Country of origin for b2b brands: The views of various players

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Abstract

Country of origin has received a considerable amount of consideration from academics in the business to consumer markets but there has been less research to provide brand managers of industrial business to business (b2b) brands with insights to the intangible characteristic of COO. In an increasingly globalized society manufacturing is shifting towards lower cost centres than was the case in previous decades. This study is concerned with such an industry that predominately sourced products from UK manufacturers but where many products now come from Europe and Asia. This presents a wide choice of commodity type products and more specialized non-commodity type products to customers such as buyers or consulting engineers who may express a preference for or against a particular manufacturer. This study considers how COO may or may not be relevant as a consideration and if the perception of quality may be influenced by COO. Views held about COO differ between individual customers and organizations. In addition, ethnocentric views have also been identified as present in both customer groups but due to the scarcity of choice of UK product manufacturers this reduces the opportunity for these beliefs to be demonstrated, such as by switching to an alternative manufacturer.

Keywords: Country of origin, business to business (b2b) marketing, industrial ethnocentrism and quality perception.
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Introduction and the study’s focus

In is well recognised that we are living in a world where the international trade is everyday routine both for the business to consumer markets and the business to business markets. Looking around the world certain nations appear to be recognised for particular products.

A contribution to research on the perception that country of origin (COO) has on industrial buyers has been provided by several authors including Cattin et al. (1982), Kaynak and Kucukemiroglu (1992) and White and Cundiff (1978). Ahmed et al. (1994) considered COO effects on purchasing managers’ product perceptions and on what buyers think in a globalised environment. Ahmed et al. (1994) considered what issues can arise when products are designed in one or even multiple countries, but built in another and carry a brand from yet another country. The results of this study showed that although COO was a very important extrinsic cue, especially when judging quality in technically complex products, the country of design (COD) was even more important to managers making purchasing decisions, although the importance of price prevailed in non-complex products. The study also discussed that purchasing managers would be more willing to buy a product made in a developing country providing that it was designed initially in a developed country (Ahmed et al. 1994).

Yet further research has extended the issue of COO, and the sub-heading of COD to also include the country of assembly (COA), when considered in conjunction with the level of industrialisation (developed, newly industrialised, newly industrialising), in an Australian qualitative study by Dzever and Quester (1999). This study was concerned with the perception of Australian b2b buyers of component parts and equipment. The results showed that COO was important, but highlighted that although some demonstrated a good reputation for COD, they should not take it for granted that their target market would assume that they had a similar reputation for COA.

Whilst a greater understanding of COO is of interest and potentially of use to brand managers, managers should also be aware of research into the aspects related to the concept of ethnocentrism. Balabanis and Diamantopoulos (2004) discuss that an explanation of bias against foreign product and a preference for domestic product, known as domestic country bias (DCB) has been identified by Shimp and Sharma (1987), where the presence of a trait-like property of an individual’s personality exists. Balabanis and Diamantopoulos (2004) discuss that consumer ethnocentrism (CE) provides an explanation for individuals positively favouring local UK product rather than negatively rejecting foreign product. However, the level of CE differed across product categories and, by their own admission the results are regarded as weak (Balabanis and Diamantopoulos, 2004). This is of importance for this study because there does not appear to be any previous research in the industrial product market but also because a trait in an individual may have implications for the wider organisation and the stakeholders.

Another related area of research has considered tracing the implications of correct/incorrect identification of COO in terms of evaluation of a brand. Recently, Balabanis and Diamantopoulos
revealed that many consumers assign the wrong COO to brands. In one particular study, assigning the correct COO was as low as 18% for a range of UK electrical brands. Interestingly, females, older consumers and consumers with a low ethnocentric score were better at correctly identifying the correct COO. In cases where there is incorrect COO assigning, Balabanis and Diamantopoulos (2008) consider that, like Samiee et al. (2005) consumers either have limited recognition for brand origin or the brand is unworthy of retention. Similarly, it was suggested that the country of origin of production (COOP) was unimportant, explaining that if consumers were not aware of the COOP then this could not play a part in their decision-making process. Furthermore, Balabanis and Diamantopoulos (2008) did conclude that using COO as a dimension to promote or differentiate is not a useful dimension.

However, it is important to note that the information above is of general interest as it is orientated around consumer products and purchases. There is a lack of available research in terms of b2b buyers. Some of the research on the country of origin is focusing in the services industry (Turner & Gardiner, 2007; Ferguson, Dadzie & Johnston, 2008). When products are under investigation, the views the industrial buyers have about specific countries is examined and the respondents were managers working for companies who have purchased products from this countries without specifying their role in the buying process (Saghafi & Puig, 1997), or did not focus in one product category but in higher risk purchases and more routine purchases (Quester, Dzever & Chetty, 2000), or component parts and machine tools (Dzever & Quester, 1999). However, past findings suggest that the country of origin influence product quality perceptions (Quester, Dzever & Chetty, 2000), as well as workmanship, technical advancement and performance differences, and reliability differences (Saghafi & Puig, 1997). Researchers also looked into COO and COA in the b2b context (Dzever & Quester, 1999). Some of this research is somewhat dated. It is not investigating the views of managers working in different points in the same industry and it has not incorporated the concept of ethnocentrism. Further research in the area of trends in b2b buyers in the context of COO is required. As the context of this study is the industrial engineering b2b setting aspects of COO will be investigated.

This study is attempting to explore the manner that the country of origin and ethnocentrism is perceived by various players in the supply chain in terms of importance and the perceived characteristics of the brands that have been produced in different countries.

Methodology

This study is exploratory in nature and it was decided that the approach should in a qualitative manner (Hair et al. 2003). The industry chosen was in industrial engineering. Three groups or informants were approached: Manufacturers, specifiers and buyers. All of the manufacturers produce ranges of products that are interchangeable with other manufacturers competing products but also each manufacturer produces products that are more specialised which may only be used in conjunction with other products from the same manufacturer. Interviews were conducted with 16 participants including five manufacturers, five consulting engineers and six contractors.

An interview guide was prepared which facilitated a series of semi-structured interviews using a variety of open ended and closed questions. Depending on the response to the question, the
The interviewer could search for further clarification or additional support in respect to the response, or lack of response provided. This is consistent with the interpretivist paradigm approach (Collis and Hussey, 2009, p.58).

Consideration was given to the industry structure with regards to the aims and objectives of the research. Therefore, three different series of cards were developed for the three distinct groups of interviewees: Manufacturers, consulting engineers and buyers. The themes of the three cards were closely related, but adjusted, to reflect the different positions of the three groups within the industry and in order to encourage the interviewees to discuss any intangible characteristics that may be present from their perspectives.

Due to the interpretivist approach, some changes in the questions occurred to the interviews. This appears to have had the effect that subsequent interviews began to include more questions and probed some issues more deeply, but equally it should be said that some of the earlier interviews were shorter and some of the issues were not probed deeply enough. In addition, some participants provided an insight which initially was not picked up until the same or some related aspect was mentioned by a subsequent participant.

The interviewer has prior experience of the Industry and existing contacts proved useful to gain access to research interviewees, which has been mentioned by various sources as useful for qualitative research (Saunders et al. 2007, p. 168; Buchannan et al. 1988). It has been noted that bias, including that of the interviewer is a factor in qualitative research (Saunders et al. 2007). However, it was recognised that a balance of views from different organisations, where possible, to obtain more than one view from an organisation could reduce individual bias. In order to reduce individual bias-selection on the part of the researcher input was requested from different member employees within the organisation to identify a list of product manufacturers, consulting engineers and contractors. This list was refined down to include those consulting engineers and contractors who were members of well recognised trade bodies which are well respected within the industry, such as the Association of Consulting Engineers (ACE).

Next, is provided a short description of the procedure of gaining access to interviewees. An email was sent to 24 different people representing manufacturers, consulting engineers and contractors. The email explained that the interview would last less than one hour thereby clearly indicating what was required of them, as suggested by Robson (2002). Of the 24 people who were contacted by email only ten replied. All ten however indicated their willingness or agreement to assist with this research. This initial response equated to a response rate of 41%. The remaining fourteen who did not reply were issued a reminder, by email later in June 2009. Of those people who were re-contacted, a further four agreed to participate.

The methodological approach adopted in order to analyse the data was of an interpretivist, rather than a positivist approach, therefore non-quantifying methods were used (Collis and Hussey, 2009, p.166). Collis and Hussey (2009, p.169 and 170) point to a procedure devised from Miles and Huberman (1994) which is an analysis method for following interviews and the checking of transcripts. Such a method involves the following steps: (1) allocating a code to each variable which enables storing, retrieval and reorganising of data, then (2) grouping codes into categories according to patterns and themes that emerge and (3) updating and modifying existing codes accordingly (Collis and Hussey, 2009, p. 170).
Results

There were several aspects about country of origin that have been discussed by the participants. The first is country of origin with regards to industrial ethnocentrism and the second is with regards to country of origin and quality perception. These have been presented separately.

Country of origin and quality perception

As manufacturing has sought lower cost centres, this has presented challenges for manufacturers who aim to retain the perception of quality, or as one described it as “sureness”. M2-1 said, ‘Maybe five years ago if you said a product was coming from China it was kind of perceived as being of a lower quality.’ Another, M1-2 spoke of the challenge of splitting the COO of what he regarded as commodity and non-commodity products, ‘However there is some concern both about ensuring quality and keeping what is regarded as higher value non-commodity products in the UK...We’re not putting away the more complex - we’re not sending overseas the more complex [products] ... because we want to ensure that... they do go through a thorough testing process as they’re assembled,...individually tested and we want to retain...that sureness...and it will do the job on site straight away without a shadow of a doubt.’ Competing Manufactures, whose centres for manufacturing are geographically closer to UK customers, use COO as a sales tool to plant doubt in the minds of customers. M4-1 suggested hesitantly, ‘Yeah a few...have had, “bad experiences” of ... [the] Far East.’

In broad terms there is nothing significant that the consulting engineers suggested that highlighted that quality was a concern because of COO and this is largely because of British Standard (BS) or European Standards (EN) that manufacturers must comply with. For example, CE2-1 said, ‘Now that may vary depending on ... you know the specifications there, they all comply with the same British standards and European standards that are needed.’ A slightly different perspective was offered by CE1-2 who suggested that when specifying a manufacturer that the quality can be inferred in a name of a company but this can be influenced by COO, ‘they’re quite happy for consultants to mention a particular name because...it actually states the quality that you’re looking for and if someone came up with a product - a much inferior product made in Taiwan for instance or China – then that wouldn’t be equivalent.’

Opinion among contractors seemed to be resolved to accepting goods from abroad if the quality is good. A marker of quality is regarded as meeting a BS no. C1-1, ‘Well, I suppose Europe's all one now. I would like to have thought that we can do something that was made in Britain...but...commercially it's just not viable nowadays. But, it needs to be of a good quality anyway and it needs to be BS approved.’ C1-2 noted, ‘As long as the quality's good.’ A buyer C4-1 said, ‘I wouldn't say that the country of origin is important as long as the product is of decent quality at the end of the day and matches up to the [consulting engineers] specification.’ However, contractors may not be convinced. C4-2 stated that, ‘If you’re asking me if [products that were made in Britain] would be important to me, yes I think that came across...but I don't think for one minute that they'd be totally produced in this country anymore. I also think the M1
cast iron product was a finer casting a few years ago than it is known [for] which makes you think, “okay, this is made somewhere else?” The issue of COO as described by C4-2 is that he sees the tangible finish of the product casting to have changed because the casting (the product body) is no longer made in the UK but now made abroad. So, when he holds a product in his hands he feels and sees that it is different to what he has been familiar with for most of his 64 years of work. An intangible element was noted in the emotion of his response as feeling and seeing a different finish of casting. C4-2 stated, ‘I mean we're talking about what are supposed to be British companies, but you'll probably find that the castings are made in France, or Germany.’ However, his speculation is incorrect, as the products are now made in China.

In summary, manufacturers have had to meet the challenge of remaining competitive while providing good quality products. Different manufacturers have responded, by relocating to less expensive regions of Europe or Asia. However, some manufacturing or at least specialist assembly has been retained in the UK, by two of the four companies, but manufacturers do not appear to highlight the COO in this instance as a selling point, possibly because customers will ask, “where do they make the rest of the product”? As stated before, none of the manufactures explicitly advertised COO. Consulting engineers on the other hand rely on BS or EN standards to provide a benchmark for quality. The response by contractors to COO and quality was mixed but as also stated earlier many accept that product produced from UK factories is something from the past. Like consulting engineers, they use BE and EN standards to provide a benchmark, but understandably the products have to meet the consulting engineers specification. In general, so long as their perception was that the product is of good quality and it meets all relevant standards and specification then they would purchase a product that was made abroad.

Country of origin and industrial ethnocentrism

Most manufacturers claim that COO is not that important. For example, when asked if COO was important M3-1 said, ‘Probably not. Urm, probably not as much as it used to be.” M1-2 commented, ‘We've had issues where it's important to customers...You know it can be an issue where it comes from.’ M3-1 and M4-1 stated that customers couldn’t source products that are made in Britain, suggesting the reason that production has moved to less expensive regions or countries. M1-1 and M1-2 generally concurred with this, although they still have limited UK production. Most manufacturers now produce most of their products abroad. M1-1 said, ‘I think people understand the way the market's gone in recent years and where people get products manufactured. I wouldn't think that there's too many get 100% of their products manufactured in the UK’. Of the manufactures interviewed all produce products abroad, albeit two of the manufactures retain a very small manufacturing base in the UK. Interestingly, none of the manufactures explicitly advertised the country of origin that their products were made in.

The views of individual consulting engineers seemed to differ on COO and industrial ethnocentrism. However CE1-1 states the matter bluntly, ‘If M3 had come in and said, “We would like if you could give us some consideration in using our products and they are manufactured in Stoke-on-Trent, instead of saying that they are manufactured in Holland or Belgium, then they would have had a better chance.” Others seem to suggest a more pragmatic approach, such as CE1-2 and CE2-1. CE2-1 said, ‘I would have said maybe again 15, 20 years ago there was this thing that British built was good... I don’t want to be too philosophical about
it...we don't have the steel mills, the foundries that products were manufactured in once before.’ However, he countered this statement by adding, ‘Maybe some of the Far Eastern countries I would be wary of the standards...That may be a bit prejudice or something.’ However, CE1-2 explains that forces were at work, including legislative forces, and these have facilitated the introduction of foreign goods. ‘There are European directives for ... and ur it’s getting ridiculous.... So, I think the legislation has put the fear of god into a lot of people...you can mention a manufacturer or equivalent [in a written specification], and if there’s an equivalent one from Germany, or France...then you can’t have any objection to that.’ A pro-European view, which is unlikely to have contained industrial ethnocentric characteristics, was expressed by CE3-1 who said, ‘I don’t think [COO is] important. I think sometimes you just find that European companies tend to be a bit more enthusiastic about changing whereas British companies tend to stick with the same stuff all the time - like not all the time - but they're very well it works, why change it sort-of thing?’ There appeared to be some degree of hedging in this answer, with the use of ‘like not all the time’ and ‘sort-of’. The views expressed by consulting engineers varied, from expressing a clear preference for UK products, at the expense of products from abroad, to mildly accepting that products do come from abroad, to pro-European.

However, industrial ethnocentrism also exists at a contractor level. C3-1 (who acknowledged that they bought a lot of M3 products which are made abroad) stated, ‘I don’t know where these products are manufactured, that is always a bit opaque...but if it was made clear that two were manufactured In Taiwan and one was manufactured in Britain, I think that it would have an effect...[in opting for] the British one, Yes.’ Similarly C4-2 expressed a preference for a British product. However, opinion among the majority of contractors seemed to be that of accepting goods from abroad rather than adopting an ethnocentric approach; C1-2 speculated on the COO of four manufacturers, and named three incorrectly, stating, ‘But again that's telling you that I'm not really that bothered where they come from.’ Such a perspective tends to suggest that industrial ethnocentric views are not present in this individual.

In summary, a preference does exist by some consulting engineers and contractors to favour British products in lieu of foreign products, as generally noted by CE1-1, CE1-2, and C4-3. However, as stated by product manufacturers, the majority of manufacturing is now undertaken abroad such as in Europe and the Far East. It would appear that because very few products are made in the UK or at least only limited amounts of more specialised products are produced in the UK that despite some customers having industrial ethnocentric characteristics, customers have limited choice other than to specify / buy products from abroad. As a consequence they are unable to demonstrate their industrial ethnocentric beliefs by exercising a preference for UK COO products through specifying / buying UK COO products. Over time, consulting engineers and contractors identify specifying / buying foreign products as the norm, albeit some with degrees of reluctance. One way in which this reluctance is manifested is through the preference for a manufacturer who either once had a UK manufacturing base. Customers seem to cling onto the idea that the COO is still the UK even though they probably recognise production is abroad, however some customers do not demonstrate knowledge of awareness of actual COO. Manufacturers may not make customers explicitly aware of the actual COO. In balance however many customers are not that concerned about COO. CE5-1, C1-1, C1-2, CE3-1 and C4-1 all participate in buying products from abroad and some express a strong preference for a non-UK product.
Conclusions and Limitations

In terms of COO, manufacturers appear to consider that COO may have some effect on their customer’s views about their products. Consequently those companies who once manufactured in the UK and now produce product in less expensive regions do not explicitly indicate the new COO to their customers. However, customers engage in the search for signals such as BS or EN standards as an indication of quality and consequently in many cases where the product meets with the appropriate standard(s) then the COO is not significant. Never-the-less customers in the course of physical inspection and handling of the product can feel and see physical differences in the quality of finish due to (a change of) COO which has intangible emotional response. Furthermore, there is data to suggest that industrial ethnocentric views are held by some customers who have stated that products from one country (or region) are preferred to products from another. Despite a lack of clarity about the correct COO some customers expressed a clear preference for products manufactured in the UK, but given the almost minimal level of manufacturing output of these products (by comparison to previous decades) this cannot be expressed through switching to an alternative. As a consequence customers cling on to the notion of buying a manufacturers product that was once recognised as having been produced in the UK. In other instances the demographic profile of the customer may influence consideration or preference to alternative manufacturers, such as from Europe, where the product range may be seen as more innovative.

The research is based around one product category – industrial products sold in the UK of one particular market. Other than consulting engineers, the study did not include design team members. The investigation is focusing on only one product category and only two customer groups (consulting engineers and buyers), and it may not be possible to usefully extrapolate the findings and conclusions to other products, markets, sectors, or b2b environments and to other customer groups.

Of the participants who represented the manufacturers, four out of five work in sales positions. Therefore the views expressed by the manufacturers as a whole may generally reflect a sales perspective rather than for example an operations perspective.

Finally, although attempts are made to reduce interviewer bias such as through the use of external assistance with transcripts and analysis and the like, bias cannot be removed entirely. This is a notable feature of qualitative analysis and does not necessarily limit the research but it is something that must be taken into consideration because, in essence, one person’s interpretation, using a small sample size can not, and should not, be considered representative of the entire market.

Further research may attempt to overcome all the above issues and it could use a more quantitative approach to examine and compare the role of the country of origin in the b2b market, as perceived from various players in one industry.
References


