
H4a	Consumer ethnocentrism strengthens the relationship between perceived warmth and country image
H4b	Consumer ethnocentrism strengthens the relationship between perceived warmth and product country image
H5a	National identity strengthens the relationship between perceived competence and country image
H5b	National identity strengthens the relationship between perceived competence and product country image
H6a	National identity weakens the relationship between perceived warmth and country image
H6b	National identity weakens the relationship between perceived warmth and product country image
H7a	CSII weakens the relationship between competence and country image
H7b	CSII weakens the relationship between competence and product country image
H8a	Extraversion weakens the relationship between competence and country image
H8b	Extraversion weakens the relationship between competence and product country image

## CHAPTER IV

### METHODOLOGY

#### **4.1 Procedure**

The framework provided in Figures 1 and corresponding hypothesis will be investigated using a sample of American consumers. We use the United States as a result of its position in the global trade system and as a country where many foreign producers sell their brands.

In order to choose the countries to be assessed by the respondents we conducted a pretest using a convenience sample of students in a Midwestern university. We used a convenience sample where students recruited additional respondents in exchange for class credit. The total sample used in the pretest amounted to 113 to be used in the analysis. The pretest was used to validate the measures and also in selecting the countries to be used as the stimulus. Respondents were asked to identify three countries that came to mind when they thought of a group of people who they considered to be warm or competent. The countries that appeared in the top 3 of respondents frequently were then chosen as the stimulus. China was chosen for its appearance in the competence ratings and India for its selection in the warmth rating. Respondents were recruited from students in a Midwestern business school who distributed the survey to other non-student respondents in exchange for extra credit. The exercise yielded the sample described in table 3.

In order to gauge the behavioral outcome of our main model we chose to use an actual product to show how national stereotypes are used in product evaluation. We chose to use DVD players. DVD players are a fairly ubiquitous product and are associated with outsourced production and students are familiar with the technology and foreign countries as a source for such products. Respondents were given a brief description of a generic DVD player describing its' characteristics with information about where the product is made included in the description.

**Table 4. Descriptive Statistics**

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*Variables*

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<b>Gender</b>	
Male	46.1%
Female	53.9%
<b>Income</b>	
Below \$35,000	36.8%
Between \$35,000 and \$50,000	11.1%
Between \$50,000 and \$60,000	16.2%
Between \$60,000 and \$85,000	13.8%
Over \$85,000	22.2%
<b>Education</b>	
High School	20.7%
Some college/College	72.5%
Masters	4.8%
Doctorate/Professional	2.1%
<b>Age</b>	
16-24	65.3%
25-44	15.6%
45-64	15.6%
65 and over	2.1%

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## 4.2 Measures of Constructs

Previously used scales for measuring perceived competence and warmth, country image, product country image, consumer ethnocentrism, extraversion, consumer susceptibility to interpersonal influence, national identity and the outcome variables were identified. All items are measured on a 7-point Likert scale. The scale for perceived competence and warmth was proposed and validated across countries by Cuddy et al (2009). The scale contains six items for both competence and warmth and includes items for warmth such as warm, friendly, well intentioned, good natured, trustworthy and for competence they use efficient, competent, intelligent, capable, confident, and skillful.

The product country image scale is among a number of scales developed to measure the COO effect (Narayana, 1981). The scale is underpinned by items such as, good value for money, reliable, color and design, workmanship, and technological advancement. The country image scale is adopted from Brijs and Kasper (2011). The construct has items measuring socioeconomic stereotypes, geo-cultural stereotypes, behavioral intentions and positive feelings towards people. Consumer ethnocentrism is measured through the CETSCALE (Shimp & Sharma, 1987); the scale contains 17 items that capture the morality of buying foreign products and threat perception by consumers. It has been validated in Germany, France, and Japan by Netemeyer, Durvasula, and Lichtenstein, 1991. The items included in the scale include “Buy American-made products keep America working” “American people should only buy American made products instead of imports”.

National identity scale is adopted from Der-Karabetian and Ruiz (1997). The scale contains 8 items that measure people’s connection to their nation as an in group. Items such

as “My destiny is closely connected to the destiny of the United States”, “I see my future closely tied to the future of humankind in the United States”. Product evaluation is adopted from Sharma (2011) and contains 4 items such as overall quality, performance, reliability and value for money. Consumer susceptibility to interpersonal influence is measured using Bearden et al (1989) scale. It has been previously used in international marketing literature to show its relationship to personal values (Kropp et al, 2005). Items include statements such as “It is important that others like the products and brands I buy”, “I like to know what brands and products make good impression on others”. Extraversion is adopted from the five factor model (McCrae & John, 1992). The items from the scale have been adapted by Mowen (2000). The items for extraversion include gregariousness, assertiveness, activity, excitement seeking.

The scales were entered into a correlation matrix. High correlations existed cross measures that we expect to be theoretically linked, for example, country image and product evaluation (0.437). However, further analysis of discriminant validity showed that the measures were sufficiently different from each other. The measures were all on a Likert scale of 1-7. The means for perceived competence (5.221) and perceived warmth (4.226) showed high ratings of the stereotypes of both countries. The means were in line with the expectation of the SCM along the different dimensions.



**Table 5: Construct correlation matrix**

	CR	AVE	COI	EXTRA	PCI	EVAL	CET	COMP	WARMTH	NID	CSII
COI	0.898	0.688									
EXTRA	0.776	0.537	0.200								
PCI	0.833	0.555	0.390	0.218							
EVAL	0.902	0.698	0.437	0.342	0.448						
CET	0.876	0.639	-0.043	0.103	-0.167	0.016					
COMP	0.943	0.734	0.484	0.386	0.365	0.543	-0.007				
WARMTH	0.958	0.793	0.576	0.221	0.376	0.416	0.038	0.606			
NID	0.920	0.590	-0.002	0.320	0.080	0.155	0.430	0.161	0.101		
CSII	0.947	0.692	0.281	0.032	0.248	0.211	0.122	-0.012	0.096	0.098	
Mean			3.767	5.093	4.166	4.778	3.938	5.221	4.226	4.680	3.117
S.D.			1.088	1.197	1.382	1.336	1.411	1.325	1.478	1.312	1.430

### **4.3 Control Variables**

Due to the fact that our research directly evaluates the impact of stereotypes we expect that some personal characteristics of individuals might help in explaining the phenomena under study. We use gender in our model following some studies that claim women are more conservative, collectivistic and show greater concern for maintaining social harmony than men (Shankarmahesh, 2006; Triandis et al, 1985). We also use education under the assumption that more educated people would perceive threat from other countries differently from people with less education. For instance, some researchers have found that educated people are less likely to be ethnocentric (Klein & Ettenson, 1998). We also include nation of origin because we expect that stereotype perceptions are influenced by the relationship between one's country and the country being studied and it is most likely not to be uniform across all nations. Age is also an important factor in explaining reactions

to foreign products. Steenkamp and DeJong (2010) found that younger people are more open to global products than older consumers.

#### **4.4 Scale validity and common method variance**

The data was collected through an online questionnaire. Due to the fact that we use a similar source for criterion and predictor variable we need to address the potential for common method variance (Podaskoff, Mackenzie, Lee & Podaskoff, 2003). The authors suggested various methods to address this issue. The survey was administered over the internet to address the possibility of socially desirable responses because it guarantees anonymity. We also order the criterion and predictor variables in a way that does not induce bias. For instance, we measure the evaluations of product country image and country image before the introduction of independent variables and respondent cannot move back to the previous sections once they provide a response. We used the Harman single factor test to test whether one factor accounted for the majority of the variance in the data. A single factor accounted only for 21% of the variance in the data which is less than 50% cutoff suggested by Doty and Glick (1998). We also introduced an unrelated variable in the study to check for any relationship with the independent and dependent variables. We chose a measure of self-efficacy as a marker variable in the study.

The scales were subject to various tests to establish the validity of the measures. The reliability of the measures we assessed the Cronbach's alpha to determine internal consistency. The measures ranged from 0.78 to 0.96. Measures above 0.7 are considered to be reflective of reliability of the measures as suggested by Hair et al (2006). We also performed an exploratory factor analysis (EFA) to establish unidimensionality. The EFA

yielded 9 factors explaining 72% of the variance. The factor loadings of the EFA ranged from 0.49 to 0.80. We retained most of the factors for a confirmatory factor analysis.

We subsequently performed a confirmatory factor analysis to establish the dimensionality of the constructs on the preliminary data. We utilized AMOS 22.0 for this analysis. Factor loadings above 0.5 were retained as suggested by Hair (2006). The final measurement model showed good fit:  $\chi^2/d.f.=2.10$ ; Bentler CFI=0.89; TLI=0.88; IFI=0.89; RMSEA=0.058.

Discriminant validity was evident in that no confidence interval for the phi correlations between pairs of variables contains 1.0 (Anderson & Gerbing, 1988). All correlations were less than the respective variance extracted estimates for all pairs of constructs. Construct reliability was assessed by calculating the composite reliability for each construct (Fornell & Lacker, 1981). Cronbach's alpha scores supported internal consistency with scores ranging from 0.78 to 0.96.

Factor loadings were all significant at the 0.05 level. The factor loadings ranged from 0.68 to 0.93. The construct reliabilities are all good ranging from 0.91 to 0.98 meeting the cutoff point of 0.9 suggested by Hair et al (2006). The average variance extracted which can be used to demonstrate convergent validity ranged from 0.54 to 0.79; AVE scores above 0.5 suggest that at least half of the observed variance in the construct is due to the underlying variables and not due to other sources

After the results were validated they were entered into a moderated multiple regression. We created interaction terms by standardizing the variables. This was used in order to minimize multicollinearity and facilitate interpretation. The control variables were entered in the first step followed by the main effects and then followed by the moderators. Variance

inflation factors were all below 10 indicating that multicollinearity is not a problem (Hair, 2010; Kennedy, 2008). The variance inflation factors were low ranging from 1.4 to 2.9. The data was entered into an ordinary least squares regression (OLS). The controls were entered into the model first then followed by the main predictor variables. The moderator variables were added in the next step and finally the interaction terms. The discussion of the results will be organized by country.

**Table 6 Summary of loadings, CR, AVE**

Construct	Items	Loading	Construct Reliability	AVE
Perceived Competence	Competent	0.834	0.943	0.73
	Efficient	0.880		
	Intelligent	0.851		
	Capable	0.915		
	Confident	0.765		
	Skillful	0.888		
Perceived Warmth	Warm	0.839	0.958	0.80
	Friendly	0.881		
	Well Intentioned	0.885		
	Good natured	0.937		
	Trustworthy	0.893		
	Sincere	0.904		
Country Image	Language	0.773	0.855	0.67
	Landscape	0.810		
	Climate	0.796		
	Political Climate	0.781		
	History	0.774		
	Economy	0.705		
	Buying products	0.716		
	Doing business	0.664		
	Investing	0.756		
	Enthusiastic	0.864		
	Interested	0.866		
	Excited	0.931		
	Inspired	0.907		
	Proud	0.800		
	Attentive	0.872		
Product country image	Innovativeness	0.708	0.832	0.56
	Design	0.820		
	Prestige	0.748		
	Workmanship	0.699		
Product Evaluation	Value for money	0.728	0.902	0.70
	Reliability	0.886		
	Performance	0.835		
	Overall Quality	0.883		
Consumer Ethnocentrism	Should not buy foreign products	0.835	0.958	0.669
	Not right to purchase foreign products	0.793		
	Americans should always buy American-made Products	0.824		
	We should purchase products manufactured in America	0.742		

National Identity	<p>Being an American plays an important part in my life</p> <p>Being an American a special privilege</p> <p>My destiny is closely connected to the United States</p> <p>I see my future closely tied to the future of humankind in the United States</p> <p>My fate and future are bound with that of the American people</p> <p>One of my most important duties as an American is loyalty to the United States.</p> <p>If a stranger were mistake me for a non-American, I would correct their mistake</p> <p>If I were to be born all over again, I would wish to be born an American.</p>	<p>0.726</p> <p>0.801</p> <p>0.837</p> <p>0.822</p> <p>0.813</p> <p>0.739</p> <p>0.662</p> <p>0.726</p>	0.909	0.557
Consumer susceptibility to interpersonal influence	<p>I rarely purchase the latest fashion styles until I am sure my friends approve of them</p> <p>It is important that others like the products and brands I buy</p> <p>When buying products, I generally purchase those brands that I think others will approve of.</p> <p>If other people can see me using a product, I often purchase the brand they expect me to buy</p> <p>I like to know what brands and products make a good impression on others</p> <p>I achieve a sense of belonging by purchasing the same</p>	<p>0.817</p> <p>0.900</p> <p>0.913</p> <p>0.818</p> <p>0.854</p> <p>0.803</p>	0.947	0.692

	products and brands that others purchase	0.836		
	If I want to be like someone, I often try to buy the same brands that they buy	0.693		
	I often identify with other people by purchasing the same products and brands they purchase			
Extraversion	Gregariousness, Assertiveness Activity	0.722 0.682 0.791	0.776	0.692

## CHAPTER V

### RESULTS

#### 5.1 Main effects

We found a significant relationship between perceived competence and country image (0.140,  $p < 0.001$ ) in support of H1a. H1b was supported with perceived competence being positively related to the product country image (0.170,  $p < 0.001$ ). We also posited a positive relationship between perceived competence and product evaluation (0.433,  $p < 0.001$ ). The perceived competence dimension was significant across all the main outcome variables. We posited a direct relationship of perceived warmth on country image (0.233,  $p < 0.001$ ) and the result was significant in support of H2a. The fit indices of the structural model showed good fit. The structural model showed good fit:  $\chi^2/d.f.=2.33$ ; Bentler CFI=0.91; TLI=0.895; IFI=0.89; RMSEA=0.06.

We tested the mediation effect of country image on the relationship between perceived warmth and product country image by following Baron and Kenney (1986) approach. We first tested for a direct relationship between perceived warmth and product country image (0.342,  $p < 0.001$ ). We then tested the relationship between perceived warmth and country image (0.126,  $p < 0.05$ ) and country image and product country image (0.221,  $p < 0.001$ ). Finally, we regressed perceived warmth and country image on product country image and



the effect of perceived warmth (0.180,  $p < 0.05$ ) was lower than the direct warmth-product country image relationship but still significant. This suggests a partial mediation effect because the strength of the perceived warmth and product country image relationship is weakened by the presence of country image. We also used the PROCESS macro for SPSS developed by Preacher and Hayes (2008) to test for the mediation relationship. According to Preacher and Hayes (2008) test for mediation can be done through constructing 95% confidence intervals for the test of mediation. Mediation is present when the 95% confidence intervals do not contain 0 when there is a test of mediation. The mediating effect of country image (0.1063, CI .0328 .1819) did not contain 0 which shows a mediating effect. The effect size of the mediation (.3105 CI .1159 .5952) shows that 31% of the total effect of perceived warmth on product country image is accounted for by country image. The PROCESS macro was also used to test for mediation. The standardized indirect effect (.1030 CI .0434 .1730) did not contain 0 in the 95% confidence intervals showing the mediating effect. The size of the mediation effect (.2647 CI .1025 .4686) suggests that 26% of the effect of perceived warmth on product evaluation was accounted for through country image.

We also tested the mediating effect of country image on the product evaluation outcome. Using the Baron and Kenney (1986) approach we tested a series of regressions. The regressions tested were the direct effect of warmth on product evaluation (0.389,  $p < 0.001$ ), warmth to country image (0.126,  $p < 0.05$ ), country image to product evaluation (0.346,  $p < 0.001$ ) and finally regressed perceived warmth and country image on product evaluation and the effect of perceived warmth was (0.286,  $p < 0.001$ ) showing a partial mediating effect.

## 5.2 Moderating effects

We also tested the moderating effect of the chosen variables on country image. We used OLS regression modelling to test for moderation and to also gauge the improvement in the explanatory power of the model when interaction terms are added. Adding the predictor variables significantly improved the explanatory power of the model increasing the  $R^2$  from 0.017 to 0.357. We created interaction terms to test moderation hypotheses by first standardizing the predictor and moderating variables and then created an interaction term entered into the model. The moderators increased the explanatory power of the model with  $R^2$  increasing from 0.357 to 0.369. However, national identity had a significant moderating effect on the relationship between perceived warmth and country image (-0.116  $p < 0.1$ ) and extraversion (.098  $p < 0.1$ ). There was also a significant moderating effect of ethnocentrism on the relationship between perceived competence and product country image (-0.140  $p < 0.1$ ). Entering the moderator variables in the model did not improve the model with the  $R^2$  declining from 0.229 to 0.227.

**Table 7: Structural equation model**

	Path	$\beta$	
Competence	->	Product Country Image	0.170***
Competence	->	Country Image	0.140***
Competence	->	Product Evaluation	0.433***
Warmth	->	Country Image	0.233***
Country Image	->	Product Evaluation	0.394***
Country Image	->	Product Country Image	0.328***

$\chi^2/d.f. (667) = 2.33$ ; RMSEA = 0.06; TLI = 0.90; CFI = 0.91

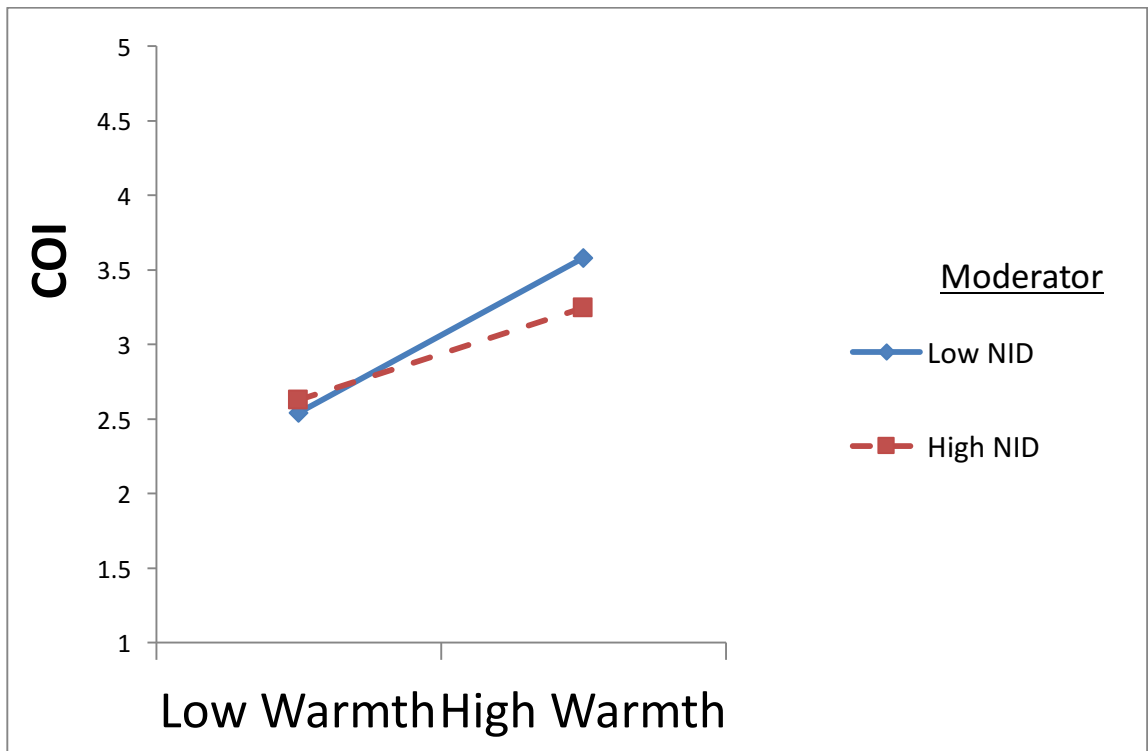
\*\*  $p < 0.05$ , \*\*\* $p < 0.001$  \* $p < 0.10$

**Table 8: Regression on China country image**

	Model1	Model2	Model 3	Model 4
GENDER	0.105*	0.042	0.035	0.034
	(1.893)	(0.891)	(0.73)	(0.760)
INCOME	-0.036	-0.034	0.000	0.003
	(-0.626)	(-0.703)	(-0.005)	(0.068)
EDU	0.084*	0.027	0.015	-0.014
	(1.52)	(0.565)	(0.327)	(0.297)
AGE	-0.11*	-0.083*	-0.019	-0.019
	(-1.919)	(-1.708)	(-0.387)	(-0.396)
COMP		0.138**	0.173***	0.144**
		(2.372)	(2.993)	(2.446)
WARM		0.443***	0.417***	0.415***
		(7.683)	(7.518)	(7.464)
CET			-0.063	-0.080
			(-1.289)	(-1.630)
NID			-0.092	-0.063
			(-1.772)	(-1.182)
CSII			0.251	0.256
			(5.447)	(5.343)
EXTRA			-0.030	-0.024
			(-0.608)	(-0.487)
COMP*CET				0.032
				(0.423)
COMP*NID				-0.095
				(-1.200)
WARM*CET				0.046
				(0.615)
WARM*NID				-0.116*
				(-1.670)
COMP*CSII				0.002
				(0.034)
COMP*EXTRA				0.098*
				(1.825)
R <sup>2</sup>	0.029	0.308	0.377	0.400
Adjusted R <sup>2</sup>	0.017	0.296	0.357	0.369
F	2.377*	23.932***	19.243***	12.988***

\*\*\*p<0.001 \*\*p<0.05 \*p<0.1 t values in parentheses

**Figure 2: Moderation: national identity on warmth and China COI**

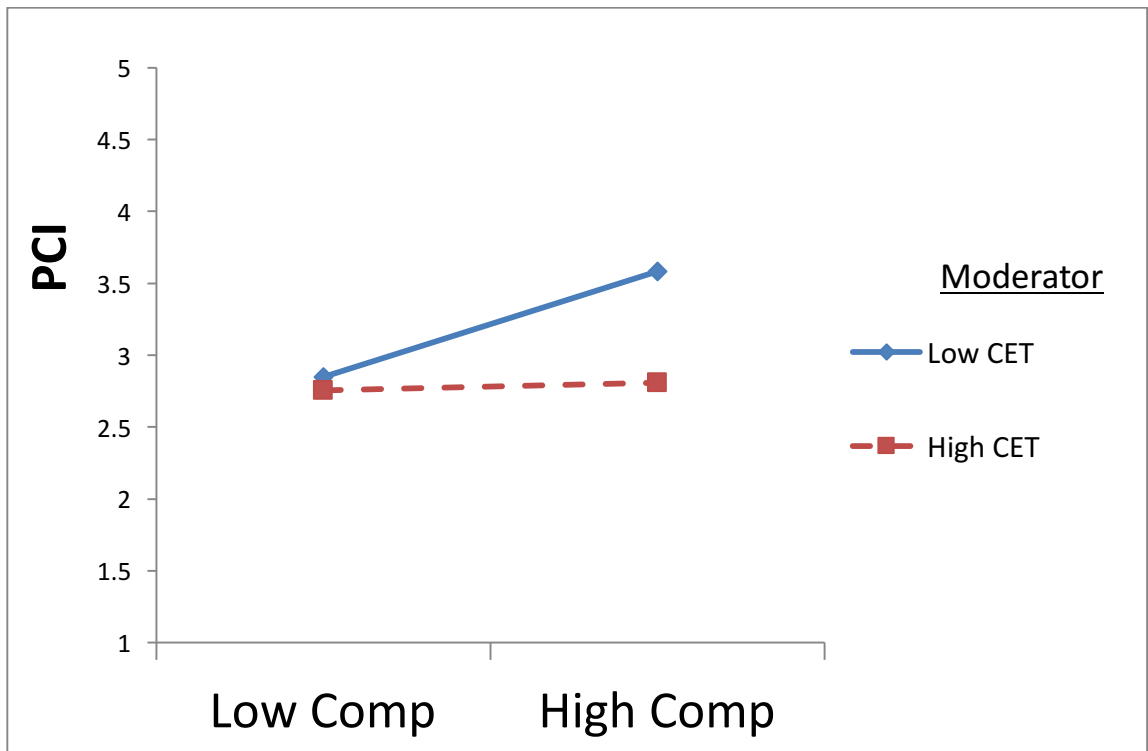


**Table 9: Regression on China product country image**

	Model1	Model2	Model 3	Model 4
GENDER	0.111** (2.017)	0.059 (1.136)	0.06 (1.185)	0.058 (1.231)
INCOME	-0.061 (-1.068)	-0.061 (-1.151)	-0.036 (-0.702)	-0.041 (-0.784)
EDU	0.006 (0.118)	-0.035 (-0.685)	-0.051 (-1.007)	-0.05 (-1.004)
AGE	-0.123** (-2.15)	-0.11** (-2.077)	-0.073 (-1.372)	-0.076 (-1.414)
COMP		0.207*** (3.245)	0.179*** (2.891)	0.197*** (3.009)
WARM		0.213*** (3.359)	0.200*** (3.285)	0.192*** (3.125)
CET			-0.231*** (-4.309)	-0.217*** (-3.975)
NID			0.101* (1.765)	0.081 (1.385)
CSII			0.231*** 4.211	0.199*** 3.754
EXTRA			0.062 1.152	0.049 0.882
COMP*CET				-0.140* (-1.655)
COMP*NID				0.119 (1.354)
WARM*CET				0.051 (0.628)
WARM*NID				-0.042 (-0.544)
COMP*CSII				0.013 0.246
COMP*EXTRA				-0.083 -1.42
$R^2$	0.031	0.166	0.252	0.265
Adjusted $R^2$	0.019	0.151	0.229	0.227
F	2.549**	10.693***	10.740***	7.023***

\*\*\*p<0.001 \*\*p<0.05 \*p<0.1 t values in parentheses

**Figure 3: Moderation: ethnocentrism on competence and China PCI**



**Table 10: Summary of results**

Hypothesis			
H1a: Comp-COI		.140**	Supported
H1b: Comp-PCI		.170***	Supported
H1c: Comp-Eval		.433***	Supported
H2a: Warmth-COI		.233***	Supported
H2b: Warmth-COI-PCI		.180***	Supported
H2c: Warmth-COI-Eval		.286***	Supported
H3a: Comp*CET-COI		-0.082	Not supported
H3b: Comp*CET-PCI		-0.140**	Supported
H4a: Warm*CET-COI		.046	Not Supported
H4b: Warm*CET-PCI		.051	Not supported
H5a: Comp*NID-COI		-.095	Not supported
H5b: Comp*NID-PCI		0.119	Not supported
H6a: Warm*NID-COI		-.116*	Supported
H6b: Warm*NID-PCI		-0.042	Not supported
H7a: Comp*CSII-COI		0.002	Not supported
H7b: Comp*CSII-PCI		-0.013	Not supported
H8a: Comp*Extra-COI		0.098*	Not Supported
H8b: Comp*Extra-PCI		-0.083	Not supported
***p<0.001 **p<0.05 *p<0.1			

## CHAPTER VI

### DISCUSSION AND CONCLUSIONS

We set out to understand the effect of national stereotypes on the COO effect at various levels of analysis. Accordingly, we investigated this effect at the general level (country image), less abstract level (product country image) and finally by investigating an actual product (DVD player). The effects of stereotypes were relatively consistent across these three dimensions. We also investigated how the different facets of COO i.e. country image and product country image affect each other.

#### **6.1 Main effects**

The stereotype effect was consistent across the image based COO facets. Perceived competence was positively related to both the country image and product country image. According to Cuddy et al (2009) status precedes competence, when people view out-groups as high status groups they accord them traits related to competence. The general image of a country is thus positively driven by perception of high status of out-groups. Respondents viewed perceived competence as an important dimension in forming their view of China's country image and product country image.

The country image is a generic construct that encompasses a multi-dimensional view of the image of the country. Social status is therefore likely to lead to a positive view of a



country's image. The product country image is related to the product related facet of a country's image. It is therefore not surprising those individuals who view out-groups as competent might assume that the products made in those countries are also of high quality.

The perceived warmth dimension is predicted negatively by competition (Cuddy et al, 2009). Out-groups are perceived to be warm to the extent the perceiver believes they do not compete with one's in-group. The view of warmth is most likely to lead a positive view of the country image if the perceiver views them to be a co-operating partner. Verlegh (2007) argued that individuals may extend the boundary of their in-group to foreign countries if they cooperate with one's own country. The effect of warmth was consistent across both country stimuli.

The product country image is at a lower level of abstraction. It specifically focuses on the products that are produced in a particular country. The impact of perceived warmth on product country image has been investigated in the literature (Maher & Carter, 2011). Previous findings could not find support for a significant relationship between perceived warmth and product country image. This finding is not surprising given that the warmth dimension is not significantly related to any technical ability of an out-group. Chen et al (2014) argued that warmth stereotypes are not directly related to country related product attitudes. However, taking into account the general image of the country can help explain these findings. A positive view of the country in general may be transferred to the product country image. This may work similar to Han's (1989) halo construct where consumers transfer the general image of the country to the products produced in that country.

## **6.2 Moderating effect**

The importance of identity in consumer decision making is established in international marketing literature. The inter-group relationship context is well established in international marketing as a driver of decision making. Thus far, most research has focused on either positive or negative evaluation of COO motivated by both exogenous and endogenous factors. We investigated the effect of consumer ethnocentrism on evaluation of COO. Under the CCT, individuals construct their identities around consumption (Arnould & Thompson, 2005). In a global marketplace this identity is conceptualized as the tension between local and global products (Steenkamp et al, 2010). Individuals who are ethnocentric also view out-groups as threatening to their in-group.

The effect of ethnocentrism in this research was expected; ethnocentric consumers broadly viewed competence as more threatening to in-groups than perceived warmth. Perceived warmth reversed the influence of ethnocentrism on the evaluation of out-groups. We can therefore conclude that higher perceived competence was associated with a country that can threaten an in-group's products. The impact, as expected, was stronger for product country image than it was for the country image. The product country image is associated with the product related image of a country and is thus more likely to be viewed as more threatening than the general image of the country. The finding of a positive impact of warmth on ethnocentrism is novel in the research. If a country is perceived to be less competitive, ethnocentric consumers may find it unnecessary to downgrade the image of that country.

The impact of national identity on evaluation of foreign products is relatively new in the research (Zeugner-Roth et al, 2015). Researchers have not found a consistent effect of

national identity on foreign products. The effect is more pronounced for domestic product evaluation under the concept of home country bias (Verlegh, 2007; Zeugner-Roth et al, 2015). Social identity theory has been used to explain why individuals who identify with their home country may prefer their products. In-group identity may not necessarily be associated with anti out-group feelings.

Our study found a strong effect of national identity on evaluation of COO across both facets. High national identity is not uniformly associated with negative evaluation of foreign products following Zeugner-Roth (2015) findings. Perception of competence was associated with a more positive evaluation of the out-group's image at both the country and product country level. These findings may be surprising given that national identity is a construct that is sometimes viewed as strongly related or even as an umbrella construct of ethnocentrism (Keillor et al, 1996). Our findings however are consistent with one of the central arguments of social identity theory i.e. the conditions under which in-group identity is motivated to produce anti out-group feelings. Low in-group identity was related to a lower evaluation of the image of a country when respondent's viewed it as competent. In contrast, high in-group identity was associated with a more positive evaluation of competent out-groups.

Using social identity theory, we could therefore argue that the outcome associated with threat perception in the form of national stereotypes is mitigated under the conditions of strong in-group identity. Individuals who identify strongly with their in-group may see no reason to view a competent out-group in a negative manner compared to individuals who had a low level of national identification. The conditions were also supported under the

conditions of perceived warmth. Low in-group identity led to a more positive evaluation of groups that are viewed as warm compared to a high level of national identity.

Consumer susceptibility to interpersonal influence was not significant in the research. We placed CSII in a consumer culture theory framework to investigate the influence of reference groups on consumer behavior. The weakness of CSII as a predictor is likely a result of our inability to ascertain which reference group would be influential in making decisions in a global context. Individuals may identify a reference group that is part of a subculture whose consumption habits are not necessarily linked to consumption in a global context.

The influence of extraversion was contrary to our expectations. Similar to national identity, the influence of threat perceived from out-groups will not necessarily be linked to anti-outgroup feelings. Those individuals may feel that derogation of an out-group implies a lower collective self-esteem of their group (Rubin & Hewstone, 1999). Therefore, we can expect that individuals who feel secure about the status of their in-group will not perceive competent out-groups as threatening. In-group identity may actually lead to an objective view of out-groups.

### **6.3 Product evaluation**

Individuals who view out-groups as competent were also more likely to view favorably the products made in that country. The perceived warmth dimension was also shown to have a strong effect on product evaluation. Oberecker and Diamantopoulos (2011) showed that positive feelings towards a country lead to a positive view of products made in that country. The mediating effect was not as strong compared to the image based

conceptualization of COO. Some respondents may use a different point of view in evaluating a generic abstract product compared to actual specific products.

#### **6.4 Conclusion**

The stereotypes of competence and warmth were positively related to the country image. Stereotypes were thus strongly linked to the formation of the more general country image. Individuals are likely to use both stereotypes in the absence of knowledge about the entire content of the country image dimension. The perceived competence dimension had a strong effect on product country image.

We hypothesized an indirect relationship between perceived warmth and product country image. The relationship was partially mediated by country image in the consumer response. This suggests that the perceived warmth dimension is diagnostic of product country image through the country image. The mediation relationship was not as strong signifying that consumers may be confident in their knowledge of Chinese product country image and do not use the country image.

The direction of the SCM and COO relationship was generally similar but the strength of the relationship differed. The perceived competence dimension was diagnostic of all the main outcome variables, for India it was significant in two out of the three outcome variables. Product evaluation also showed a stronger influence of the perceived competence dimension for China. People familiar with China's manufacturing reputation may be confident in its ability to make less complex technological products like DVD.

Perceived competence plays a stronger role on evaluation of the country image and product country image for China than it does for India where perceived warmth plays a stronger role on the evaluation of country image and product country image.

The results provide insight into how consumers view the product country image and country image. The competence stereotype is more important for countries with a strong product country image. For Chinese products, there is a greater familiarity with products assembled in that country among American consumers. In the absence of strong brand identification, the image of the country as a significant producer helps the direct transference of competence stereotype on COO. Chen et al (2014) argued that the warmth stereotype is not diagnostic of product related country image. Our results suggest that competence dimension is of primary importance to consumers in decision making compared to the perceived warmth dimension.

The moderating effect was stronger for national identity and consumer ethnocentrism than it was for consumer susceptibility to interpersonal influence. The interesting finding pertains to the difference in direction of moderation between national identity and consumer ethnocentrism. These effects were strongest among all the other moderators. The moderating effect of consumer variables was weakest on country image. Consumer ethnocentrism was not significant on the country image. This is consistent with the expectation that consumer ethnocentrism plays a bigger role on consumption related construct than the general country image.

Consumer susceptibility to interpersonal influence was not significant. The construct is normative in nature and it is unclear whether consumers who scored high on CSII used a global-local distinction in decision making. Our underlying assumption that individuals who score high on CSII use the nation as the reference group may not be relevant in assessing the global marketplace.

Extraversion had a significant moderating effect but not in the expected direction. Individuals who score high on extraversion may behave in the same manner as high in-group identifiers. They may not necessarily believe competitive out-groups are a threat to their in-group.

## CHAPTER VII

### IMPLICATIONS AND LIMITATIONS

#### **7.1 Theoretical implications**

Our research contributes to the literature by studying the influence of stereotypes as an antecedent of COO image evaluation. Previous research used stereotypes primarily as an information processing artifact. This approach is based on the assumption that individuals use stereotypes as a dichotomous good-bad variable. Our paper finds that stereotypes can be viewed along a continuum with positive evaluation mixed with negative evaluation. The extant research assumes that COO is only useful when understood from the perspective of binary outcomes and its antecedents will also be binary in nature.

The use of stereotypes in COO research is predominantly based on an information processing approach. Liu and Johnson (2005) argued that the effect is automatic upon exposure to the COO cue. In social cognition, stereotypes are used to explain social structure. In COO research the social structure is normative in nature. Therefore, individuals use stereotypes as a social marker in evaluation of COO image. Instead of automatically processing information about COO, this research shows that individuals find the type of stereotype to be just as important in evaluating COO. Perceived competence is



a lot more direct in evaluation of COO whereas perceived warmth was indirectly used in processing COO information.

We also found the different effects of consumer ethnocentrism based on the type of stereotype evaluated. Ethnocentrism is conceptualized as a negative trait like disposition among consumers. However, researchers have begun to investigate the dimensionality of this concept (Sharma, 2012; Siamagka & Balabanis, 2015). Ethnocentrism, according to recent conceptualization, is multi-dimensional mixing pro-social buying behavior with an anti-out-group bias (Siamagka & Balabanis, 2015). Our research adds to these findings by showing the context under which ethnocentrism enhances negative evaluation of out-groups as well as when its' effect is weak. The underlying assumption has been that ethnocentric consumers view all foreign products as threats but our research shows that ethnocentric consumers may be more discerning about the level of threat from out-groups.

National identity is also assumed to be conceptually linked to ethnocentrism (Keillor et al, 1996). However, we found that pro in-group identity is not linked to anti out-group feelings. Researchers' can better understand the role of national identity by taking the role of threat perception as more influential in the evaluation of foreign COOs. The rationale derived from SIT that strong group identification leads to negative feelings towards out-group is not supported in the absence of intervening conditions which we primed using stereotypes denoting cooperation and competition.

An important theoretical implication of this research is how ethnocentrism and national identity affected COO evaluation in direct contrast to each other. National identity is at a higher and more abstract level, whereas ethnocentrism is closer to the product related judgment of outsiders. While both constructs imply strong in-group identification, our

findings support previous findings showing national identity having a stronger effect on home country bias than ethnocentrism (Verlegh, 2007). Our findings show that in evaluation of foreign products the anti out-group feeling is more dominant in the negative evaluation of out-groups than pro in-group feelings.

The distinction between in-group love and out-group discrimination is therefore very important in understanding COO judgment. Consumer susceptibility to interpersonal influence also shows how identification with a reference group does not necessarily lead to anti out-group feelings. Extraversion did not show the expected anti out-group discrimination. We expected that a perception of competition triggers a strong in-group identity. It appears, however, that people do not always respond to threatening out-groups through automatic derogation.

## **7.2 Managerial implications**

Our research setting prompted consumers to make judgments about the image of two emerging market countries. The role of stereotypes in advertising is well established for brands originating from developed countries like Germany. However, for firms trying to enter the Western markets it is important to understand how the image of a country is viewed by consumers. In certain cases, transgressions by a foreign brand can be used to infer the image of brands from the same country (Magnusson, Krishnan, Westjohn & Zdravkovic, 2014). Tourism and destination marketing makes extensive use of warmth stereotypes to position destination images. The positive relationship between the perceived warmth dimension and country image in particular makes it conducive for tourism marketing.

For emerging market firms, it is thus important to establish which stereotype is stronger for their country and what type of product can be marketed that makes best use of that stereotype. For instance, electronics manufacturing and assembly is normally associated with China. However, a lot of the brands that are assembled in the country are Western brands. Firms from China can use the competence stereotype to market products in Western countries where consumers have experience with products assembled and manufactured in the country. The appeal would work best with manufactured products that are not brand driven. For example, some electronic products possess both utilitarian and hedonic qualities like tablets and cellphones, whereas other electronic product have a utilitarian appeal like television sets. For the type of product where consumers are less brand conscious and consider the products to be good substitutes for each other the competence stereotype can be used. A high perceived competence dimension that is associated with a less positive country image might limit the use of brands associated with the country.

For countries with a lower perceived competence but positive country image, it is difficult for firms to utilize their country image in marketing efforts. The SCM contends that lower competence is offset by higher warmth which suggests that a service based industry may work well for firms originating in those countries. A medium evaluation of perceived competence can be used in services that require contact such as some back office services and technology outsourcing.

### **7.3 Limitations and future research**

The research was without limitations. We only used a one country study and the results may not be generalizable to other countries. The SCM is based on how groups view out-groups in relation to the position occupied by the in-group, for example South Korean

consumers would have a different view of the competence and warmth stereotype. The research also only used a single product concept which may also limit the usefulness of the research. Previous researchers have argued that national stereotype effect depends on the type of product or service. Our research used DVD players as the stimulus which might limit the external validity. We also relied on a convenience sample but we tried to expand the sample to include respondents that are different from the student sample.

The countries chosen in our research were based on a pretest administered to students. Including a greater number of countries may produce greater variations and combinations of stereotype judgments. Cuddy et al's (2009) study on stereotype perception of Europeans yielded combinations of stereotypes such as low competence-high warmth, high competence-low warmth, and "high-high competence- low-low warmth. This suggests perceptions of competence and warmth can be maximized outside of just high competence-low warmth and high warmth-low competence dimensions.

Future research can look at how national stereotypes act on evaluation of different type of products and services. Our primary interest was in understanding how stereotypes affect the COO based images which are a lot more stable and generalizable over a greater number of products. Researchers can also study the effect of stereotypes on a cross cultural basis. Some countries will view the position of India and China on the SCM differently based on the inter-group relationship context. Researchers can use different types of products and services in the research would yield interesting results. The research setting could also include more countries that vary on warmth and competence stereotype. For instance, having a country that fits in four quadrants of the SCM would yield different combinations of warmth and competence.

Researchers can also incorporate the home country product in the research setting. Stereotype evaluation occurs within a comparative context. Using the home country in the setting allows researchers to compare the magnitude of effect on the evaluation of COOs. Researchers can compare the differences in evaluation of a similar product based on the competence or warmth rating of an out-group.

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