

International Retail Brand Origin Recognition

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ABSTRACT

Recent academic literature into consumer perceptions of Country of Origin (C-O-O) raises questions regarding the importance of this concept, indicating that few consumers have clear or accurate perceptions of products' or brands' C-O-O. In contrast, the international retailing literature suggests that place, or C-O-O, is important to large and small retail luxury brands operating in international markets. However, these findings are part of wider studies on internationalisation rather than dedicated studies of C-O-O in a retail context. The current research addresses this gap in the literature and provides a cross-cultural, empirical analysis into the relationship between C-O-O recognition and brand perceptions for luxury and middle-market retail brands. Results indicate significant differences in C-O-O recognition among cultures and among luxury versus middle-market international retail brands, suggesting that brand provenance and authenticity plays a role in brand recognition.

KEYWORDS: Brand management, C-O-O, authenticity, international retailing

INTRODUCTION

This study draws upon different streams of literature within marketing including: C-O-O, international branding and the internationalization of retailing and, as such, addresses questions relevant to each area. One of the primary motivations for this research is to examine the increasing doubt expressed within the C-O-O literature regarding the importance of the concept to consumers when assessing brands (Samiee, Shimp and Sharma, 2005; Balabanis and Diamantopolous, 2008). In contrast, recent research in international retailing suggests that the value of place plays an important role in the success of retail brands across national boundaries (Hutchinson *et al.*, 2007). This research addresses this disconnect by examining the influence of C-O-O on retail brands' luxury perceptions among a matched sample of US and UK consumers. Consequently, this study also provides insight into C-O-O for services, in particular retail brands, which addresses a noted gap in the literature (Javalgi, Coulter and Winans, 2001). The following research questions are posed to guide the study:

RQ1: Do consumers accurately recognize the C-O-O of retailers?

RQ2: Is C-O-O recognition accuracy associated with consumer cultural differences?

RQ3: Is there a relationship between C-O-O recognition for luxury versus non-luxury (middle-market) retail brands?

RQ4: Is there a relationship between brand luxury perception and C-O-O recognition?

REVIEW OF THE LITERATURE

C-O-O research has a long history (Schooler, 1965, 1971; Reiersen, 1966, 1967; Nagasimha, 1970) and has generated a considerable body of work (Bilkey and Nes, 1982; Ozsomer and Cavusgil, 1991; Al-Sulaiti and Baker, 1998; Papadoupoulos and Heslop, 2002; Luomala, 2007). Recently two important changes in thinking about C-O-O have emerged in the literature; that is, a move to exploring the importance of brand origin instead of product origin (Samiee, Shimp and Sharma, 2005) and the lack of awareness of C-O-O amongst consumers which has led some researchers to question the importance of the research area *per se* (Balabanis and Diamantopolous, 2008). This change in thinking facilitates research on topics such as retail brands that encapsulate a bundle of services and products.

Importantly, with the C-O-O of products historically dominating the debate, work on services in a C-O-O context is limited (Javalgi, Coulter and Winans, 2001). Despite the increasing internationalisation of retail organisations, the impact of C-O-O on this sector has not been actively explored, apart from a single study on hypothetical retail organisations (Lascu and Giese, 1995) and an inquiry into C-O-O influence on the retail buying function in international environments (Heslop *et al.* 2004). Given the developed literature on international retail activity and the emphasis on branding within international markets (Alexander and Doherty, 2009) the need for research in this area is overdue. While there is recognition in the literature of the importance of C-O-O perception to various aspects of marketing (Hollander, 1970; Alexander 1989; McGoldrick, 1998; Moore *et al.* 2000; Hutchinson *et al.* 2007; Fong and Burton, 2008; Roth and Diamantopoulos, 2009) the literature on consumer perceptions of international retail brands in different markets does not directly address the C-O-O issue (McGoldrick and Ho, 1992; Burt and Carralero-Encinas, 2000; Dmitrovic and Vida, 2007; Johansson and Thelander, 2008).

In the retail literature, there are clear indications that C-O-O is an important dimension for consumer brand perception. This has been evident for some time (Hollander, 1970; Alexander, 1989), and more recent work has confirmed that consumers value the associations of place that authenticate and thereby strengthen retail brands, whether those firms are large (Moore *et al.* 2000) or small (Hutchinson *et al.* 2007). Indeed, for some retailers the value of C-O-O may play an important role in the decision to internationalise (Hutchinson *et al.* 2007). However, while the importance of place has been acknowledged in the literature, it has only been noted as part of much wider studies exploring retail internationalisation from the point of view of the internationalising firm. The specific relevance of C-O-O to consumers' perceptions of firm characteristics remains under explored.

METHODOLOGY

Matched samples of U.S. and U.K. college students provide the data for the study. Cross-cultural research requires that samples from different countries should be as similar as possible in both behaviour and lifestyle to mitigate potential confounds when examining cultural differences. College student populations provide relatively homogenous samples that are both accessible and representative of future consumer markets. Two universities in the U.S. and one university in the U.K. provided the data for the study US (N=201), UK (N=285). Data were collected using a self-administered questionnaire that was only slightly adapted for each culture.

Measures for the study were both developed and adapted from previous research. The measure for C-O-O recognition was developed for the study. Our approach to this measure required respondents to provide the home country, with no prompt, for four different retailers: Burberry, Gucci, Zara and H&M. These retail brands were selected because they are present in both samples' regional market and they represent luxury (Burberry and Gucci) and middle-market brands (Zara and H&M). The scale is dichotomous, with respondents who accurately identified C-O-O as one group and those who did not providing the other group. Brand perception measures were adapted from the General Product Attributes (CPA) component of Parameswaran and Pisharodi's (1994) C-O-O image scale.

Research questions were analyzed using a combination of statistical methods. Descriptive statistics were used to investigate whether consumers accurately identify the C-O-O of the retailers (RQ1). To determine whether cultural differences affect C-O-O recognition (RQ2), U.S. and U.K. respondents were compared using Chi-Squares on the discrete dependent variable for recognition. For significant Chi-Squares, Phi was used to evaluate the strength of the association between the two nominal variables. The third research question was analyzed using a paired samples t-test to evaluate the differences in C-O-O recognition between luxury (Gucci, Burberry) and non-luxury (Zara, H&M) brands.

Luxury perceptions were derived from the brand perceptions scale which was analyzed using a Principal Components Analysis with a Varimax rotation. Luxury perception factors were identified for each of the four retail brands. Each luxury factor was tested for reliability using Cronbach's alpha for scales with three or more items and Pearson's correlation coefficients for scales with two items: Gucci: $\alpha=.850$, Burberry: $\alpha=.779$, Zara: $\rho=.648$, $p=.000$, H&M: $\rho=.524$, $p=.000$. The resulting luxury perception factors were

examined using t-tests between the accurate and inaccurate C-O-O recognition groups to determine whether higher luxury perception is indicative of higher recognition (RQ4).

FINDINGS

Descriptive statistics were used to address RQ1: *Do consumers accurately recognize the C-O-O of retailers?* Data indicate higher degrees of C-O-O recognition for the two luxury brands in the study (Table 1). U.S. respondents (54.7%) recognized the C-O-O of Burberry most frequently while U.K. respondents (83.2%) recognized the C-O-O of Gucci most frequently. The middle-market brands reflected lower recognition overall with H&M indicating accurate recognition among only 26.7 percent of U.S. respondents and 9.2 percent of U.K. respondents.

Chi-squares indicated significant differences in C-O-O recognition between the U.S. and U.K. samples for three of the four retail brands: Gucci ($\chi^2=55.57$, $p.000$), Zara ($\chi^2=16.56$, $p.000$) and H&M ($\chi^2=25.67$, $p.000$) (Table 2). Respondents were not significantly different in their ability to recognize the C-O-O of Burberry ($\chi^2=1.14$, $p. <.284$). The directional measures associated with each test were stronger for Gucci ($\phi=.338$) and H&M ($\phi =-.230$) compared to Zara with a weaker association ($\phi =-.185$). Interpretation of the contingency tables suggest that UK respondents are more likely to accurately recognize C-O-O for Gucci while US respondents are more likely to accurately recognize C-O-O for Zara and H&M.

T-tests for differences in respondents' ability to identify the C-O-O of luxury versus middle-market brands were significant for both the U.S. ($t=7.57$, $p.000$, 200df) and the U.K. ($t=2.63$, $p.000$, 284df) (Table 3). The tests indicated strong positive estimates for both cultures reflecting significantly higher abilities to identify luxury brands' C-O-O compared to middle-market brands.

Prior to testing the difference in luxury perceptions between respondents who accurately identified the C-O-O and those who did not, each luxury factor was compared between the U.S. and U.K. samples. Significant differences in luxury perceptions between U.S. and U.K. respondents emerged for three of the four brands: Gucci ($t=5.47$, $p.000$), Burberry ($t=7.50$, $p.000$) and Zara ($t=-6.652$, $p.000$). Interpretation of the means indicated that U.S. respondents perceived significantly higher luxury associated with Gucci (mean=4.65: range 1-5) and Burberry (mean=4.55: range 1-5) while U.K. respondents perceived significantly higher luxury associated with Zara (mean=3.60: range 1-5). Based on these findings, tests for the relationship between C-O-O recognition and luxury perceptions (RQ4) for each brand were performed on each culture separately with the exception of H&M.

T-tests that contrasted the means for luxury perceptions between accurate and inaccurate C-O-O groups indicated few significant findings. The U.K. respondents indicated significantly higher perceptions of luxury for Zara among the inaccurate C-O-O group ($t=-1.948$, $p. <.05$). The group that incorrectly identified the C-O-O of Zara rated it fairly high in luxury (mean, 3.66, SD , .912). A similar finding was indicated for the H&M luxury perceptions contrast in terms of the inaccurate C-O-O group (for both cultures) attributing higher luxury perceptions to this middle-market brand. However, the t-statistic associated with the test for H&M was only marginally significant ($t=-1.47$, $p=.07$). Additional tests yielded non-significant findings related to C-O-O and brands' luxury perception.

Observation of the luxury perception means for the luxury brands between accurate and inaccurate C-O-O groups reveal very high scores among U.S. respondents: Gucci means=4.70 accurate, 4.60 inaccurate, Burberry mean=4.55 for both accurate and inaccurate groups. For the UK sample, luxury perceptions for luxury retailers were relatively high for Gucci (accurate mean=4.29, inaccurate mean=4.12) but less so for Burberry (accurate mean=3.94, inaccurate mean=4.07). Overall luxury evaluations for middle-market brands were lower with no significant differences between the accurate and inaccurate groups.

DISCUSSION, CONCLUSIONS AND FUTURE RESEARCH

Despite recent research that throws some doubt on the C-O-O visibility of some brands (Samiee, Shimp and Sharma, 2005; Balabanis and Diamantopolous, 2008) this study indicates that respondents are able to accurately identify the C-O-O of certain retail brands, particularly those that are positioned as providers of luxury. For example, some levels of recognition are very high, as recognition of Gucci's C-O-O among UK consumers and Burberry's C-O-O among U.S. consumers illustrates.

Results also suggest support for McGoldrick's (1998) conceptualization regarding the accurate and inaccurate recognition logic of country of origin perceptions. That is, retailers might be accurately identified as international but inaccurately identified with regard to the specific C-O-O. US respondents illustrate this with respect to H&M where around one in seven inaccurately considered the UK to be the retailer's C-O-O (15.9%). Likewise, as McGoldrick (1998) suggested, some international retailers might be prone to being inaccurately perceived to have a domestic origin. The findings reported here show that this is indeed the case. UK respondents in particular were inclined to exhibit this tendency with regard to H&M (44.9%).

Overall, consumers are in some cases very clear about country of origin (Burberry, Gucci) and in others (H&M, Zara) unclear about country of origin. This would appear to confirm intuitive assumptions that consumers are more aware of the C-O-O of luxury fashion retailers compared to middle-market or premium retailers (Figure 1). However, when data collected on brand characteristics were compared with levels of C-O-O recognition, the picture became less clear.

Ultimately these findings suggest that there are undoubtedly environmental factors that will affect consumers' ability to recognize C-O-O of brands. It is also evident that consumer responses in different markets to the same brand illustrate the impact that marketing effort may have on these relationships. Indeed, as the case of Burberry shows, home market (UK) perceptions and international market (US) perceptions may be very different. This supports the argument that the Burberry brand has not managed to achieve a common identity in the domestic and international markets.

Methodologically this paper contributes to the understanding of brand perceptions through the identification of luxury perception factors. Here, it illustrates the complex relationship between C-O-O and consumer evaluation of luxury. However, the findings may have wider application in the brand literature. That is in determining the positioning of brands in international markets. This, potentially, has major implications for the management of global brands.

Finally, the paper suggests that the geographic authenticity of the brand as defined by brand provenance (in this case C-O-O) and luxury perceptions require further research. As Alexander (2009) has shown, the creation of brand aura through authentication is not limited to luxury brands, though luxury and authenticity are commonly associated in the literature (Beverland, 2006). Findings from this study illustrate that on one level there is a relationship between luxury and C-O-O recognition; however, when the relationship is explored further a more confused picture emerges. Given the importance attached to C-O-O by retail managers (Moore *et al.* 2000; Hutchinson *et al.* 2007) this requires further research from a consumer perspective and a greater understanding of the perceptions that draw consumers toward brands due to their recognised brand provenance. Of course, implicit within this logic is the reality that some brands, because brand provenance will not work to their advantage, may wish to play down their C-O-O and appear to be domestic in origin when operating in international markets.

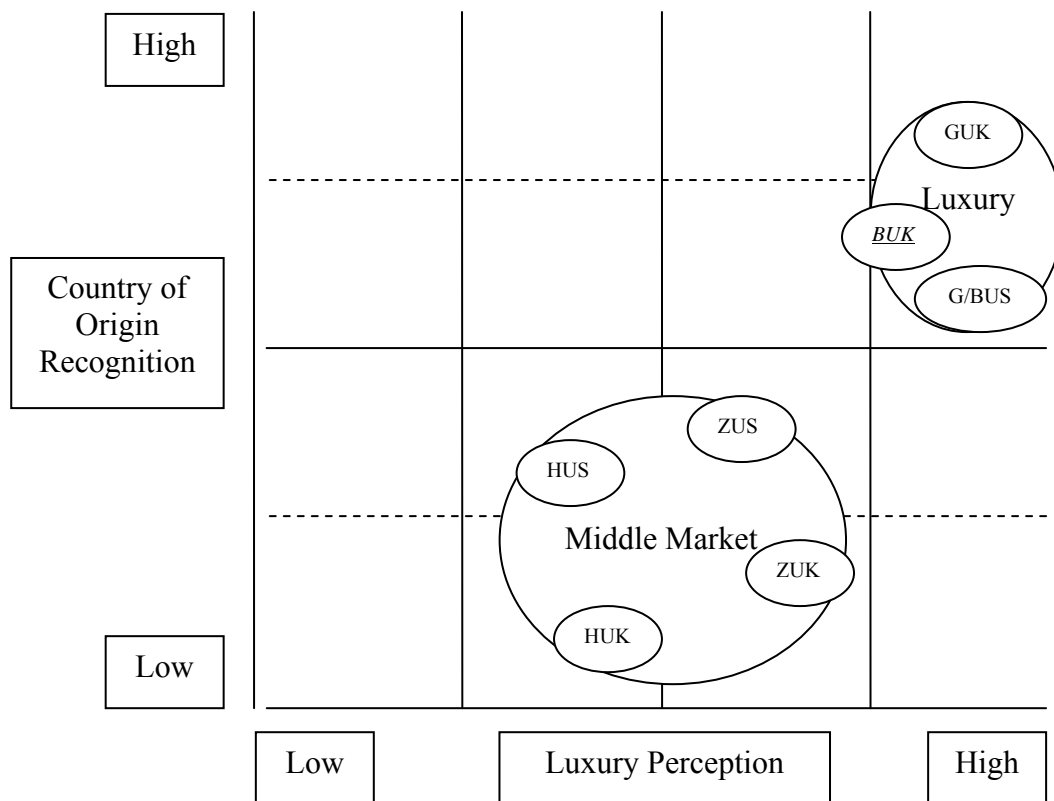


Fig.1. Country of origin recognition against luxury perception.

Table 1
Country of origin (C-O-O) recognition

Retailer	U.S. Respondents			U.K. Respondents		
	Correctly identified	Incorrectly identified	Didn't know	Correctly identified	Incorrectly identified	Didn't know
H&M	26.9%	39.8%	33.3%	9.5%	63.9%	26.7%
Burberry	54.7%	9.5%	35.8%	66.3%	14.4%	19.3%
Gucci	51.7%	16.4%	31.8%	83.2%	7.0%	9.8%
Zara	38.3%	14.9%	46.8%	21.4%	41.8%	36.8%

Table 2
Cross tabulations and chi-squares for nationality by C-O-O recognition

Brand C-O-O			Nationality			Statistics		
			US	UK	Total	Chi-sq.	Sig.	Phi
Gucci	Correct	Count	104	237	341	55.574	.000	.338
		Expected	141	200	341			
		% of Total	21.4	48.8	70.2			
		Std. Residual	-3.1	2.6				
	Incorrect	Count	97	48	145			
		Expected	60	85	145			
		% of Total	20.0	9.9	29.8			
		Std. Residual	4.8	-4.0				
Burberry	Correct	Count	118	181	299	1.1481	.284	<i>ns</i>
		Expected	123.7	175.3	299			
		% of Total	24.3	37.2	61.5			
		Std. Residual	-.5	.4				
	Incorrect	Count	83	104	187			
		Expected	77.3	109.7	187			
		% of Total	17.1	21.4	38.5			
		Std. Residual	.6	-.5				
Zara	Correct	Count	77	61	138	16.567	.000	-.185
		Expected	57.1	80.9	138			
		% of Total	15.8	12.6	28.4			
		Std. Residual	2.6	-2.2				
	Incorrect	Count	124	224	348			
		Expected	143.9	204.1	348			
		% of Total	25.5	46.1	71.6			
		Std. Residual	-1.7	1.4				
H&M	Correct	Count	54	27	81	25.671	.000	-.230
		Expected	33.5	47.5	81			
		% of Total	11.1	5.6	16.7			
		Std. Residual	3.5	-3.0				
	Incorrect	Count	147	258	405			
		Expected	167.5	237.5	405			
		% of Total	30.2	53.1	83.3			
		Std. Residual	-1.6	1.3				

Table 3
T-tests for RQ3 and RQ4

Dependent Variable	Independent Variable(s)	Grp	N	Mean	Std. Error	t	df	Sig.	Mean diff.
<u>Tests for RQ3</u>									
C-O-O recognition	Luxury knowledge factor	US	201	1.10	.055	7.57	200	.000***	.452
	-								
	Middle-market knowledge factor			.651	.056				
C-O-O recognition	Luxury knowledge factor	UK	285	1.46	.055	2.63	284	.000***	1.15
	-								
	Middle-market knowledge factor			.308	.056				
<u>Preliminary Tests for RQ4</u>									
Gucci luxury factor	(Grp.)	US	201	4.65	.045	5.47	466	.000***	.388
		UK	267	4.26	.051				
Burberry luxury factor	(Grp.)	US	201	4.55	.051	7.50	470	.000***	.573
		UK	267	3.98	.053				
Zara luxury factor	(Grp.)	US	201	3.06	.060	-6.6	474	.000***	-.542
		UK	267	3.60	.053				
H&M luxury factor	(Grp.)	US	201	2.56	.066	-1.3	474	.167	-.114
		UK	267	2.67	.051				
<u>Tests for RQ4</u>									
Gucci luxury factor	Correct	US	104	4.70	.054	1.10	199	.269	.101
	Incorrect		97	4.60	.074				
	Correct	UK	223	4.29	.055	1.23	265	.218	.169
	Incorrect		44	4.12	.130				
Burberry luxury factor	Correct	US	116	4.55	.064	-.07	195	.939	-.007
	Incorrect		81	4.55	.084				
	Correct	UK	172	3.92	.066	-1.3	273	.194	-1.42
	Incorrect		103	4.07	.088				
Zara luxury factor	Correct	US	77	3.08	.100	.256	199	.798	.032
	Incorrect		124	3.05	.076				
	Correct	UK	58	3.40	.104	-1.9	273	.05*	-.256
	Incorrect		217	3.66	.061				
H&M luxury factor	Correct	US & UK	80	2.46	.097				
	Incorrect		396	2.66	.044	-1.7	474	.079	-.191

***Significant at .000 level, * Significant at .05 level.

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