



Corso di Fondamenti di marketing internazionale a.a. 2022-2023 – modulo B

Lezione 4b – Country of Origin Effect

elena.cedrola@unimc.it

<http://docenti.unimc.it/docenti/elena-cedrola>

DIPARTIMENTO DI
ECONOMIA E DIRITTO

Prof.ssa Elena Cedrola
Ordinario di Economia e Gestione delle Imprese - Direttore Dipartimento di Economia e Diritto Unimc

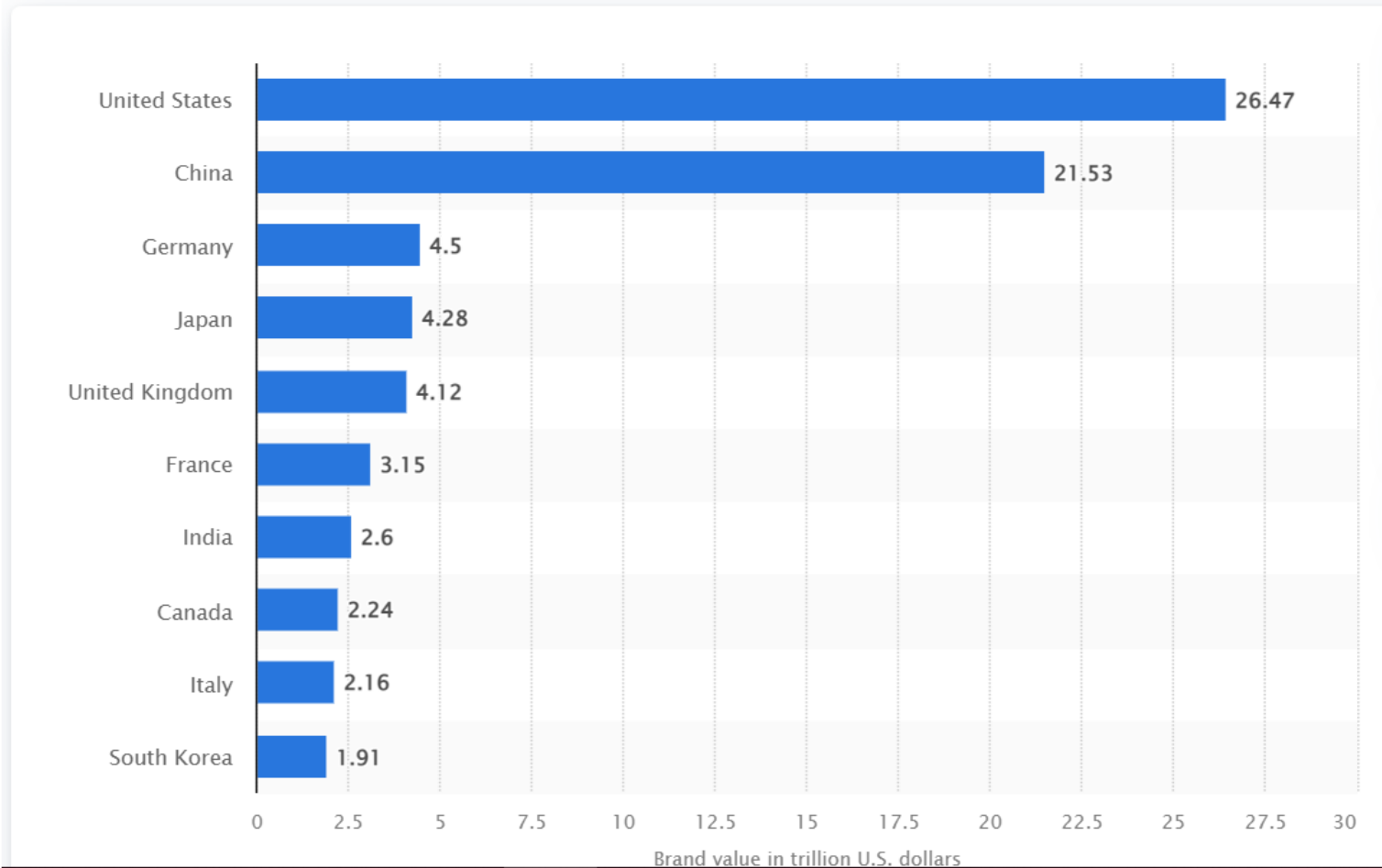
Country reputation, brand reputation and company reputation: their importance in business-to business industries

*“The brand **Made in Italy** is the third best known in the world, after Coca-Cola and Visa” (from the report Going Global of KPMG, 2011)*

<https://www.usnews.com/news/best-countries/rankings>

Most valuable nation brands worldwide in 2022

(in trillion U.S. dollars)



<https://www.statista.com/statistics/322423/most-valuable-nation-brands/>

BrandZ Top 30 Most Valuable Italian Brands

Rank 2021	Brand	Categoria	Brand Value 2021 (\$M USD)
1	Gucci	Lusso	33,838
2	Enel	Utilities	13,581
3	TIM	Telco	9,133
4	Kinder	Alimentare	8,946
5	Ferrari	Automotive	6,755
6	Prada	Lusso	3,974
7	Nutella	Alimentare	3,819
8	Fendi	Lusso	3,187
9	Ferrero Rocher	Alimentare	2,916
10	Eni	Energia	2,905

TOP 30 MOST VALUABLE ITALIAN BRANDS 2022

Rank	Brand	Brand Value (US\$ Mil.)	% Brand Value Change vs 2021	Category
1	GUCCI	37,887	12%	Luxury
2	ENEL	12,595	-7%	Utilities
3	KINDER	9,824	10%	Food and Beverages
4	TIM	8,876	-3%	Telecom Providers
5	FERRARI	8,336	23%	Cars
6	PRADA	5,642	42%	Luxury
7	FENDI	4,700	47%	Luxury
8	ENI	3,894	34%	Energy
9	NUTELLA	3,875	1%	Food and Beverages
10	GENERALI	3,246	22%	Insurance
11	FERRERO ROCHER	2,961	2%	Food and Beverages
12	BVLGARI	2,324	47%	Luxury
13	ARMANI	2,313	8%	Luxury
14	BOTTEGA VENETA	2,211	0%	Luxury
15	INTESA SANPAOLO	2,164	20%	Banks

Rank	Brand	Brand Value (US\$ Mil.)	% Brand Value Change vs 2021	Category
16	PIRELLI	1,684	26%	Tires
17	UNICREDIT	1,559	28%	Banks
18	FIAT	1,509	37%	Cars
19	WIND-TRE	1,407	-8%	Telecom Providers
20	APEROL	1,379	31%	Alcohol
21	A2A	1,322	32%	Utilities
22	SALVATORE FERRAGAMO	1,236	11%	Luxury
23	FASTWEB	1,215	13%	Telecom Providers
24	BARILLA	1,100	1%	Food and Beverages
25	LAVAZZA	1,047	8%	Food and Beverages
26	CAMPARI	951	29%	Alcohol
27	BANCA MEDIOLANUM	932	22%	Banks
28	VERSACE	843	N/A	Luxury
29	FINECO	836	15%	Banks
30	ESSELUNGA	798	13%	Retail

Definition of *Country of Origin Effect*

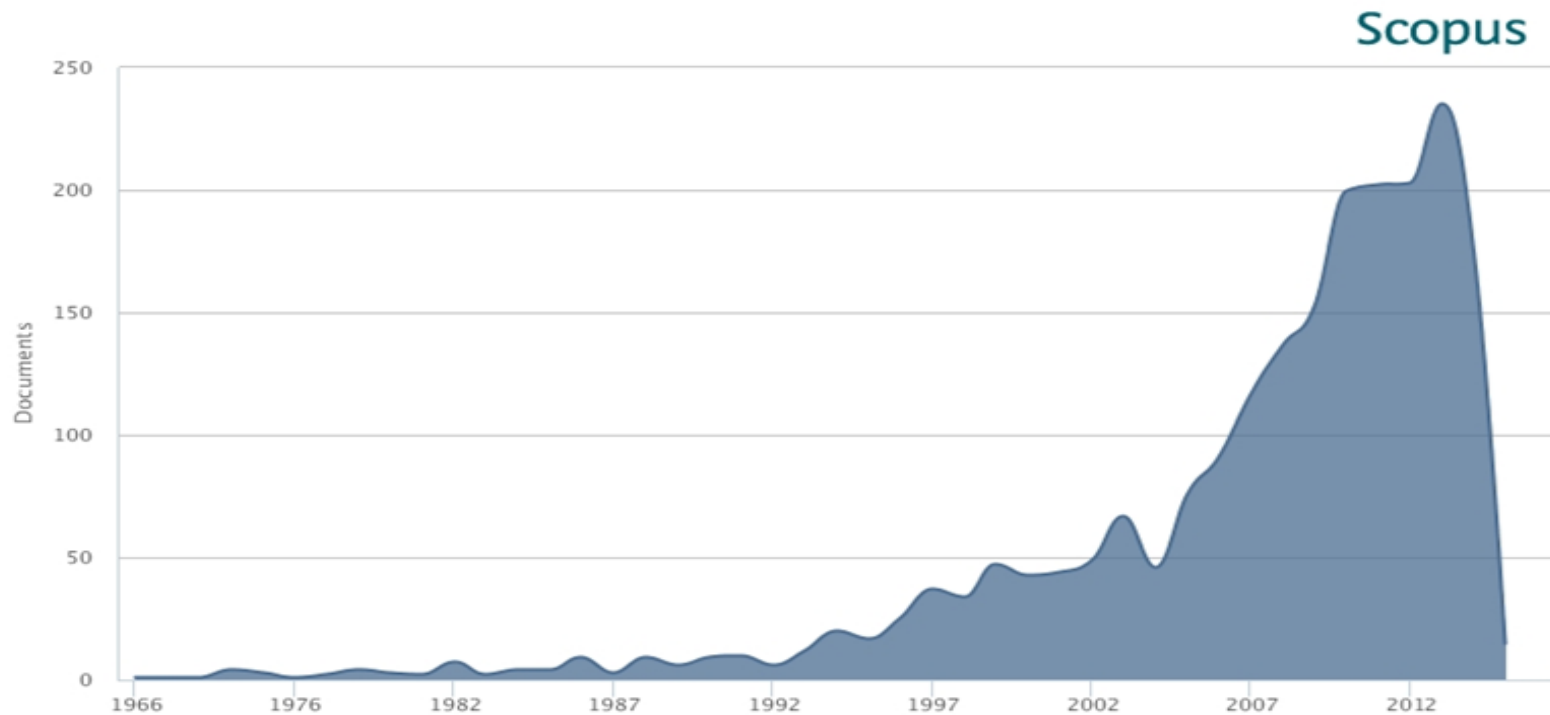
« The picture, the representation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions »

(A. Nagashima , 1970)

The Country of Origin Effect and the influence that the geographic origin of a product exerts on the choices and the purchasing behaviour of buyers

Country of Origin

One of the main topics studied in the literature on international marketing: 2131 articles since 1965



Copyright © 2015 Elsevier B.V. All rights reserved. Scopus® is a registered trademark of Elsevier B.V.

The literature on the Country of Origin Effect in short

- **Years '30 and '40:** national stereotypes and perceptions relating to foreign nations
- **Years '60 and '70:** investigated the existence of the COO effect and influence on the foreign exchange (Bilkey and Nes, 1982)
- **Years '80 and '90:** also investigated the characteristics of the product (Papadopoulos and Heslop, 1991)
- **Years 90' -> 2000:** focus empirical (Verlegh and Steenkamp, 1999 - Peterson and Jolibert, 1995 - Agrawa and Kamura, 1999 - Usunier and Lee, 2009)
 - consumers are influenced by more than one attribute of good
 - The COO has influence more marked in the early stages of the process of purchasing
 - the COO is often used to give a general value to a brand

The literature on the Country of Origin Effect in short

- **Recent literature:** the image of the country of origin can act, in specific circumstances, as an element of general evaluation of characteristics of the offer system (Giraldi, 2009).
 - COO can be divided into three elements: the
 - COM (country of manufacture)
 - the COD (country of design),
 - the COB (country of brand).
- Each of these meanings can have different meanings for different clients, products, and cultures (Aiello et al. , 2009).

The literature on the Country of Origin Effect in short

- **Recent literature:** the prospects of investigation can be summarized into three macro areas:
 - **Consumer/user** (Sharma and Shimp, 1987; Schaefer, 1997, Valdani, Bertoli, 2003)
 - Goods of high levels of involvement: (-) price, technology, design, quality
 - Experience in the product category: (-)
 - Socio-demographic characteristics: (-) income, level of education
 - **Product** (tradition of production) (Mainolfi, 2010)
the information on the country where the product is made influence perceptions and include a set of stereotypes that consumers incorporate in the decisions of choice of the product (not only quality)
 - **Brand** (Marino, Gallucci and Mainolfi, 2009)
A well known brand can overcome a negative effect of the country of production

COO and B2B

- The literature on the COO that deals with industrial markets is poor. Some authors argue that has little relief (Ahmed and D'Astous, 1995), because:
 - Professional buyers, know sector products and their characteristics
 - "Technical language" is universal and less subject to influences of culture country specific
 - In B2B the focus is the search for collaborative solutions that provide value in the long run

But ... stereotypes related to the country can affect the relationship between companies, in particular:

- The interaction
- The trust building
- The experimentation of skills/know-how
- The reputation

especially in the early stages of approach between the parties and in situations of high cultural distance between them.

Research questions

- Q1 Is the Country of Origin Effect (COE) also a significant phenomenon in industrial markets?
- Q2 What aspects are most relevant in the evaluation of the Country Image?
- Q3 How much importance is given to the Country of Manufacture (COM), Country of Design (COD), and country of Brand (COB) effects?
- Q4 Which elements most influence COE and how much it affects perceptions of the company's products and price?
- Q5 How important is the role of brand reputation, company reputation and country reputation in B2B markets, and what factors influence these?

Thematic research scheme

General company information

HQ location - Type of company - Prevailing sector

Position held by the respondent

Nr. of employees - Average turnover – Foreign turnover

Business operations on international markets

Geographical areas in which it is present

Reasons for internationalization

Important relationships for internationalization

Mode of presence in the markets

National and international supply chains

Marketing mix

Country of Origin effect

Importance of the COO effect and elements that compose it

Country of Manufacture, Country of Design, Country of Brand

Brand reputation and elements that influence it

Country reputation and elements that influence it

Company reputation and elements that influence it

Characteristics of the respondent enterprises

Selection of a group of 1,800 Italian companies operating in all industrial sectors and in at least one foreign market. Redemption: 5.5%

Italian Region	Companies %	Nr. of employees	Companies %	Turnover	Companies %
Campania	1.1%	1-15	33.0%	< 2 mil. €	23.4%
Emilia Romagna	14.9%	16-50	24.5%	2-10 mil. €	24.5%
Friuli Venezia Giulia	1.1%	51-100	17.0%	10-50 mil. €	30.9%
Lombardia	44.7%	101-250	10.6%	> 50 mil. €	19.1%
Marche	7.4%	>250	13.8%	ND	2.1%
Piemonte	7.4%	ND	1.1%		
Puglia	3.2%				
Toscana	7.4%				
Veneto	12.8%				

Characteristics of the respondent enterprises

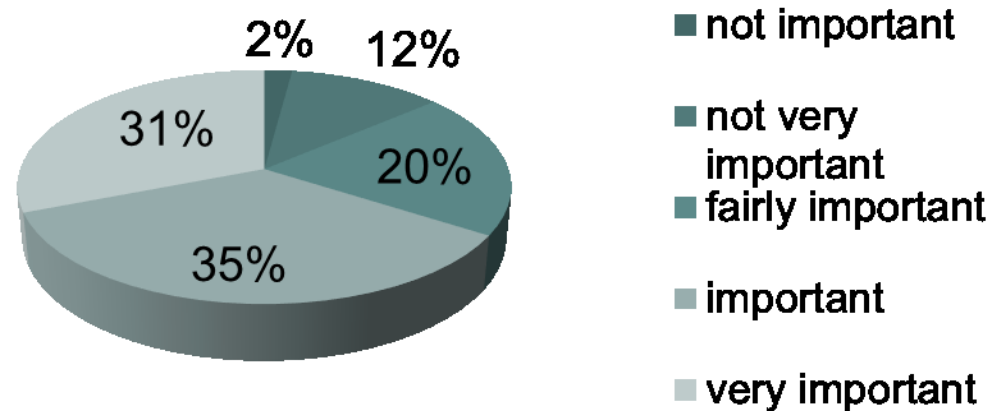
Industry	Companies %	Years of international operations	Companies %	Weight of foreign sales	Companies %
Mechanical	29%	0-5	12%	0%-25%	29.9%
Textile and clothing	23%	6-10	13%	26%-50%	16.1%
Electronics	12%	11-15	12%	51%-75%	27.6%
Furnishing	10%	16-20	9%	76%-100%	26.4%
Rubber and plastics	7%	21-25	7%		
Food and beverage	6%	26-30	12%		
Chemical	6%	>30	32%		
Others	3%	ND	4%		
Metallurgy	1%				
Services	1%				

Research questions

- Q1 Is the Country of Origin Effect (COE) also a significant phenomenon in industrial markets?
- Q2 What aspects are most relevant in the evaluation of the Country Image?
- Q3 How much importance is given to the Country of Manufacture (COM), Country of Design (COD), and country of Brand (COB) effects?
- Q4 Which elements most influence COE and how much it affects perceptions of the company's products and price?
- Q5 How important is the role of brand reputation, company reputation and country reputation in B2B markets, and what factors influence these?

Results

Q1 Is the Country of Origin Effect (COE) also a significant phenomenon in industrial markets?



The findings lead us to answer the question affirmatively. There are no significant differences attributed to the sector, company size (measured both in reference to the number of employees, that the turnover).

Results

Q2 What aspects are most relevant in the evaluation of the Country Image?

The opinion expressed by the respondents to the questionnaire is equally distributed in the different sectors.

	Not important	Not very important	Fairly important	Important and Very important
Cultural dimension	2%	18%	25%	24%
Political dimension	12%	41%	14%	13%
Economic dimension	3%	19%	22%	19%
Industry Tradition	1%	5%	16%	44%
Country System	5%	19%	19%	20%

Q3 How much importance is given to the Country of Manufacture (COM), Country of Design (COD), and country of Brand (COB) effects?

	Not important	Not very important	Fairly important	Important and Very important	ND
COM	1.1%	6.4%	17.0%	42.6%	1.1%
COD	4.3%	11.7%	24.5%	31.9%	2.1%
COB	2.1%	9.6%	25.5%	34.0%	2.1%

Brand reputation variables

	Not important	Not very important	Fairly important	Important	Very important	ND
Sector of belonging	4.3%	11.7%	28.7%	43.6%	8.5%	3.2%
Corporate mission and vision	2.1%	20.2%	27.7%	34.0%	12.8%	3.2%
Value of products to customers	0.0%	3.2%	10.6%	35.1%	45.7%	5.3%
Attention to design and aesthetics	2.1%	17.0%	22.3%	24.5%	30.9%	3.2%

Company reputation variables

	Not important	Not very important	Fairly important	Important	Very important	ND
Position of the company	1.1%	6.4%	37.2%	37.2%	17.0%	1.1%
Tradition of the company	0.0%	6.4%	26.6%	35.1%	30.9%	1.1%
Industry of belonging	0.0%	16.0%	31.9%	35.1%	14.9%	2.1%
Previous partnerships	10.6%	37.2%	28.7%	16.0%	5.3%	2.1%
Importance of the company in the territory	4.3%	24.5%	28.7%	29.8%	12.8%	--
Corporate mission and vision	2.1%	22.3%	27.7%	26.6%	20.2%	1.1%
Innovation and scientific research	4.3%	3.2%	17.0%	38.3%	37.2%	--

Country, brand and company reputation evaluation

	Not important	Not very important	Fairly important	Important	Very important	ND
Country Reputation	0.0%	12.8%	22.3%	44.7%	16.0%	4.3%
Brand Reputation	0.0%	6.4%	18.1%	41.5%	28.7%	5.3%
Company Reputation	0.0%	3.2%	12.8%	30.9%	48.9%	4.3%

Results

Q4. Which elements most influence COE and how much it affects perceptions of the company's products and price?

Cluster procedure

Which elements most influence COE?

- Sector of belonging
- Number of employees
- Turnover
- Level of importance in the evaluation of the image of the Country's cultural, political and economic aspects, industry tradition and Country system
- Level of importance in the evaluation of country image in terms of competitiveness, innovation, design, creativity, country industry reputation, workmanship, quality of services

Results

Q4. Which elements most influence COE and how does it affect perceptions of the company's products and price?

Cluster procedure

How much COE affects perceptions of the company's products and price?

- Industrial sector
- Number of employees
- Turnover
- Evaluation of importance of COE in the connotation of the product characteristics
- Evaluation of the importance of COE in the price definition

Which elements most influence COE?

First clustering

	Traditional	New entries
Nr. of companies	35	59
Size	small	medium to large
Turnover	up to €10 million	€ 10 to 50 million
Industries	textiles, clothing, furniture	mechanical, electronic, chemical, rubber and plastic
Cultural aspect	important	fairly important
Economic aspect	important	fairly important
Country system	important	fairly important
Industry tradition	very important	important
Design	very important	important
Creativeness	very important	important

How much COE affect perceptions of the company's products and price?

Second clustering

	Traditional	New entries	Commodity
Nr. of companies	34	41	19
Size	small	medium to large	medium
Turnover	up to €10 million	€ 10 to 50 million	€ 10 to 30 million
Industries	textiles	electronic	chemical, rubber and plastic
Impact of COO on product characteristics	very important	important	not very important

How much COE affect perceptions of the company's prices? Second clustering

It 'a common feature of the three clusters that the importance of the COO in the pricing of the products is not very high.

This means that, in general for all sectors, the Italian origin of the products justified only in part a plus price.

Results

Q5. How important is the role of brand reputation, company reputation and country reputation in B2B markets and what factors influence these?

Cluster procedure

First clustering – To evaluate the role of brand reputation and the elements that influence it

- Sector
- Number of employees
- Turnover
- Years of international operations
- Number of countries served
- The importance of brand reputation in the internationalization of the company and in the choice of business partners
- Factors influencing brand reputation in the industrial sector (sector, mission and vision, the value of the product to the customer, design).

Results

Q5. How important is the role of brand reputation, company reputation and country reputation in B2B markets and what factors influence these?

Cluster procedure

Second clustering – To evaluate the role of company reputation and the elements that affect it

- Sector
- Number of employees
- Turnover
- Years of international operations
- Number of countries served
- Elements that affect brand reputation (corporate positioning, company tradition, sector, previous partnerships, the importance of the enterprise in the region, mission and vision, innovation).

Results

Q5. How important is the role of brand reputation, company reputation and country reputation in B2B markets and what factors influence these?

Cluster procedure

Third clustering - To analyse jointly all aspects of reputation

- Sector
- Number of employees
- Turnover
- Years of international operations
- Number of countries served
- Level of importance of country, brand and company reputation.

To evaluate the role of brand reputation and the elements that influence it - First clustering

	Traditional	New entries	Commodity
Nr. of companies	7	67	20
Size	small and micro	ND	ND
Industries	textiles, clothing, furniture	mechanics, electronic, textiles, clothing	chemical, rubber and plastic, metallurgy
International operations	< 15 years	> 20 years	> 20 years
Nr. of countries served	30%	50%	30%
Brand reputation	at least fairly important	at least fairly important	at least fairly important

Common characteristics of all three groups:

- sector of belonging, company mission, vision and design are fairly important in influencing brand reputation
- the value of the product to the customer is an important attribute for all.

To evaluate the role of company reputation and the elements that affect it

- Second clustering

	Traditional	New entry	Commodity
Nr. of companies	34	41	19
Size	Small	Medium and large	Medium
Turnover	up to €10 million	€ 30 to 50 million	€ 10 to 30 million
Industries	textiles, clothing, furniture	mechanics, electronic	chemical, rubber and plastic
Nr. of countries served	30%	50%	--
Influence of the tradition of the company on company reputation	fairly important	important	fairly important
Influence of innovation on company reputation	very important	very important	important
Influence of scientific research on company reputation	very important	--	--

Common characteristic of all groups:

- previous partnerships are unimportant in influencing industrial sector company reputation.
- fairly important for members of all groups are positioning of the company, sector of belonging, the importance of the company in the region, mission and vision.

To evaluate jointly the aspects of reputation - Third clustering

	Traditional	New entries	Commodity
Nr. of companies	34	41	19
Size	small and medium	medium and large	small and medium
Turnover	€ 10 to 30 million	€ 30 to 50 million	up to €10 million
Industries	Textiles, clothing, furniture	Mechanics, electronic	Chemical, rubber and plastic
Nr. of countries served	30%	50%	--
Brand reputation	fairly important	important	fairly important
Company reputation	very important	very important	important

Common characteristics of the three groups :

- internationalization activity of more than 20 years
- attributing **average importance to country reputation.**

In China

- '80 (direct export)
- '90 (representative office in Beijing)
- 2003 WFOE in Beijing – production for China and the world
- 2005 WFOE in Tianjin
- 2006 Acquisition of a Chinese plant (5 at present)

COO effect (Made in Italy)

(Important + technology and value of products)

In the evaluation of the COO are important:

- competitiveness, innovation, design, creativity, reputation of the business sector in the country, manufacture, quality, pre/post sale
- **COM = very important COD = important COB = not important (reputation and brand group)**
- the COO is influenced by the maturity of the selling market, then by the sector of belonging and by the relationships
- the COO has influence on the price (imported product)

Country Reputation important

Brand Reputation important

Company Reputation very important

Industry	Mechanics(metals, mining, mineral sectors)
Foundation	1945 (MI)
Turnover (mil €)	1,500 millions €
% foreign turnover / total turnover	98%
Number of employees	4,849 (450 in China)

In China

- 2002 Agreement with a local distributor,
 - 2004 representative office in Beijing,
 - 2005 WFOE Shanghai production for China and Asia
- > closeness to the market for projects

COO Effect (Made in Italy) (Important)

In the evaluation of the COO are important:

- design, creativity, reputation and pre/post sales
- COM = very important COB = important COD = fairly important
- the COO is influenced by the maturity of the market
- The COO has influence on the price of products

Country Reputation fairly important

Brand Reputation very important

Company Reputation very important

IMPORTANCE OF THE RELATIONSHIPS - PUT THE FACE

Industry	Lightening
Founded	1959 (MC)
Turnover (mil €)	200 millions €
% foreign turnover / total turnover	70%
Number of employees	1,210 (200 in China)



In China

- 1998 agent in exclusive (he operates with its own company of 40 employees - offices in Tianjin, Shanghai, Guangzhou, Chengdu, Xi'an, Dalian, Qingdao, Taiyuan) no production in China

COO Effect (Made in Italy)

(Fairly important) -> made in Germany

In the evaluation of the COO are important:

- design, creativity, "the main problem is to make understand what is behind the Italian product: design, control, research"
- COM = important COB = fairly important COD = fairly important
- the COO is influenced by the stability of commercial relations (beginner market)
- THE COO has influence on the price in general, even if China customers do not understand why the price of the products Caleffi is higher

Country Reputation important

Brand Reputation very important

Company Reputation very important

Industry	Mechanics
Founded	1961 (NO)
Turnover (mil €)	241 millions €
% foreign turnover / total turnover	54%
Number of employees	1,023

In China

- '90 (direct export)
- 2006 WFOE Tianjin Production for China

COO Effect (Made in Italy)

In the evaluation of the COO are important:

- creativity, quality and pre/post-sale
- COM = COB = COD important
- the COO is influenced by established trade relations
- THE COO has influence on the characteristics of the product, a little on prices

Country Reputation important

Brand Reputation very important

Company Reputation important

Industry	Rubber and plastic processing
Founded	1850 (MI)
Turnover (mil €)	300 millions €
% foreign turnover / total turnover	51%
Number of employees	1,605 (180 in China)



In China

- 2007 WFOE in Beijing (Production) to be near the JV of international automobile manufacturers in China - >customization of products - Chinese clients in growth
- 2014 Acquisition by Vodafone Group -> Vodafone Automotive

COO Effect (Made in Italy) (Important)

in the evaluation of the COO are important:

- innovation, design, creativity, reputation country, processing, quality
- COB = COD important COM = fairly important
- the COO is influenced by the sector of belonging
- THE COO has influence on the characteristics of the product, a little on the price

Country Reputation not very important

Brand Reputation important

Company Reputation very important

Industry	Electronics
Fondazione	1975 (VA)
Fatturato (mil €)	145 millions €
% foreign turnover / total turnover	80%
Number of employees	851

In China

- 2005 WFOE (Shandong - for proximity to Chinese Clients) Production

COO Effect (Made in Italy) (Very important)

In the evaluation of the COO are important:

- production, quality, pre/post-sales, reputation
- COM = COB = COD important
- the COO is influenced by the sector of belonging
- in the industry the COO influence the characteristics of the product and greatly pricing ("the Germans always manage to obtain higher mark ups")

Country Reputation important

Brand Reputation important

Company Reputation very important

Industry	Mechanics
Founded	1910 (PN)
Turnover (mil €)	378 millions €
% foreign turnover / total turnover	99%
Number of employees	1400 (121 in China)

Conclusions

In the Chinese industrial market the 'Made in Italy' is recognized and appreciated, but is not enough important to say to be an Italian company. Italian firms must always demonstrate to be able to have unique technologies and high quality products, that create value for the customers.

The presence of the Italian firms in China are necessary not because of the need to deepen the study of the market, but even for the customers' requests of a pre and post sales assistance (continuous and accurate).

Being Italian is an added value recognized by Chinese customers that, however, ask for more and more customization, quality, technology, design and attention to the customer.

- Per lo studio
- Articolo COO