

Maciej Dębski
Społeczna Akademia Nauk

Country of origin effect as the factor influencing economy competitiveness – the case of Poland

Abstract: *In the modern economy competition takes place on many levels. Products compete with each other, companies compete, but also countries belong to competing groups. They compete to attract investment, tourists, or to stimulate the maximization of sales of produced goods. A strong support for these activities provides the image of a country. The empirical studies conducted on this issue confirms the existence of a link between perceptions of the country and the products derived from it. This relationship is described as a “country of origin effect”, which can be defined as the impact of associations connected with a country on consumers’ evaluation of brands and products coming from it.*

This paper describes the nature of the phenomenon, its typical characteristics with respect to medium-sized countries such as Poland. The article presents the methodology of building and managing the image of a country. This is much more complicated than in the case of creating an image of a single firm because the image of a country consists of a much larger number of components such as economy, history, politics, areas that are very difficult to manage. It seems that, especially in the current economic crisis, it is particularly important to build a stable country with an economy, that has an image that encourages investing. At the same time, it seems equally important to build a belief that in the country there are attractive and high quality products, building such a belief should be part of a policy to stimulate export.

Key words: *Image, country of origin effect, economy competitiveness, brands*

With the rise of globalization and integration processes, consumers can choose from a great number of brands - both native and foreign. At the same time states are forced to compete among themselves for investment, trade and tourists. An important element of competition is to create an image of the country, which should positively affect the perception of brands and products derived from it. In literature the occurrence of this type of relationship is called the country of origin effect. The purpose of this article is to characterize this

phenomenon and to highlight the basic characteristics of the incident on the example of Poland.

1. Country of origin effect - characteristics

Some authors, describing the country of origin effect, focus on the perception of the country without linking it with products derived from it. However, it seems justified to highlight this relationship and define presented phenomenon as an effect, which is responsible for the impact of country perception and associations on consumers evaluation of brands and products coming from it (Lampert, Jaffe 1998, p.61).

In the literature the existence of this phenomenon is not undermined, while its character and force of impact remains partly unknown. On the empirical evidence of the existence of country of origin effect invoke, inter alia, Kotler, Jatusripitak and Maesincee, who present its following characteristics (Kotler, Jatusripitak and Maesincee 1999, p. 421):

- The impact of the country depends on the type of product.^{1*} It is believed that the more homogeneous or standard the product is the lower the impact is (Karcz 1999, p. 386).
- Residents from highly industrialized countries are more likely to leave a higher rating of home products, while consumers in developing countries are more likely to assess foreign products higher than local ones.
- Campaigns, aimed at convincing people to purchase domestic products, rarely produce satisfactory results, if people are not convinced about their high quality.
- Some countries enjoy a particularly good reputation for certain product categories such as Japan and consumer electronics.
- The more favorable image of the country is, the stronger its origin should be highlighted in the promotion of the brand.
- Attitude to the country of product, brand origin and its assessment may be changed over the time. Therefore, it is appropriate to build the image of a country which has not previously had a good reputation. However, it is emphasized (Jaworski, Fosher, 2003, pp. 99-108) that it is a very difficult challenge. Associations connected with the country often lasts for decades, but positive perception of the country provides long-time advantages.

The second point from the above list is particularly interesting from the perspective of Poland. On this basis we can assume that the inhabitants of these country will value higher the products and brands coming from the West. This may unfavorably affect the home brands. However, the above claim should not be uncritically generalized on all product categories, for example in Turkey

¹ With respect to regions of product origin such a thesis is confirmed by Dutch research (Ittersum, Candel, Meulenberg 2003, pp. 215-226).

in some cases foreign brands are less valued than domestic brands (Dolekoglu, Albayrak, Kara, Keskin, 2008, p. 109).

At the same time mentioned authors stress the possibility and desirability of changes in the image of the state. The literature also underlines the importance of the level of economic development of the country on the strength of the country of origin effect. It has been proved (Magnusson, Haas, Zhao, 2008, pp. 101-105) that there are smaller differences in its impact in countries perceived to be highly developed than in the case when we compare the impact of origin from a highly developed country with origin from a developing country. This comparison is unfavorable for the second group of countries, including Poland.

In another paper K. Karcz stresses that the impact of country of origin effect should be considered in three different situations (Karcz, 1999, pp: 387-388):

1. The consumer has no knowledge or experience with the product, but made a certain opinion on the country of origin of the product and thus he moves the image of the country to the entire category of products. This type of behavior is called a "halo effect".
2. Consumers have already tried the product brand from the country. Evaluation of a new product in this case is based primarily on the benefits associated with a known brand. The image of a country descends to a further plan.
3. The consumer has experience with the use of different brands of products derived from the same country. The assessment of the new product is correlated with the opinion that he made about the country of origin on the basis of the various products coming from it.

On the basis of above distinction another factor appears quite clearly associated with the image of the country, which is especially important in first and third situation. In both cases a brand or a product is launched on the new market, where it was unknown before (we should add here the situation when a brand has been present on the market for a long time but is still anonymous to customers). In such situations country of origin image foregoes and partly replaces the brand, its assessment is largely carried out on the basis of associations, related to the origin. The image of the country is therefore particularly important in cases where the company on the market does not have known brand with high brand equity level. This conclusion has particular meaning in terms of brands from countries such as Poland, which are in the described situation (more about launching strategies from developed country into developing one Magnusson, Haas, Zhao, 2008, pp. 95-105)

2. The country of origin effect - empirical studies

The empirical studies confirm the existence of the country of origin effect. Differences in the quality assessment of products that come from different

countries were already demonstrated in the 60s. (Ittersum, Candel, Meulenber, 2003, pp. 215-226; Knight 1999, pp. 151-162). Approximately 75% of the companies from the Fortune 500 list, indicated product origin as an important factor that determines the choices made by consumers (M. Leonard, 2001, p. 24).

In the light of the considerations very interesting findings give us results of research conducted by Jo, Nakamoto, and Nelson (Jo, Nakamoto, Nelson, 2003, pp. 637-646). They put and tried to prove the hypothesis that strong brands such as Sony are inconsiderably perceived by image of the country of manufacture.^{2*} They are of the opinion, that in that case, the dominant role is played by the company (or product) brand and its country of origin. However in the literature we do not always find confirmation of this thesis. For example, Hui and Zhou in their research proved a thesis about significant country of manufacturing influence if it is not the same as country of brand origin. However, in the same study they confirm that in the case of brands with high level of brand equity their image plays the dominant role over the country image, at the same time the relationship is opposite for low brand equity brands (Hui, Zhao, 2003, pp. 133-153). Another example is that it has been observed that consumers prefer vehicles produced in high developed countries. It is negatively perceived by American consumers to place production in countries such as Mexico, South Korea, the Philippines (Karcz, 1999, p. 391). This is also confirmed by the results of certain tests by which the Americans more often bought Volkswagen cars produced in Germany than the same vehicles produced in Brazil (Lampert, Jaffe, 1998, pp 61-78). Moreover Knight's research indicated that consumers' purchasing preferences were stronger influenced by the production country than by company's country of origin (Knight, 1999, 151-162).

This issue concerns mainly large corporations, which place part of their production in countries with lower manufacturing costs, but a worse image. These doubts refer less to enterprises from Poland, as they invest primarily in domestic production, and they mainly do not have strong international brands.

Cited scientists - Jo, Nakamoto, and Nelson - studied also the other hypotheses, which are interesting from Polish point of view. They argued, inter alia, that with regard to the weaker brands, there is observed a significant decrease in the assessment of perceived quality of the products in the case of low-quality assessment of the country of origin. Perceived quality is one of the key components of brand equity. The described effect may therefore result in a

² In the case of transnational companies brand and product origin does not have to be the same. Many firms decide to move manufacturing to countries with lower costs. In such a case the mark "made in..." does not inform about brand origin for example Philips products manufactured in Poland. From the other side this problem does not touch most of Polish brands because they are usually manufactured in the country.

reduction in brand equity, which in turn will be reflected in its value, volume of sales or price that is possible to be reached.

A logical consequence of this thesis was the next one put by the authors. They concluded that for the weaker brands country of origin is of great importance, that means that it has a great influence in assessing the product. At the same time a significant change in the value of the weight of the country of origin was observed in the case of countries with different images. Table 1 presents the results.

Presented tables contain the results achieved by Jo, Nakamoto, and Nelson. Panasonic and Orion, respectively represent the strong and weak brand, whereas Japan, Thailand and Pakistan origin countries of high, medium and low repute. It is clear that in the case of a strong brand differences in the evaluation of both elements between the products from three countries were minimal. At the same time, this data clearly show a strong advantage of the Panasonic brand over country of origin in assessing the product. In the case of the Orion there is the opposite relationship, consistent with previously presented thesis. Country of origin plays a far greater role.

It is worth mentioning that for both elements in the case of Thailand value that was reached is different from value for Japan and Pakistan and is more closely related to the weight of the Panasonic. This discrepancy seems to be justified, because both countries have a very positive or very negative image of the economy and products coming from it. These are extreme cases and both produce strong associations. It may be assumed that the Japanese origin significantly improves the perceived quality of the product and the Pakistani one on the contrary. Thailand is a country with a less clear image and not causing strong associations, so this image does not have such a strong effect. It seems that in such situation is Poland.

Table 1a Country of origin weight given by assessing the product (100 possible points)

Brand	Japan (average)	Thailand (average)	Pakistan (average)
Panasonic	23.88	21.72	22.43
Orion	39.28	25.17	35.00

Table 1b. Brand weight given by assessing the product (100 possible points)

Brand	Japan (average)	Thailand (average)	Pakistan (average)
Panasonic	41.48	41.55	39.47
Orion	21.65	29.83	22.83

Source: M.S. Jo, K. Nakamoto, J. Nelson (2003), The shielding effects of brand image against lower quality countries-of-origin in global manufacturing, *Journal of Business Research*, vol. 56, iss. 8.

These results confirm the importance of strong brands and have placed it as one of the basic conditions for the global production development and sales in many countries. It may be assumed that the occurrence of a negative country evaluation will result, especially in the case of the weaker brands, worse perception of product quality.

3. Creating the image of the country

The country of origin image is a variable independent from the companies. One by one they have a minimal impact on its shape. First of all state institutions should be responsible for perception of state and products or companies originating from it. It must be noted that the image of the country is a far more complicated whole, which is the result of many more variables, than the image of the product brand. Country image is affected by, among others, historical associations, political, cultural, sports events, people associated with these areas and more broadly, all citizens of the country who have any contacts with foreign countries. In addition, you can not forget the economic sphere and the perception of companies, products, and the country from the economic point of view. Each of these elements, as well as a number of others, has an impact on the country image. Therefore, it is much harder to manage it.

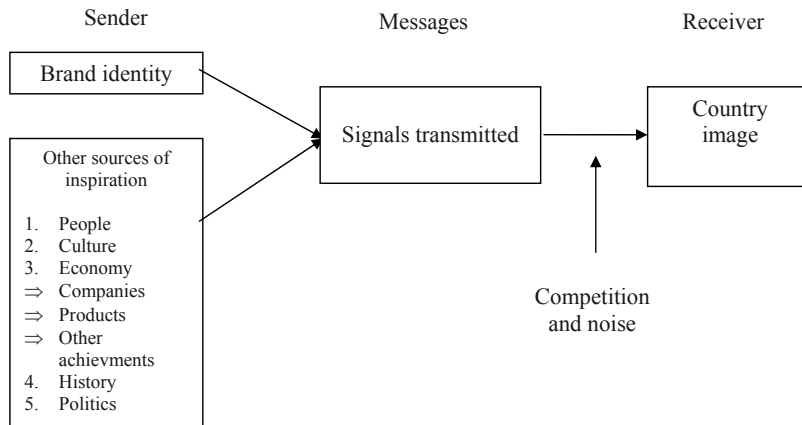
In this situation you can, with some modifications, apply the concept of brand identity and image by N. Kapferer (see Figure 1). It is however necessary to implement some objections to the direct application of this theory:

1. there is much less importance of the communication sender and identity wanted by him;
2. "other sources of inspiration" are far more important;
3. a set of instruments available to the sender is changed as well as the importance of them;
4. there are stronger interferences in the perception of the communication.

Particular attention should be paid to the change of importance and moving the center of gravity on "other sources of inspiration." They play a primary role in the process of creating an image of the country. The role of the sender (the government) should consist of harmonization and strengthening of the signals,

which flow from “other sources”. Other authors describe even more factors, classified as national brands communicators for example those listed by Kotler, Gertner and Anholt are presented in table 2. You can see the great variety of them that confirms the difficulty of managing them as well as coordinating messages sent through them.

Figure 1. Identity versus image of the country



Source: Based on: J.N. Kapferer (2004), *New Strategic Brand Management. Creating and sustaining brand equity in long term*, Kogan Page, London , p. 95.

Table 2. National brands communicators

Author	Communicators of National Brand
Kotler and Gertner	Geography History Proclamations Entertainment industry Media Art Music Famous citizens Other features
Anholt	Culture Language Images of popular culture Creative arts Tourism and travel writing Commercial branded products

Source: H. Skinner, K. Kubacki, G. Moss, D. Chelly (2008), ‘International marketing in an enlarged European Union: Some insights into cultural heterogeneity in Central Europe’, *Journal for East European Management Studies*, vol. 13, iss. 3, p. 200

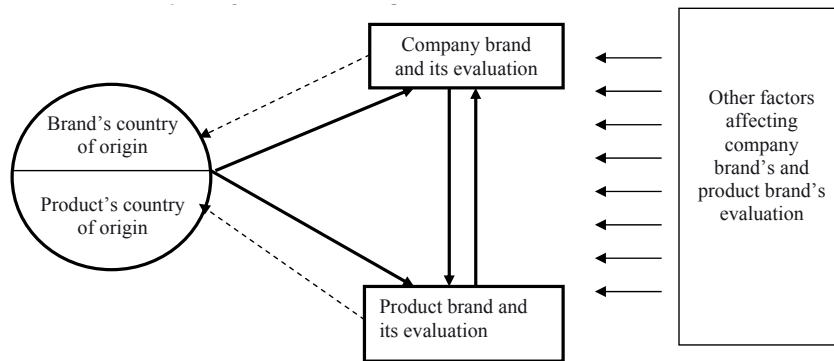
4. The country of origin image and its impact on brands and products

The country of origin effect certainly exists. Its impact on the brand in a very simplified way presents figure 2. You can expect an impact of the country both on the company and product brands. If for a company more important is its brand than greater impact will be in this direction and the influence for product brand evaluation will be largely indirect. The strength of this effect depends on the country image and the strategy adopted by the company. If it opts for accenting the origin than the positive or negative effect will certainly be stronger.

The field indicating the country has been divided into two parts, since the origin of the brand should be distinguished from the production site. Especially in the case of large corporations the product image may be affected by two countries if it is produced in different place than brand's origin. This situation is however rather rare for Poland.

As it has been presented in Figure 2, you can also expect the existence of a feedback effect, although with far less power. The product and its rating only slightly impact the assessment of its country of origin, its economy and potential. For example, the use of Japanese electronic equipment produces the image of Japan as a country with a high level of technological development.

Figure 2. Country of origin effect and its impact on brand



Source: Prepared by autor.

It is certainly impossible (especially during the crisis) to have a situation that all countries create positive image supporting brands coming from it. It seems that even more frequent is the opposite situation, that country of origin effect may have a negative impact. What should the company do when it has to create its brand in such a case? The simplest answer is - do not emphasize its origin. Already quoted Kotler, Jatusripitak, Maesincee develop this issue. They

make a list of possibilities of the brand internationalization for enterprises, particularly those from countries where the support of the “place of origin” is weaker (Kotler, Jatusripitak, Maesincee, 1999, p. 422). The list is as follows:

1. Starting co-production with foreign company with good reputation - as a result the product may get this company's brand its home country brand,
2. Acquisitions of firms from the country of required origin - it means foreign direct investment, which result in acquiring of another brand (often with a strong position) and the right to use the brand of the country,
3. The use of anchor strategy - the creation of the brand, which suggests the origin of the product from the country, causing a positive association for a given product category,
4. Re-determination of the product - along with branding you create the image of a country as an expert in a particular category of products,
5. The use of local stars in advertising of the product.

Polish companies seem to use the above possibilities in a very limited extent. Probably the most common case is the cooperation with the foreign companies. However, the specificity Polish market cause movement away from the described model. Polish companies are generally weaker than foreign partners, which results in asymmetry in cooperation with them. As a result, local firms may become dependant on cooperators from the west and they do not create their own brands. That arrangement also does not guarantee them long-term benefits.

It must also be stressed that the image of the country of origin is not the only factor that affects the evaluation of the brand or product. This effect occurs, but its meaning is very different, in many cases it is very small. Brand equity or product perception is decided by a number of other variables which largely depend on company such as: choice of right attributes of the brand, its appropriate promotion or product quality. Consequently, the image of the country of origin should not be regarded as an essential element, on the basis of which a marketing strategy is created and promotion is based. It should however be a factor that promotes the development of all brands, particularly in foreign markets, but also on the domestic market – this aspect is often overlooked in the considerations presented in literature. In this area you should aim to use the phenomenon of consumer ethnocentrism. Knight' studies (Knight, 1999, pp. 151-162) show that there are premises supporting the statement that consumers are ready to pay more for fully domestic products. The result of it is that they will approve higher price for imported products only if they are convinced about their higher quality.

5. The effect of country of origin in the case of Poland

Adopting a statement confirming presence of country of origin effect, defined as an impact of image of the state on the perception and evaluation

of brands or products derived from it, you can wonder how image of Poland affects home brands. In both cases you can see strong similarities. According to the division made by Jo, and Nakamoto Nelson (2003, , pp. 637-646) countries can be divided into three main groups:

1. Countries with a good image, which support perception of most of brands coming from them, for example Switzerland, Japan, Germany.
2. Countries with an ordinary image, in most cases it does not cause either positive or negative associations such as Thailand, Belgium.
3. Countries that have a negative image, which lowers evaluation of brands and products derived from it such as Pakistan, Congo, Belarus.

In turn, brands can be classified into two main groups: with high and low equity, which is the consequence of their awareness, perceived quality, or the consumers loyalty. Against this background, we can identify six basic situations for brands in foreign markets. They are presented in Figure 3.

Undoubtedly the best is the situation 3, when a strong brand is supported by a strong positive image of the country of origin. However it is necessary to wonder where Polish brands are. It seems that situation 5 describes it in the best way, in foreign markets, Poland has relatively weak brands, which are linked to the neutral image of the country of origin and the quite high anonymity of state. It must also be pointed out that the mere recognition of the country does not provide economic benefits, to achieve them, you must aim to a situation where the country will be associated with specific, positive attributes.

Figure. 3. Basic brand situations on the foreign markets.

Brand equity level	Image of the country of origin	Situation 1	Situation 2	Situation 3
		High	Strong brands with negative country of origin effect	Strong brands with neutral country of origin effect.
Low	Weak	Situation 4 Weak brands with negative country of origin effect.	Situation 5 Weak brands with neutral country of origin effect	Sytuacja 6 Weak brands with positive country of origin effect
		Weak	Ordinary	Strong

Source: Prepared by author

Of course you have to remember that on different national or product markets there are Polish brands, which can be considered as strong, as well as for certain groups of products the image of Poland may have the effect significantly different from the average. Nevertheless, it seems that it is reasonable to say that in Polish case the country of origin does not provide support for the perception of brands.

Agreeing on the assumption about low-power Polish brands in international markets, the most advantageous for our country would be situation 6. It means that brands are supported by a strong image of the country. That is why there is strong need to build positive images of Poland in the world.

Country brand is a final result of several elements including companies, products, national specialties, cities, landscapes, famous people or symbols. This is definitely complicated collection and much more difficult to manage than it is in the case of product or company brand. All these elements should be systematically and consistently presented with a coherent program. The key to its success is simple and clear idea, the message associated with a country that should be presented wherever possible and where it can be reliable and understandable. In the Polish case it is emphasized that there is lack of such a program, and therefore the promotional activities run by various entities are insufficient and not harmonized. In addition, studies show that there are significant differences between the way how Poland is perceived in the country and how it is communicated and perceived in foreign markets (Skinner, Kubacki, 2006, pp. 284-299).

It should also be pointed out that the promotional activity is not sufficient in the process of creating the image of the state if it is not supported by other actions, such as:

- development and internationalization of enterprises,
- making cities more attractive and development of tourist sites (the situation on this field starts to change),
- active role in the field of international politics,
- cultural and sporting successes.

In the long term, only the consistent pursuit of a number of actions could lead to the creation of a positive image supporting local brands and products. This activity would be an element of indirect policy stimulating export. It is primarily intended to increase the international competitiveness of domestic products.

6. Conclusions

As this paper shows there is strong need to create a positive image of the country, however it should be stressed that this is a time-consuming and

complicated process. Thanks to the existence of a country of origin effect strong country brand can provide significant support for the home brands and products. At the same time you also need to remember that the impact of the country image is much broader. Created in a positive way it should support an influx of foreign investment or tourism development. Its importance is particularly high in the current economic situation, related to the progressive economic crisis, when there is exceptional meaning of building a conviction about the stable economy and supporting local products and businesses on a particularly strong competitive market. In the Polish case, a very important aim is convincing to return to the country hundreds of thousands of citizens who left the West after our accession to the European Union.

The purpose of this paper was not to present a detailed image of Poland. The author focuses on the impact of country perception on perceiving brands and products derived from it. Therefore there appear other possible and justified research directions. For example, it could be: an analysis of the current image of Poland both in the domestic and foreign market, or analysis of programs that are designed to create the image of the country.

However, it seems that for Poland there is a strong need for work in the country image area, which for sure are being carried out, but it is an open question to what extent they are effective. In the Polish case the lack of harmonized marketing programs is emphasized. There are different institutions responsible for promoting culture, tourism, the economy, stimulating the inflow of investment and it results in a fragmentation of activities.

References

- Dolekoglu C., Albayrak M., Kara A., and Keskin G. (2008), 'Analysis of Consumer Perceptions and Preferences of Store Brands Versus National Brands: An Exploratory Study in an Emerging Market', *Journal of Euromarketing*, vol. 17, iss. 2, pp. 109-125;
- Hui M., and Zhou L., (2003) 'Country-of-manufacture effects for known brands', *European Journal of Marketing*, vol. 37, iss. 1-2, pp. 133-153;
- Ittersum K., Candel M., and Meulenberg T., 'The influence of the image of product's region of origin on product evaluation', *Journal of Business Research*, 2003, vol. 56, iss. 3, pp. 215-226;
- Jatusripitak S., Kotler Ph, and Maesincee S. (1999), 'The Marketing of Nations: A Strategic Approach to Building National Wealth', Wydawnictwo Profesjonalnej Szkoły Biznesu, Cracow ;
- Jaworski S.P., and Fosher D. (2003), 'National Brand Identity & Its Effect On Corporate Brands: The Nation Brand Effect (NBE)', *The Multinational Business Review*, vol. 11, iss. 2, pp. 99-108;
- Jo M. S., Nakamoto K., and Nelson J., (2003) 'The shielding effects of brand image against lower quality countries-of-origin in global manufacturing', *Journal of*

- Business Research*, Vol. 56, iss. 8, pp. 637-646;
- Kapferer J. N., (2000) 'Strategic Brand Management. Creating and sustaining brand equity in long term', Kogan Page, London;
- Karcz K., (1999), 'The impact of country of origin effect on product competitiveness on international markets' [in:]: United Europe. International conference for Polish companies, H. Brdulak, Warsaw School of Economics, Warsaw;
- Knight G., (1999) 'Consumer preferences for foreign and domestic products', *Journal of Consumer Marketing*, vol. 16, iss 2, pp. 151-162;
- Lampert S., and Jaffe E.D. (1998), 'A Dynamic Approach to Country of Origin Effect', *European Journal of Marketing*, vol. 32, iss. 1-2., pp. 61-78
- Leonard M., (2001) 'National brand – national image', in Boruc M. (ed.) Brand identity. Competitive country attribute , Polish Brand Institute, Warsaw;
- Magnusson P., Haas S., and Zhao H.,(2008) 'A Branding Strategy For Emerging Market Firms Entering Developed Markets', *Journal of International Consumer Marketing*, vol. 20, iss. 3-4, pp. 95-107;
- Skinner H, and Kubacki K., (2006) Poland: Exploring the relationship between national brand and national culture, *Brand Management*, vol. 13, iss.. 4-5, pp. 284-299; .
- Skinner H., Kubacki K., Moss G., and Chelly D.,(2008) International marketing in an enlarged European Union: Some insights into cultural heterogeneity in Central Europe, *Journal for East European Management Studies*, vol. 13, iss. 3, pp. 193-215;